

Comprehensive Annual Financial Report City of Grosse Pointe Farms, Michigan For the Fiscal Year Ended June 30, 2014

City Council

James C. Farquhar - Mayor

Therese Joseph

Joe Ricci

Louis Theros

Peter W. Waldmeir

Martin West

Lev Wood

Shane L. Reeside - City Manager

John M. Lamerato - City Controller/Treasurer

Audit Committee

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Prepared by the City's Finance Department

City of Grosse Pointe Farms, Michigan

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Introductory Section



City of Grosse Pointe Farms

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24 November, 2014

To The Honorable Mayor and City Council
City of Grosse Pointe Farms
Grosse Pointe Farms, Michigan 48236

With this letter, we transmit the City of Grosse Pointe Farms' Comprehensive Annual Financial Report (CAFR) for the fiscal year which ended June 30, 2014. These statements are in compliance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. This transmittal letter is designed to complement the Management's Discussion and Analysis (MD&A) section of this report and should be used in conjunction with it. The MD&A immediately follows the report of the independent auditors.

The financial statements have been prepared by the City Controller's Department for the purpose of disclosing the City's financial condition to its residents, elected officials, and other interested parties. Management assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

The City of Grosse Pointe Farms' financial statements have been audited by Plante & Moran, PLLC. The purpose of an independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The audit concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Grosse Pointe Farms' financial statements for the year ended June 30, 2014 are fairly presented in conformity with GAAP. Plante & Moran, PLLC's report is presented as the first component of the financial section of this report.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter and the City's organizational chart. The financial section includes the basic financial statements and the combining and individual fund financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all funds of the City. The City provides a full range of services including police and fire protection, sanitation services, recreational activities, parks, construction and maintenance of streets and infrastructures, and the operation of a water utility system.

ECONOMIC CONDITION & OUTLOOK

The City of Grosse Pointe Farms is an affluent, suburban community located in the northeast corner of Wayne County and nestled among its four Grosse Pointe neighbors between the City of Detroit on its west and Lake St. Clair on its east. Its population of 9,479 is distributed among almost 3,950 households, having a median household income of \$107,264 and an average per capita income of \$59,910. The average value of an owner-occupied residence in the City is \$355,500. The labor force is composed largely of managerial and professional personnel, of which over 60% has a graduate or a post graduate degree. The unemployment rate among Farms' residents is considerably lower than the rest of the region.

The City is ideally situated in relation to major transportation routes, including I-94 and I-696. Its location along Lake St. Clair provides a scenic and recreational asset of indeterminable value. The reputation for excellence of the Grosse Pointe Public School System is widely recognized and draws families to the community. But more importantly, the City itself is committed to preserving and enhancing the viability of the community, its history and heritage, the quality of its housing stock, the repair and replacement of its infrastructure, the safety and welfare of its citizens and visitors, the aesthetics of its environs, the provision of cost-efficient services, and the special enhancements that make a city a community.

Approximately six percent of the City's total revenues come from sales tax that is collected by the State and shared with local units of government. The distribution has stopped declining due to increases in statewide collections of state taxes, but is still far below the amount received at the high point in 2002. The City continues to take a conservative approach in estimating the revenue source. Grosse Pointe Farms' reliance on state-shared revenue is a relatively small portion of the City's budget.

The residential tax base makes up almost 94% of the tax roll or 73% of the City's total revenue. During the last half of last fiscal year and continuing through this fiscal year there has been a marked improvement in residential property values and a corresponding shorter time that homes are on the market. For the fiscal year 2014, about 2% of the properties have a taxable value below the SEV. For these properties, the City will only have the ability to raise the taxable value by the Headlee rate of inflation. Under State Law, the City does have the ability to levy an additional .9176 mills for general operations.

In conclusion, the economic outlook for the City of Grosse Pointe Farms continues to be better than most cities in the State of Michigan. The City has maintained a strong financial position as a result of cost cutting measures, consolidating services with surrounding communities and management's prudent budgeting practices. It should be noted that the City has seen an end to the downward trend in home values beginning in 2013, which translates to increases in property tax revenue. This is significant for the City, since over 73% of the City's General Fund revenue comes from this source.

MAJOR INITIATIVES

The City continues to strive to provide excellence in service levels in a cost efficient manner. The following are among the significant initiatives taken on by the City and partnerships with the private sector during the past fiscal year:

Investment in Infrastructure

After the completion of \$4.5 million in improvements to the Kerby Road Sewage Pumping Station in 2013, the City is now embarking on a complete inventory and mapping of the City's combined storm and sanitary sewer system. As part of this project, the City will clean and televise critical sewers and make assessment for long-term operation, maintenance and capital improvement needs. At a cost of almost \$500,000, this project has been made possible through the award of SAW grant from the Michigan Department of Environmental Quality (MDEQ), which will cover 90% of the associated expenses.

Following up on needed sewer repairs, the City has continued lining sewers identified as having structural issues. The City was awarded State Revolving Funds (SRF) for the lining of sewers to be completed next fiscal year.

The City continues an aggressive road repaving program, having repaved an additional 2.5 miles of roads this year. This is part of more than \$2 million that has been spent on roads in the past five years. The City has also approved a 10% match (80% federal and 10% County) for the repaving of over one mile of Mack Avenue. In summary, the City has been successful in maintaining City streets without going to the electorate as has been required by surrounding communities.

The Kercheval (The Hill) and Mack Avenue Business Districts

The City's two major business districts on Kercheval and Mack Ave. continue to thrive. Though the districts make up a small part of the community in terms of geography, they are vitally important to the quality of life our residents enjoy. The Hill has seen a metamorphosis of new buildings and expansions. This has continued with the approval of the addition of an upscale office building and the expansion of an award winning restaurant. Both are scheduled to be completed next year. However, the most significant investment associated with "the Hill" is a \$16 million conversion of the second and third floor of Cottage Hospital to senior housing. Construction has begun on the approximately 100 unit facility that will be operated by American House. The facility will provide residents with another option to stay in the community during their later years. It is also an adaptive reuse of a historically significant building that, for the first time, will bring in property taxes.

Mack Avenue enjoys a very high occupancy rate and is anchored by a seven acre oasis of City-owned green space and recreation area at the corner of Mack Avenue and Moross. In May of this year, the site saw the opening of an expanded one acre Dog Park. At the center of the rolling green space is an agility area for canines, surrounded by benches with an enclosed copper roofed gazebo to provide dog owners shelter during inclement weather. The site is complete with ornamental fencing, landscaping and lighting. This project was made possible through a \$200,000 donation from the Grosse Pointe Farms Foundation - a nonprofit corporation with the mission of "providing private support for public good".

Fiscal Stability

An important initiative for any fiscal year is securing and protecting the City's total fund balance position, while addressing current and future capital outlay requirements. The City has continued to meet this objective. In 2014, the City transferred \$604,470 of the current year's general fund budget to fund capital projects. This was accomplished while increasing the unassigned fund balance to \$3,692,523 or 28.3% of the 2015 general fund balance.

Other than personnel, the City's second largest expense is the legacy costs associated with employee pensions and post-retirement healthcare costs. Due to investment returns exceeding actuarial assumptions, both the General Employee and Public Safety Retirement Systems saw an increase in funding levels (89% and 108% respectively). This resulted in a reduced required pension contribution by the City. Rather than using the reduction for general operating costs, the City has made a corresponding additional contribution in the 2015 budget to fund post-retirement healthcare costs in the amount of \$300,000.

It should also be noted that over the past several years, the general employee pension plan has been closed to all new employees in favor of a defined contribution plan. The Public Safety plan has been modified to reduce retirement benefits for new employees. Furthermore, all new hires will not be eligible for a post-retirement health care plan. Instead, new employees and the City are contributing annually to a Health Savings Account (HSA), which will be available for healthcare needs upon retirements.

Combined with excellent schools, public safety and city services, it is believed the initiatives undertaken by the City position Grosse Pointe Farms as one of the premier communities in the County.

For the Future:

The City will be embarking on a major water main replacement program next fiscal year. City Council has approved the intent to issue \$3.5 million in general obligation bonds to replace mains that have been identified as in need of replacement due to age, frequency of main breaks or inadequate flow.

Public Safety and Collaboration

Funding continues to provide Public Safety with the necessary staffing and equipment to keep the community safe. Initiated this year, the Public Safety Department has established its first K-9 unit. The police dog will not only be a public relations tool, it will be an active member of the police force. This program was privately funded through a donation from a philanthropic resident. \$75,000 was contributed for the initial startup of the program (including funding for a K-9 vehicle), with an additional \$137,000 pledged over the next 5 years. As this dog will be utilized by the other Grosse Pointe Community through mutual aid, the other Grosse Pointe communities will be contributing an additional annual stipend to cover overtime costs associated with the handler.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurances that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls

The object of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General, Special Revenue, Capital Projects, and Debt Service Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Long-term Financial Planning

The City's management style integrated long-term considerations into the day-to-day decision-making processes.

Management has been evaluating staffing levels in accordance with departmental needs. Operations have been evaluated and through training and technological advances, efficiency gains have allowed the City to pare back full-time staff mostly through attrition and, if necessary, replaced with part-time staff. Personnel costs are typically the highest cost center of any municipality, and management will continue to evaluate staffing levels annually.

The Public Service department annually assesses road conditions and prioritizes future repair work in coordination with the water department for below ground repairs/replacement. Then, both departments consult with the finance department for available funding for both short and long-term projects.

The City continues to aggressively seek and secure outside resources to match internal sources to finance infrastructure evaluation and construction.

General Government Functions

The following schedule presents a summary of all governmental fund type revenues for the fiscal year ended June 30, 2014 and the amount of percentage of increases and decreases in relation to prior year revenues.

<u>Revenue Source</u>	<u>FY 2014 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2013</u>	<u>Percent of Increase (Decrease)</u>
Property Taxes	\$9,344,347	67.71%	\$106,105	1.15%
Licenses and Permits	602,308	4.36%	202,898	50.80%
Federal Sources	57,847	.42%	48,165	497.47%
State Sources	1,337,381	9.69%	36,145	2.78%
Charges for Services	1,427,017	10.34%	9,906	.70%
Fines and Forfeitures	354,391	2.57%	396	.11%
Interest	114,280	.83%	57,823	102.42%
Other	<u>563,198</u>	<u>4.08%</u>	<u>401,481</u>	<u>248.26%</u>
Total	<u><u>\$13,800,769</u></u>	<u><u>100.00%</u></u>	<u><u>\$862,919</u></u>	

The City experienced a 1.00% increase in taxable value city-wide compared to a 3.05% decrease the previous fiscal year and levied 14.00 mills the same as in FY 2013, resulting in the increase in property tax revenue. Building permit revenue increased for the third consecutive year by approximately \$203,000, accounting for the overall increase in licenses and permits, coupled with an increase in new home permits and a new assisted living facility. Federal block grant monies in the amount of \$49,904 were received in FY 2014. State source revenue increased due to a slight increase in state shared revenue and state highway funds. Short-term interest rates have stabilized, with overnight rates dropping below .10%. Longer-term (1-4 years) rates have stabilized as well. Thus, the City's strategy is to maximize the return on investments by purchasing issues maturing from three to five years, as well as longer term investments that have 'step-up' provisions in the rate of return.

The following schedule presents a summary of all governmental fund type expenditures for the fiscal year ended June 30, 2014 and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>FY 2014 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2013</u>	<u>Percent of Increase (Decrease)</u>
General Government	\$1,337,510	9.59%	\$(31,489)	(2.30)%
Public Safety	4,410,846	31.63%	41,230	.94%
Public Works	2,251,427	16.15%	37,100	1.68%
Municipal Court	244,844	1.76%	(1,177)	(.48)%
Recreation and Culture	1,164,964	8.35%	26,690	2.34%
Community and Economic Development	49,899	.36%	49,899	100.00%
Other	2,639,316	18.93%	85,140	3.33%
Capital Outlay	1,305,809	9.36%	115,876	9.74%
Debt Service	<u>539,358</u>	<u>3.87%</u>	<u>61,033</u>	12.76%
Total	<u>\$13,943,973</u>	<u>100.00%</u>	<u>\$384,302</u>	

Recreation and Culture expenditures increased due to repairs and maintenance of the harbor. Capital Outlay projects included the purchase of Public Safety vehicles, the installation of LED lights replacing older street lights, the construction of a new dog park and the expenditure of \$631,000 in road resurfacing projects.

General Fund Balance

The total fund balance of the General Fund increased \$114,583, to \$5,052,087. A total of \$213,574 was reserved for inventories, long term receivables and prepaid items, \$845,990 was committed for parking, harbor and health insurance, and \$300,000 was assigned for subsequent year's expenditures, leaving an unassigned fund balance of \$3,692,523.

Enterprise Operations

The City operates its own water supply and sewage pumping system. The operating revenue of the Water and Sewer Fund amounted to \$6,005,058, which is an increase of \$320,984 from the preceding year. During the same period, operating expenses, excluding depreciation, were \$5,392,442. After providing

for depreciation and non-operating revenues and expenses, the system experienced a positive change in net position \$351,917.

Pension Trust Fund Operations

The operations of the Public Safety Officers and General Employees' Retirement Systems posted a return on investments of approximately 17.3%. The systems' reserves increased \$5,277,717 (PSRS) and \$3,084,483 (GERS), respectively. The annual actuarial valuation is strong, as the funding level for PSRS is approximately 108% and 89% for GERS.

Debt Administration

At June 30, 2014, the City had \$15,588,734 of general obligation debt outstanding, which is also the net direct tax-supported debt. This is the equivalent of \$1,645 per capita and represents about 2.2 percent of the City's taxable valuation. Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10 percent of total equalized value of real and personal property. As of June 30, 2014, the City's general obligation bonded debt was well below the legal limit of \$70,648,810.

Financial Policies

The City continues to allow the pool of surplus funds to be invested over a longer duration than most municipalities. Note 4 of the CAFR shows that the Weighted Average Maturity of the U.S. Obligations is 10.85 years. However, many of the U.S. Obligations have 'step-up' provisions in their interest rate structures, and thus a reduced interest rate risk to the portfolio. This strategy has helped support the City's financial position with higher rates of return.

OTHER INFORMATION

Independent Audit

The City Charter and state statutes require an annual audit of all accounts of the City by certified public accountants. The accounting firm of Plante & Moran, PLLC was selected by the City Council. The auditor's report on the basic financial statements and combining and individual fund financial statements is included in the financial section of this report.

Certificate of Achievement

The Government Finance Officer's Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grosse Pointe Farms for its comprehensive annual financial report for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Grosse Pointe Farms has received a Certificate for the last 21 consecutive years (fiscal years 1993-2013). We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the accounting staff as well as various employees throughout the City. Our sincere appreciation is expressed to each of them as well as to the City Council for their consistent support throughout the year in matters pertaining to the financial affairs of the City.

Respectfully submitted,

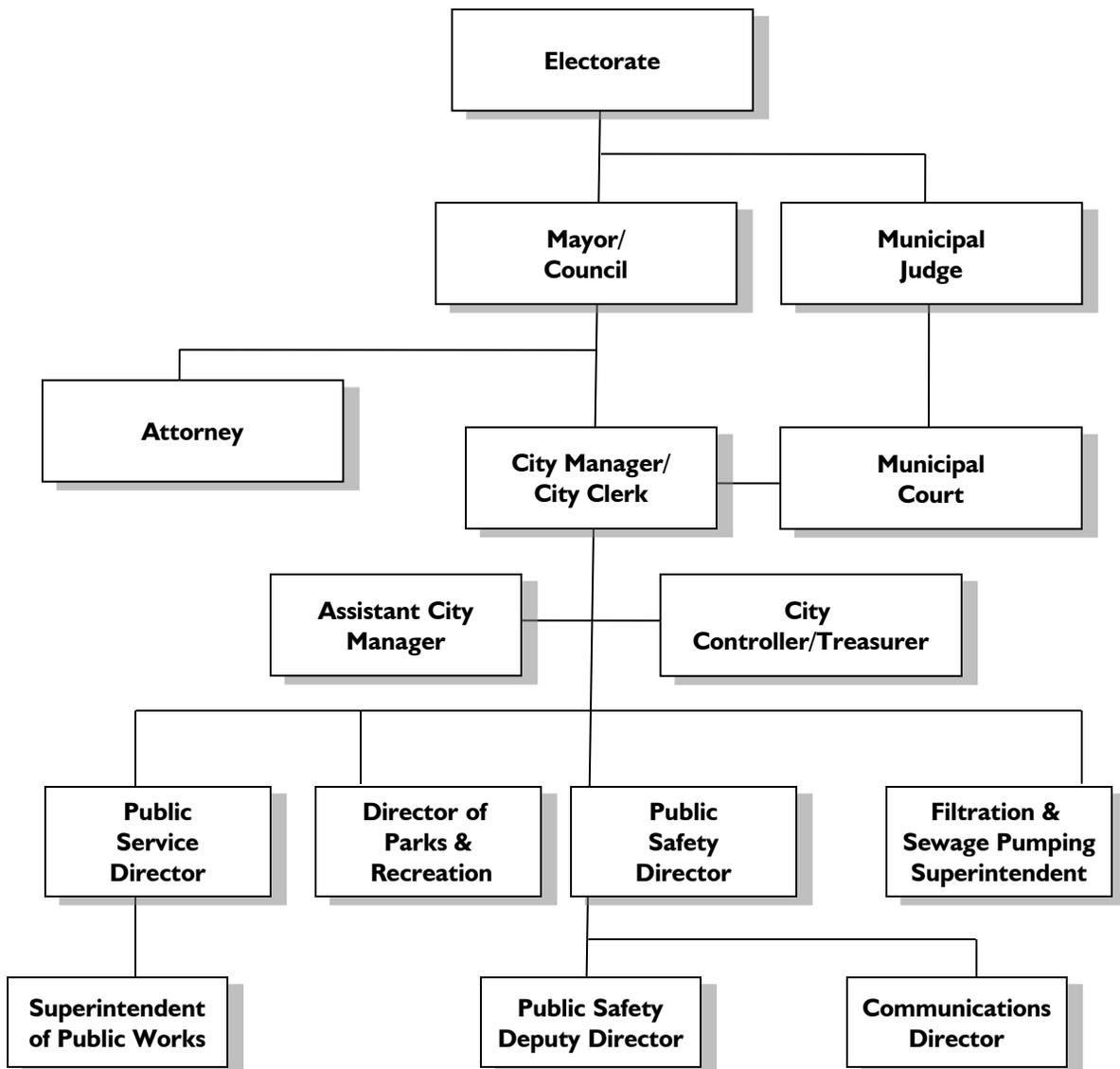

Shane L. Reeside
City Manager


John M. Lamerato
City Controller/Treasurer

City of Grosse Pointe Farms

June 30, 2014

Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Grosse Pointe Farms
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Financial Section

Independent Auditor's Report

To the City Council
City of Grosse Pointe Farms, 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 City of Grosse Pointe Farms, Michigan (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Grosse Pointe Farms, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the City Council
City of Grosse Pointe Farms, Michigan

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Farms, Michigan as of June 30, 2014 and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, in 2014, the City adopted new accounting guidance of GASB No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred inflows and outflows of resources, certain items that were previously reported as assets and liabilities. Our opinion is not modified with respect to this matter.

Also as discussed in Note 2 to the basic financial statements, in 2014, the City adopted the new accounting guidance of GASB No. 67, *Financial Reporting for Pension Plans*, which established standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer and certain nonemployer contributing entities, about which information is required to be disclosed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress, investment returns, changes in the City's net pension liability and related ratios, and City contributions, retiree healthcare system schedules of funding progress and employer contributions, and the major fund budgetary comparison 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, which 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 supplemental 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.

To the City Council
City of Grosse Pointe Farms, Michigan

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe Farms, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates 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 other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section, as identified in the table of contents, have 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 them.

Plante & Morse, PLLC

November 24, 2014

City of Grosse Pointe Farms, Michigan

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City of Grosse Pointe Farms (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.

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 City's operations in more detail than the government-wide financial statements. 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 of the government.

The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2014 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets	\$ 7,013	\$ 6,942	\$ 1,761	\$ 1,884	\$ 8,774	\$ 8,826
Noncurrent assets	1,017	1,086	(984)	(840)	33	246
Capital assets	20,344	20,314	21,770	22,228	42,114	42,542
Total assets	28,374	28,342	22,547	23,272	50,921	51,614
Deferred Inflows of Resources -						
Deferred charges on bond refunding	36	-	74	-	110	-
Liabilities						
Current liabilities	1,784	1,509	2,127	2,171	3,911	3,680
Long-term liabilities	13,667	11,868	9,738	10,580	23,405	22,448
Total liabilities	15,451	13,377	11,865	12,751	27,316	26,128
Net Position						
Net investment in capital assets	14,931	14,668	11,595	11,466	26,526	26,134
Restricted	651	754	-	-	651	754
Unrestricted	(2,623)	(457)	(839)	(945)	(3,462)	(1,402)
Total net position	<u>\$ 12,959</u>	<u>\$ 14,965</u>	<u>\$ 10,756</u>	<u>\$ 10,521</u>	<u>\$ 23,715</u>	<u>\$ 25,486</u>

City of Grosse Pointe Farms, Michigan

Management's Discussion and Analysis (Continued)

Governmental activities net position decreased due to an increase in capital assets additions, which in turn lowered the Capital Projects Fund balance and increases in the OPEB expense which is recorded on the statement of activities only.

The following table shows the revenue and expense activity during the year ended June 30, 2014 and as compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue						
Program revenue:						
Charges for services	\$ 1,765	\$ 1,571	\$ 6,342	\$ 5,977	\$ 8,107	\$ 7,548
Operating grants and contributions	58	10	-	313	58	323
Capital contributions	574	556	-	-	574	556
General revenue:						
Property taxes	9,344	9,238	751	735	10,095	9,973
State-shared revenue	764	745	-	-	764	745
Interest	118	58	2	1	120	59
Franchise fees and other	1,238	774	-	-	1,238	774
Total revenue	13,861	12,952	7,095	7,026	20,956	19,978
Program Expenses						
General government	3,266	3,139	-	-	3,266	3,139
Public safety	6,708	5,665	-	-	6,708	5,665
Public works	3,493	3,486	-	-	3,493	3,486
Municipal court	245	246	-	-	245	246
Community and economic development	50	-	-	-	50	-
Recreation and culture	1,898	1,746	-	-	1,898	1,746
Interest on long-term debt	207	241	-	-	207	241
Water and sewer	-	-	6,405	6,092	6,405	6,092
Recycling program	-	-	110	107	110	107
Municipal radio system	-	-	345	869	345	869
Total program expenses	15,867	14,523	6,860	7,068	22,727	21,591
Net Change in Net Position	(2,006)	(1,571)	235	(42)	(1,771)	(1,613)
Net Position - Beginning of year	14,965	16,536	10,521	10,563	25,486	27,099
Net Position - End of year	\$ 12,959	\$ 14,965	\$ 10,756	\$ 10,521	\$ 23,715	\$ 25,486

City of Grosse Pointe Farms, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's total governmental activities revenue increased from the previous fiscal year. The taxable value of property increased 1.0 percent, with a corresponding increase in property tax revenue. Charges for services increase was mainly attributable to the recognition of alarm fees. Other revenue increase was mainly attributable to a donation by the Grosse Pointe Farms Foundation for the new dog park.

The City's total governmental expenses increase was mainly attributable to the public safety activities increase in postemployment retirement benefits.

The following represents some of the more significant financial highlights for the year ended June 30, 2014:

- The City's taxable value increased 1.0 percent compared to a 3.0 percent decline the year before. This marked the first increase in four years.
- The City has assigned a portion of the \$1,115,992 fund balance in the Capital Projects Fund for future road improvements and capital equipment.

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund, Recycling Program, and Municipal Radio System Fund. The City provides water to our residents and the residents of the City of Grosse Pointe through our municipal water filtration plant. The City pumps its sewage to the City of Detroit for treatment and disposal. The City's operating expenses for water and sewer increased approximately \$333,000 or 5.8 percent, mainly attributable to increased depreciation expense. Water and sewer rates were increased not only to cover projected operational costs, but also to recover a portion of the subsidy from other City operating funds.

The City's Funds

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes, as well as show accountability for certain activities, such as the Insurance Retention Fund and the Recycling Fund. The City's major funds are the General Fund and the Water and Sewer Fund.

City of Grosse Pointe Farms, Michigan

Management's Discussion and Analysis (Continued)

The General Fund pays for most of the City's governmental services. The most significant are public safety, which incurred expenses of \$4,410,846 during fiscal year 2014. The General Fund is supported primarily by property taxes and state-shared revenue. The Major Streets Fund maintains the City's major streets (as contrasted with the neighborhood streets that are maintained by the Local Streets Fund), and is supported by state gas and weight taxes. The Local Streets Fund also receives gas and weight taxes, as well as transfers from the City's General Fund and Major Streets Fund. The local streets activities were merged with the Major Streets Fund during the year as a result of the implementation of GASB No. 54. The Insurance Retention Fund accounts for expenditures for the City's self-insured workers' compensation. The Capital Projects Fund is utilized to account for purchases of individual items greater than \$5,000.

General Fund Budgetary Highlights

Approaching the end of the year, the City administration and City Council amended the budget to account for increased expenditures for snow removal, as well as an additional transfer to the Capital Projects Fund. The expenditure adjustments were offset by increased revenue sources.

Capital Asset and Debt Administration

At the end of fiscal year 2014, the City had \$42.1 million invested in a wide range of capital assets, including land, buildings, fire equipment, vehicles, and water, sewer, and storm sewer lines. The value of the infrastructure, net of depreciation contained in this report, is \$17.1 million and \$17.0 million for fiscal years 2014 and 2013, respectively (see Note 5 to the notes to the basic financial statements for additional information). The value of the land improvements and buildings and improvements, net of depreciation, is \$15.70 million and \$11.68 million for fiscal years 2014 and 2013, respectively.

Debt reported in these financial statements is related largely to the sewer separation project during fiscal years 2000, 2001, 2004, and 2012 sewage pumping plant improvements which are recorded in the Water and Sewer Fund (see Note 7 to the notes to the basic financial statements for additional information). The City also issued two bond issues totaling \$6.8 million in 2004 and 2005, \$4.3 million for the refurbishment of the Pier Park's Harbor Project, and \$2.5 million for a new Recreation Building at the Pier Park. During 2014, the City issued refunding bonds to refinance the 2004 Recreation Building and General Obligation Sewer bonds.

City of Grosse Pointe Farms, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The City's budget for next year maintains the City's total millage rate at 14.0000 mills. The overall property tax revenue was higher due to the increase in taxable value. Cost-cutting measures undertaken by the City administration and the utilization of \$300,000 of fund balance for capital improvements made a balanced budget possible.

On the expenditure side, the General Fund budget increased .6 percent or \$84,000. The \$300,000 increase in the transfer to the Capital Projects Fund for infrastructure improvements was offset by reductions in most operating departments. In May 2005, the City began a self-insurance program with Blue Cross/Blue Shield in an effort to reduce costs. In December 2005, the City began self-insuring all prescription drug benefits for current employees and most retirees. Because of these efforts, the City has been able to maintain benefits to its employees while staying below the hard cap established by the State of Michigan. Also, the City has been receiving subsidy payments from the federal government for providing prescription drug coverage to its retirees.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with an overview of the City's finances and to show the City's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact the Grosse Pointe Farms City Controller's office.

City of Grosse Pointe Farms, Michigan

Statement of Net Position June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 4)	\$ 2,262,784	\$ 140,484	\$ 2,403,268
Investments (Note 4)	3,958,410	-	3,958,410
Receivables:			
Property taxes receivable	4,715	545	5,260
Customers	-	1,711,411	1,711,411
Accrued interest receivable	27,284	-	27,284
Other receivables	183,751	17,960	201,711
Due from other governmental units	224,962	79,700	304,662
Due from pension funds	37,142	-	37,142
Internal balances (Note 6)	200,000	(200,000)	-
Inventory	27,143	-	27,143
Prepaid items and other assets	86,431	10,695	97,126
Investment in joint ventures (Note 18)	32,968	-	32,968
Long-term advances to (from) other funds (Note 6)	984,358	(984,358)	-
Capital assets:			
Assets not subject to depreciation (Note 5)	5,918,821	244,944	6,163,765
Assets subject to depreciation (Note 5)	14,424,951	21,525,373	35,950,324
Total assets	28,373,720	22,546,754	50,920,474
Deferred Outflows of Resources -			
Deferred charges on bond refunding	36,023	73,765	109,788
Liabilities			
Accounts payable	515,626	1,093,056	1,608,682
Due to other governmental units	1,266	-	1,266
Refundable deposits, bonds, etc.	90,165	19,777	109,942
Accrued liabilities and other	328,704	95,450	424,154
Unearned revenue	45,261	-	45,261
Noncurrent liabilities (Note 7):			
Due within one year	803,098	919,162	1,722,260
Due in more than one year	13,666,799	9,737,708	23,404,507
Total liabilities	15,450,919	11,865,153	27,316,072
Net Position			
Net investment in capital assets	14,930,690	11,594,665	26,525,355
Restricted - Roads and grants	651,531	-	651,531
Unrestricted	(2,623,397)	(839,299)	(3,462,696)
Total net position	<u>\$ 12,958,824</u>	<u>\$ 10,755,366</u>	<u>\$ 23,714,190</u>

City of Grosse Pointe Farms, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,265,673	\$ 251,162	\$ 7,943	\$ -
Municipal court	244,844	135,506	-	-
Public safety	6,708,322	846,095	-	-
Public works	3,492,491	-	-	573,564
Community and economic development	49,899	-	49,904	-
Recreation and culture - Parks and recreation	1,898,214	531,975	-	-
Interest on long-term debt	206,508	-	-	-
Total governmental activities	15,865,951	1,764,738	57,847	573,564
Business-type activities:				
Water and sewer	6,405,200	6,005,058	-	-
Municipal radio system	344,900	229,042	-	-
Recycling program	109,769	108,248	-	-
Total business-type activities	6,859,869	6,342,348	-	-
Total primary government	\$ 22,725,820	\$ 8,107,086	\$ 57,847	\$ 573,564
General revenue:				
Property taxes				
State-shared revenue (unrestricted)				
Investment income (unrestricted)				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2014**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,006,568)	\$ -	\$ (3,006,568)
(109,338)	-	(109,338)
(5,862,227)	-	(5,862,227)
(2,918,927)	-	(2,918,927)
5	-	5
(1,366,239)	-	(1,366,239)
(206,508)	-	(206,508)
(13,469,802)	-	(13,469,802)
-	(400,142)	(400,142)
-	(115,858)	(115,858)
-	(1,521)	(1,521)
-	(517,521)	(517,521)
(13,469,802)	(517,521)	(13,987,323)
9,344,347	750,556	10,094,903
763,817	-	763,817
117,712	1,503	119,215
1,238,006	-	1,238,006
11,463,882	752,059	12,215,941
(2,005,920)	234,538	(1,771,382)
14,964,744	10,520,828	25,485,572
<u>\$ 12,958,824</u>	<u>\$ 10,755,366</u>	<u>\$ 23,714,190</u>

City of Grosse Pointe Farms, Michigan

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Nonmajor Funds	Total
Assets			
Cash and cash equivalents (Note 4)	\$ 1,495,582	\$ 526,575	\$ 2,022,157
Investments (Note 4)	3,667,658	290,752	3,958,410
Receivables:			
Property taxes receivable	4,715	-	4,715
Accrued interest receivable	13,343	13,302	26,645
Other receivables	67,645	109,000	176,645
Due from other governmental units	130,548	94,414	224,962
Due from pension funds	37,142	-	37,142
Due from other funds (Note 6)	11,539	200,000	211,539
Advances to other funds (Note 6)	200,000	784,358	984,358
Inventory	27,143	-	27,143
Prepays and other assets	86,431	-	86,431
	<u>\$ 5,741,746</u>	<u>\$ 2,018,401</u>	<u>\$ 7,760,147</u>
Total assets			
Liabilities			
Accounts payable	\$ 280,986	\$ 225,529	\$ 506,515
Due to other governmental units	1,266	-	1,266
Due to other funds (Note 6)	-	11,539	11,539
Refundable deposits, bonds, etc.	90,165	-	90,165
Accrued liabilities and other	271,981	13,810	285,791
Unearned revenue	45,261	-	45,261
	<u>689,659</u>	<u>250,878</u>	<u>940,537</u>
Total liabilities			
Fund Balances			
Nonspendable:			
Prepays	86,431	-	86,431
Long-term receivable	100,000	-	100,000
Inventory	27,143	-	27,143
Restricted:			
Roads	-	641,844	641,844
Grants	-	9,687	9,687
Committed:			
Parking	352,650	-	352,650
Harbor	334,840	-	334,840
Health insurance	158,500	-	158,500
Assigned:			
Subsequent year's budget	300,000	-	300,000
Capital projects	-	1,115,992	1,115,992
Unassigned	3,692,523	-	3,692,523
	<u>5,052,087</u>	<u>1,767,523</u>	<u>6,819,610</u>
Total fund balances			
	<u>\$ 5,741,746</u>	<u>\$ 2,018,401</u>	<u>\$ 7,760,147</u>
Total liabilities and fund balances			

City of Grosse Pointe Farms, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2014

Fund Balance Reported in Governmental Funds	\$ 6,819,610
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	20,343,772
Investments in joint ventures are not financial resources and are not reported in the funds	32,968
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(5,377,059)
Accrued interest is not due and payable in the current period and is not reported in the funds	(42,913)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(1,220,834)
Other postemployment benefit obligations are not due and payable in the current period and are not reported in the funds	(7,715,499)
Internal Service Funds are included as part of governmental activities	118,779
Net Position of Governmental Activities	<u>\$ 12,958,824</u>

City of Grosse Pointe Farms, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Nonmajor Funds	Total
Revenue			
Property taxes	\$ 9,344,347	\$ -	\$ 9,344,347
Licenses and permits	602,308	-	602,308
Federal grants	7,943	49,904	57,847
State-shared revenue and grants	769,944	567,437	1,337,381
Charges for services	1,427,017	-	1,427,017
Fines and forfeitures	354,391	-	354,391
Investment income	86,895	27,385	114,280
Other revenue	234,305	328,893	563,198
	12,827,150	973,619	13,800,769
Expenditures			
Current:			
General government	1,337,510	-	1,337,510
Municipal court	244,844	-	244,844
Public safety	4,410,846	-	4,410,846
Public works and streets	1,524,611	726,816	2,251,427
Community and economic development	-	49,899	49,899
Recreation and culture	1,164,964	-	1,164,964
Other	2,639,316	-	2,639,316
Capital outlay	-	1,305,809	1,305,809
Debt service	-	539,358	539,358
	11,322,091	2,621,882	13,943,973
Excess of Revenue Over (Under) Expenditures	1,505,059	(1,648,263)	(143,204)
Other Financing Sources (Uses)			
Face value of debt issue	-	1,840,625	1,840,625
Transfers in (Note 6)	-	1,590,476	1,590,476
Transfers out (Note 6)	(1,390,476)	(250,000)	(1,640,476)
Payment to bond refunding escrow agent	-	(1,817,273)	(1,817,273)
	(1,390,476)	1,363,828	(26,648)
Net Change in Fund Balances	114,583	(284,435)	(169,852)
Fund Balances - Beginning of year	4,937,504	2,051,958	6,989,462
Fund Balances - End of year	\$ 5,052,087	\$ 1,767,523	\$ 6,819,610

City of Grosse Pointe Farms, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (169,852)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,204,074
Depreciation expense	(1,222,278)
Net book value of assets disposed of or adjusted	48,213
Deferred charge on debt refunding is a deferred outflow in the governmental activities but not in the governmental funds	36,023
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(59,375)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	293,750
Change in accrued interest payable and other	14,428
Underwriter's discount was originally reported as a decrease in bond proceeds in the funds and amortized in the statement of activities over the life of the corresponding bond issue	(2,192)
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	15,479
Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds	(2,103,830)
Change in investment in Grosse Pointes-Clinton Refuse Disposal Authority joint venture is recorded in the governmental funds	(4,531)
Internal Service Funds are included as part of governmental activities	<u>(55,829)</u>

Change in Net Position of Governmental Activities \$ **(2,005,920)**

City of Grosse Pointe Farms, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

	Enterprise Funds			Governmental
	Water and Sewer Fund	Nonmajor Enterprise	Total	Activities Internal Service Fund - Insurance Retention
Assets				
Current assets:				
Cash and cash equivalents	\$ 27,139	\$ 113,345	\$ 140,484	\$ 240,627
Receivables:				
Property taxes receivable	545	-	545	-
Receivables from sales to customers on account	1,711,411	-	1,711,411	-
Accrued interest receivable	-	-	-	639
Other receivables	-	17,960	17,960	7,106
Due from other governmental units	-	79,700	79,700	-
Prepaid expenses and other assets	9,220	1,475	10,695	-
Total current assets	1,748,315	212,480	1,960,795	248,372
Noncurrent assets - Capital assets:				
Assets not subject to depreciation (Note 5)	244,944	-	244,944	-
Assets subject to depreciation (Note 5)	20,681,091	844,282	21,525,373	-
Total assets	22,674,350	1,056,762	23,731,112	248,372
Deferred Outflows of Resources -				
Deferred charges on bond refunding	73,765	-	73,765	-
Liabilities				
Current liabilities:				
Accounts payable	1,083,357	9,699	1,093,056	9,111
Due to other funds (Note 6)	200,000	-	200,000	-
Refundable deposits, bonds, etc.	-	19,777	19,777	-
Accrued liabilities and other	94,149	1,301	95,450	-
Compensated absences (Note 7)	53,651	7,019	60,670	-
Current portion of long-term debt (Note 7)	858,492	-	858,492	-
Total current liabilities	2,289,649	37,796	2,327,445	9,111
Noncurrent liabilities:				
Advances from other funds (Note 6)	984,358	-	984,358	-
Compensated absences (Note 7)	82,436	14,083	96,519	-
Net OPEB obligation (Note 7)	262,723	61,306	324,029	-
Provision for uninsured losses (Note 7)	-	-	-	120,482
Long-term debt (Note 7)	9,317,160	-	9,317,160	-
Total noncurrent liabilities	10,646,677	75,389	10,722,066	120,482
Total liabilities	12,936,326	113,185	13,049,511	129,593
Net Position				
Net investment in capital assets	10,750,383	844,282	11,594,665	-
Unrestricted	(938,594)	99,295	(839,299)	118,779
Total net position	\$ 9,811,789	\$ 943,577	\$ 10,755,366	\$ 118,779

City of Grosse Pointe Farms, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Nonmajor Enterprise	Total	Proprietary Internal Service Fund - Insurance Retention
Operating Revenue				
Sale of water	\$ 2,887,507	\$ -	\$ 2,887,507	\$ -
Sewage disposal charges	2,827,498	-	2,827,498	-
Interest and penalty charges	-	3,401	3,401	-
Recycling charges	-	104,847	104,847	-
Radio system charges	-	229,042	229,042	-
Other	290,053	-	290,053	55,830
Total operating revenue	6,005,058	337,290	6,342,348	55,830
Operating Expenses				
Cost of water	1,440,923	-	1,440,923	-
Cost of sewage treatment	3,395,275	-	3,395,275	-
Other operation and maintenance	-	349,013	349,013	-
Billing and administrative costs	556,244	-	556,244	-
Benefit payments	-	-	-	165,091
Depreciation	690,314	105,656	795,970	-
Total operating expenses	6,082,756	454,669	6,537,425	165,091
Operating Loss	(77,698)	(117,379)	(195,077)	(109,261)
Nonoperating Revenue (Expenses)				
Property tax revenue	750,556	-	750,556	-
Investment income	1,503	-	1,503	3,432
Interest expense	(322,444)	-	(322,444)	-
Total nonoperating revenue	429,615	-	429,615	3,432
Income (Loss) - Before transfers	351,917	(117,379)	234,538	(105,829)
Transfers in	-	-	-	50,000
Change in Net Position	351,917	(117,379)	234,538	(55,829)
Net Position - Beginning of year	9,459,872	1,060,956	10,520,828	174,608
Net Position - End of year	\$ 9,811,789	\$ 943,577	\$ 10,755,366	\$ 118,779

City of Grosse Pointe Farms, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

	Enterprise Funds			Governmental
	Water and Sewer	Nonmajor	Total	Activities
		Enterprise		Internal Service Fund - Insurance Retention
Cash Flows from Operating Activities				
Receipts from customers	\$ 5,907,385	\$ 337,290	\$ 6,244,675	\$ 55,830
Payments to suppliers	(3,650,475)	(117,908)	(3,768,383)	(155,230)
Payments to employees	(1,930,556)	(218,998)	(2,149,554)	-
Internal activity - Payments to other funds	(100,000)	-	(100,000)	-
Other receipts (payments)	230,400	(5,073)	225,327	(7,106)
Net cash provided by (used in) operating activities	456,754	(4,689)	452,065	(106,506)
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	-	-	50,000
Repayment of loans from other funds	(63,920)	-	(63,920)	-
Net cash (used in) provided by noncapital financing activities	(63,920)	-	(63,920)	50,000
Cash Flows from Capital and Related Financing Activities				
Property taxes (restricted for capital or capital debt)	750,320	-	750,320	-
Purchase of capital assets	(376,899)	-	(376,899)	-
Principal and interest paid on capital debt	(1,085,559)	-	(1,085,559)	-
Debt service charge	(21,614)	-	(21,614)	-
Other	38,490	-	38,490	-
Net cash (used in) provided by capital and related financing activities	(695,262)	-	(695,262)	-
Cash Flows from Investing Activities - Interest received on investments	1,503	-	1,503	3,432
Net Decrease in Cash and Cash Equivalents	(300,925)	(4,689)	(305,614)	(53,074)
Cash and Cash Equivalents - Beginning of year	328,064	118,034	446,098	293,701
Cash and Cash Equivalents - End of year	<u>\$ 27,139</u>	<u>\$ 113,345</u>	<u>\$ 140,484</u>	<u>\$ 240,627</u>

City of Grosse Pointe Farms, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2014

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise	Total	Internal Service Fund - Insurance Retention
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (77,698)	\$ (117,379)	\$ (195,077)	\$ (109,261)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	690,314	105,656	795,970	-
Changes in assets and liabilities:				
Receivables	132,727	(5,073)	127,654	(7,106)
Prepaid and other assets	(1,173)	(242)	(1,415)	-
Accounts payable	(117,575)	(417)	(117,992)	9,861
Due to others	(100,000)	-	(100,000)	-
Accrued and other liabilities	(69,841)	12,766	(57,075)	-
Net cash provided by (used in) operating activities	\$ 456,754	\$ (4,689)	\$ 452,065	\$ (106,506)

Supplemental Cash Flow Information - There were no noncash transactions for the year ended June 30, 2014.

City of Grosse Pointe Farms, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2014

	Pension and Other Postemployment Benefit Trust Fund	Agency Funds - Tax Collection
Assets		
Cash and cash equivalents	\$ 465,020	\$ 1,293
Investments - Common/collective funds	64,667,522	-
Receivables - Accrued interest receivable	174,678	805
Prepaid expenses and other assets	47,573	-
Total assets	65,354,793	\$ 2,098
Liabilities		
Accounts payable	36,226	\$ 2,098
Due to primary government	37,142	-
Total liabilities	73,368	\$ 2,098
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 65,281,425	

City of Grosse Pointe Farms, Michigan

Fiduciary Funds

Statement of Changes in Fiduciary Net Position - Pension and Other Postemployment Benefit Trust Fund Year Ended June 30, 2014

	Pension and Other Postemployment Benefit Trust Fund
Additions	
Investment income:	
Interest and dividends	\$ 1,295,716
Net increase in fair value of investments	<u>8,558,948</u>
Net investment income	9,854,664
Contributions:	
Employer	2,020,531
Employee	<u>336,939</u>
Total contributions	<u>2,357,470</u>
Total additions	12,212,134
Deductions	
Benefit payments	2,932,995
Health benefits	742,924
Administrative expenses	<u>174,015</u>
Total deductions	<u>3,849,934</u>
Net Increase in Net Position Held in Trust	8,362,200
Net Position Held in Trust for Pension and Other Retirement Benefits - Beginning of year	<u>56,919,225</u>
Net Position Held in Trust for Pension and Other Retirement Benefits - End of year	<u><u>\$ 65,281,425</u></u>

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the City of Grosse Pointe Farms, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected seven-member council. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in the City's reporting entity.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

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 major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following fund as a “major” governmental fund.

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as a “major” enterprise fund:

- The Water and Sewer Fund accounts for the results of operations that provide water and sewer services to citizens and is financed by a user charge for the provision of those services.

The City’s internal service funds are used to allocate insurance costs and machinery and equipment purchases and maintenance to the various funds on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- The Pension and Other Employee Benefits Trust Fund accounts for the activities of the General Employees' and Public Safety Retirement Systems, which accumulate resources for pension and healthcare benefit payments to qualified general and public safety employees.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

- The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. Agency Fund activity consists of tax collections activity.

Interfund activity: During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based upon quoted market prices.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Infrastructure	20 to 25 years
Utility systems	20 to 80 years
Building and building improvements	20 to 50 years
Office furnishings	10 to 20 years
Machinery and equipment	3 to 20 years
Vehicles	5 to 10 years

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for deferred charges on bond refunding.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has no items that qualify for reporting in this category.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has the authority to assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. Taxes are considered delinquent on February 28 of the following year, at which time they are added to the county tax rolls.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The City's 2013 tax is levied and collectible on July 1, 2013 and is recognized as revenue in the year ended June 30, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the City totaled \$695,096,091, on which taxes levied consisted of 11.5000 mills for operating purposes, 1.4166 mills for rubbish removal, and 1.0834 mills for debt service. This resulted in \$7,974,051 for operating, \$982,243 for rubbish removal, and \$751,203 for debt service. The operating and rubbish removal amounts are recognized in the General Fund and the debt service amount is recognized in the Water and Sewer Fund as tax revenue.

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree health care benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off or employees terminate). The governmental fund that pays out the vacation and sick time is the General Fund.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating 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 Water and Sewer Fund and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Change in Accounting

During the current year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this Statement, the following assets and liabilities have been reclassified, as indicated:

<u>Item</u>	<u>Amount</u>	<u>Prior Reporting Classification/Treatment</u>	<u>New Classification after Adoption of GASB 65</u>
Deferred amounts on debt refundings	\$ 109,788	Adjustment to the bonds payable liability	Deferred outflow of resources
Bond issuance costs	55,678	Asset	Outflow of resources (an expense)

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

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 3 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since July 1, 2000 is as follows:

Shortfall - July 1, 2013		\$ (660,556)
Current year permit revenue	\$ 393,821	
Related expenses	<u>(210,177)</u>	
Net surplus for the year ended June 30, 2014		<u>183,644</u>
Cumulative shortfall - June 30, 2014		<u>\$ (476,912)</u>

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund and Other Postemployment Benefit 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, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated 13 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City's primary government had \$580,217 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
Primary Government		
U.S. Government Agency Securities	\$ 3,766,916	10.85
Bank Investment Pool	143,771	0.14
Total	\$ 3,910,687	

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Primary Government			
U.S. Government Agency Securities	\$ 3,766,916	AA+	S&P
Bank investment pool	<u>143,771</u>	AAAm	S&P
Total	<u>\$ 3,910,687</u>		
Fiduciary Funds - Pension Funds			
Common/collective funds	<u>\$ 64,667,522</u>	Not rated	N/A

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer; however, the City's funds are limited by law in that investments in any one issuer (other than the U.S. government) may not exceed 5 percent of total investments. At June 30, 2014, there were no investments in any one issuer (other than the U.S. government) that exceeded 5 percent of total investments for the primary government or fiduciary funds.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities	Balance <u>July 1, 2013</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated -				
Land	\$ 5,918,821	\$ -	\$ -	\$ 5,918,821
Capital assets being depreciated:				
Infrastructure	8,415,046	636,227	-	9,051,273
Buildings and improvements	10,107,074	18,574	-	10,125,648
Machinery and equipment	631,898	-	(22,795)	609,103
Vehicles	3,006,174	200,137	(99,112)	3,107,199
Office furnishings	601,322	30,924	(34,917)	597,329
Land improvements	9,649,747	318,212	-	9,967,959
Subtotal	<u>32,411,261</u>	<u>1,204,074</u>	<u>(156,824)</u>	<u>33,458,511</u>
Accumulated depreciation:				
Infrastructure	4,714,169	312,247	-	5,026,416
Buildings and improvements	4,008,790	318,109	-	4,326,899
Machinery and equipment	537,982	18,488	(15,958)	540,512
Vehicles	2,332,715	158,626	(86,284)	2,405,057
Office furnishings	612,334	25,400	(102,795)	534,939
Land improvements	5,810,329	389,408	-	6,199,737
Subtotal	<u>18,016,319</u>	<u>1,222,278</u>	<u>(205,037)</u>	<u>19,033,560</u>
Net capital assets being depreciated	<u>14,394,942</u>	<u>(18,204)</u>	<u>48,213</u>	<u>14,424,951</u>
Net capital assets	<u>\$ 20,313,763</u>	<u>\$ (18,204)</u>	<u>\$ 48,213</u>	<u>\$ 20,343,772</u>

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2013	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 45,482	\$ -	\$ -	\$ -	\$ 45,482
Construction in progress	4,616,922	(4,752,391)	334,931	-	199,462
Subtotal	4,662,404	(4,752,391)	334,931	-	244,944
Capital assets being depreciated:					
Water and sewer lines	17,655,743	-	-	-	17,655,743
Buildings and improvements	3,123,657	4,752,391	-	-	7,876,048
Machinery and equipment	3,089,333	-	15,498	(38,490)	3,066,341
Vehicles	272,030	-	26,470	(22,815)	275,685
Office furnishings	69,580	-	-	-	69,580
Land improvements	69,106	-	-	-	69,106
Subtotal	24,279,449	4,752,391	41,968	(61,305)	29,012,503
Accumulated depreciation:					
Water and sewer lines	4,331,161	-	235,089	-	4,566,250
Buildings and improvements	1,427,188	-	360,677	-	1,787,865
Machinery and equipment	704,624	-	180,231	-	884,855
Vehicles	157,418	-	16,519	(22,815)	151,122
Office furnishings	69,580	-	-	-	69,580
Land improvements	24,003	-	3,455	-	27,458
Subtotal	6,713,974	-	795,971	(22,815)	7,487,130
Net capital assets being depreciated	17,565,475	4,752,391	(754,003)	(38,490)	21,525,373
Net capital assets	\$ 22,227,879	\$ -	\$ (419,072)	\$ (38,490)	\$ 21,770,317

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 98,624
Public safety	108,303
Public works	410,061
Recreation and culture	605,290
Total governmental activities	<u>\$ 1,222,278</u>

Business-type activities:

Water and sewer	\$ 690,315
Municipal radio system	105,656
Total business-type activities	<u>\$ 795,971</u>

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has active construction projects at year end. At June 30, 2014, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Rehabilitation of Mack Avenue	\$ 22,709	\$ 22,710
Rehabilitation of Moross Road	-	47,901
Total	<u>\$ 22,709</u>	<u>\$ 70,611</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	General Debt Service	\$ 11,539
Capital Projects Fund	Water and Sewer Fund	<u>200,000</u>
	Total	<u>\$ 211,539</u>

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advances from/to Other Funds		
General Fund	Water and Sewer Fund	\$ 200,000
Nonmajor governmental funds	Water and Sewer Fund	<u>784,358</u>
	Total	<u>\$ 984,358</u>

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Primary Government and Pension Funds		
General Fund	General Employees' Retirement System	\$ 20,571
	Public Safety Retirement System	<u>16,571</u>
	Total General Fund	<u>\$ 37,142</u>

Interfund balances represent routine and temporary cash flow assistance from the governmental funds until amounts are transferred from fund investment accounts.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The advance from the General Fund to the Water and Sewer Fund is expected to be repaid at \$100,000 per year plus 2.5 percent interest for two years. The advance from the Capital Projects Fund to the Water and Sewer Fund is expected to be repaid over the next two to three years as the cash position of the Water and Sewer Fund improves, through rate adjustments and lower operating costs.

Interfund transfers reported in the fund financial statements are comprised of the following:

Receiving Fund	Paying Fund	Amount
Nonmajor governmental funds	General Fund	\$ 1,340,476
	Nonmajor governmental funds	250,000
	Total nonmajor governmental funds	<u>\$ 1,590,476</u>
Insurance Retention Fund	General Fund	<u>\$ 50,000</u>

General Fund transfers provide funding for capital projects, capital acquisitions, and debt services from unrestricted sources.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Harbor Project Bonds:							
Amount of issue - \$4,300,000	3.50% -	\$200,000 -					
Maturing through 2026	4.00%	\$350,000	\$ 3,625,000	\$ -	\$ 200,000	\$ 3,425,000	\$ 200,000
Unamortized premium of issuance			24,329	-	1,872	22,457	1,872
2004 Recreation Building Bonds:							
Amount of issue - \$2,500,000	3.60% -	\$125,000					
Maturing through 2025	4.50%		2,000,000	-	1,875,000	125,000	125,000
Unamortized discount of issuance			(4,064)	-	(4,064)	-	-
2014 General Obligation Refunding Bond:							
Amount of issue - \$1,840,625	2.29%	\$21,875 -					
Maturing through 2024		\$237,500	-	1,840,625	-	1,840,625	21,875
Total bonds payable			5,645,265	1,840,625	2,072,808	5,413,082	348,747
Accumulated compensated absences			1,236,313	697,541	713,020	1,220,834	454,351
Provision for uninsured losses			119,732	1,565,287	1,564,537	120,482	-
Other postemployment benefit obligations			5,611,669	2,103,830	-	7,715,499	-
Other long-term liabilities			6,967,714	4,366,658	2,277,557	9,056,815	454,351
Total governmental activities			<u>\$ 12,612,979</u>	<u>\$ 6,207,283</u>	<u>\$ 4,350,365</u>	<u>\$ 14,469,897</u>	<u>\$ 803,098</u>

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
1999 Lakeside Sewer Separation:							
Amount of issue - \$7,625,000	2.50%	\$410,000 -					
Maturing through 2021		\$480,000	\$ 3,505,000	\$ -	\$ 400,000	\$ 3,105,000	\$ 410,000
2004 General Obligation Bond:							
Amount of issue - \$1,500,000	3.60% -	\$75,000					
Maturing through 2025	4.50%		1,200,000	-	1,125,000	75,000	75,000
Unamortized discount of issuance			(2,440)	-	(2,440)	-	-
2007 General Obligation Refunding Bond:							
Amount of issue - \$2,295,000	4.00%	\$185,000 -					
Maturing through 2021		\$250,000	1,725,000	-	190,000	1,535,000	185,000
2012 Sewer Pumping Plant Improvement:							
Amount of issue - \$4,500,000	2.00% -	\$175,000 -					
Maturing through 2033	3.05%	\$300,000	4,500,000	-	150,000	4,350,000	175,000
Unamortized discount of issuance			6,627	-	350	6,277	367
2014 General Obligation Refunding Bond:							
Amount of issue - \$1,104,375	2.29%	\$13,125 -					
Maturing through 2024		\$142,500	-	1,104,375	-	1,104,375	13,125
Total bonds payable			10,934,187	1,104,375	1,862,910	10,175,652	858,492
Accumulated compensated absences			153,005	68,047	63,863	157,189	60,670
Other postemployment benefit obligations			285,192	38,837	-	324,029	-
Other long-term liabilities			438,197	106,884	63,863	481,218	60,670
Total business-type activities			\$ 11,372,384	\$ 1,211,259	\$ 1,926,773	\$ 10,656,870	\$ 919,162

For the governmental activities, compensated absences are generally liquidated by the General Fund related to employee salaries and fringes. Additionally, for the business-type activities, compensated absences are generally liquidated by the Water and Sewer Fund and Municipal Radio System Fund for respective employee salaries and fringes. Net pension obligations and net OPEB obligations are typically paid from the General, Water and Sewer, and Municipal Radio System Funds. Claims and judgments are typically liquidated from the Insurance Retention Fund for workers' compensation and the General Fund, Water and Sewer Fund, and Municipal Radio System Fund for respective employee medical claims.

Total interest expense for the year was approximately \$530,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 348,747	\$ 171,951	\$ 520,698	\$ 858,492	\$ 270,561	\$ 1,129,053
2016	342,497	162,265	504,762	889,742	250,613	1,140,355
2017	339,372	150,480	489,852	897,867	226,302	1,124,169
2018	420,622	138,811	559,433	926,617	201,547	1,128,164
2019	417,497	125,795	543,292	959,742	176,424	1,136,166
2020-2024	2,603,110	392,740	2,995,850	3,098,085	527,694	3,625,779
2025-2029	941,237	30,719	971,956	1,397,335	268,571	1,665,906
2030-2033	-	-	-	1,147,772	71,025	1,218,797
Total	\$ 5,413,082	\$ 1,172,761	\$ 6,585,843	\$ 10,175,652	\$ 1,992,737	\$ 12,168,389

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

Advance and Current Refundings - During the year, the City issued \$2,945,000 in general obligation (revenue) bonds with an average interest rate of 2.29 percent. The proceeds of these bonds were used to advance refund \$2,850,000 of outstanding bonds with an average interest rate of 4.00 percent. The net proceeds of \$2,963,315 (after payment of \$55,678 in underwriting fees, insurance, and other issuance costs) were used to purchase bond securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the governmental activities and business-type activities. The advance refunding reduced total debt service payments over the next 10 years by \$254,766, which represents an economic gain of \$222,451.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims in excess of \$90,000 and participates in the Michigan Municipal League risk pool for claims relating to property loss and general liability; the City is uninsured for workers' compensation claims up to \$400,000. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Medical

The City is self-funding medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. The self-funding program is done in conjunction with the cities of Grosse Pointe, Grosse Pointe Park, Grosse Pointe Woods, and the Village of Grosse Pointe Shores. The City of Grosse Pointe Woods serves as the administrative agent for the program; however, each 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 reported as well as those that have not yet been reported. The City's liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 8 - Risk Management (Continued)

Workers' Compensation

The City is self-insured for workers' compensation claims. Under the program, the City is held liable for the first \$400,000 of any occurrence. The City has purchased excess insurance to cover claims greater than \$400,000.

The City estimates the liability for workers' compensation and medical benefits that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the Insurance Retention Internal Service Fund and within the governmental activities columns of the statement of net position.

The estimated liabilities for workers' compensation and medical claims at June 30, 2014 and 2013 are as follows:

	<u>Workers' Compensation</u>		<u>Medical Claims</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Unpaid claims - Beginning of year	\$ 23,277	\$ 101,798	\$ 96,455	\$ 26,951
Incurred claims, including claims incurred but not reported	165,091	23,277	1,400,196	1,873,602
Claim payments	<u>(134,321)</u>	<u>(101,798)</u>	<u>(1,430,216)</u>	<u>(1,804,098)</u>
Unpaid claims - End of year	<u>\$ 54,047</u>	<u>\$ 23,277</u>	<u>\$ 66,435</u>	<u>\$ 96,455</u>

Note 9 - Pension Plan Description

Public Safety Retirement System

Plan Administration - The Retirement Board administers the Public Safety Retirement System - a single employer defined benefit pension plan that provides pensions for all full-time police and fire employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Management of the plan is vested in the Pension Board, which consists of five members-two City Council representatives, two employees, and one citizen member.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 9 - Pension Plan Description (Continued)

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

Inactive plan members or beneficiaries currently receiving benefits	44
Active plan members	<u>35</u>
Total	<u>79</u>

Benefits Provided - The pension plan provides retirement, disability, and death benefits. In addition to providing benefits, the system provides healthcare benefits for plan members if they reach normal retirement age while working for the City. Benefit terms are established by City ordinances and negotiations with the City's collective bargaining units and may be amended through negotiations with the City's collective bargaining units.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Retirement Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by City ordinances and negotiations with the City's collective bargaining units. For the year ended June 30, 2014, the average active member contribution rate was 7.37 percent of annual pay, and the City's average contribution rate was 10.45 percent of annual payroll.

General Employees' Retirement System

Plan Administration - The Retirement Board administers the City of Grosse Pointe Farms, Michigan Pension Plan - a single employer defined benefit pension plan that provides pensions for substantially all general employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Management of the plan is vested in the Retirement Board, which consists of five members-two City Council representatives, two employees, and one citizen member.

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

Inactive plan members or beneficiaries currently receiving benefits	57
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<u>38</u>
Total	<u>102</u>

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 9 - Pension Plan Description (Continued)

Benefits Provided - The pension plan provides retirement, disability, and death benefits. In addition to providing pension benefits, the system provides healthcare benefits for plan members if they reach normal retirement age while working for the City. Benefit terms are established by City ordinances and negotiations with the City's collective bargaining units and may be amended through negotiations with the City's collective bargaining units.

Contributions - Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by City ordinances and negotiations with the City's collective bargaining units. For the year ended June 30, 2014, the average active member contribution rate ranged from 5.80 to 6.00 percent of annual pay, and the City's average contribution rate ranged from 12.08 to 15.77 percent of annual payroll.

Note 10 - Pension Plan Reserves

Public Safety Retirement System

In accordance with plan documents, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate earned by the retirement system for that fiscal year. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, they may request the return of their contributions, which will actuarially lower their retirement benefit or the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 10 - Pension Plan Reserves (Continued)

The balances of the reserve accounts at June 30, 2014 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 12,201,775	\$ 12,201,775
Employee reserve	3,856,166	3,856,166
Employer reserve	21,076,572	21,076,572

General Employees' Retirement System

In accordance with the plan, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate earned by the retirement system for that fiscal year. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, they may request the return of their contributions, which will actuarially lower their retirement benefit or the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2014 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 11,550,040	\$ 11,550,040
Employee reserve	3,061,758	3,061,758
Employer reserve	8,321,517	8,321,517

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 11 - Pension Plan Investments - Policy and Rate of Return

Public Safety Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Retirement Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Retirement Board's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	60%
Fixed income	40%

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.28 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

General Employees' Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Retirement Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Retirement Board's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	60%
Fixed income	40%

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.29 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 12 - City Pension Cost - Public Safety Employees

The pension plan does not issue a separate financial report.

Annual Pension Cost - For the year ended June 30, 2014, the City's annual pension cost of \$513,890 for the plan was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 513,890	\$ 350,856	\$ 474,622
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

Funding Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the plan was 108.0 percent funded. The actuarial accrued liability for benefits was \$28.4 million, and the actuarial value of assets was \$30.7 million, resulting in an unfunded actuarial accrued liability of \$(2.3) million. The covered payroll (annual payroll to active employees covered by the plan) was \$2.7 million.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2012, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 to 8.3 percent per year, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 10 years.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 13 - City Pension Cost - General Employees

The pension plan does not issue a separate financial report.

Annual Pension Cost - For the year ended June 30, 2014, the City's annual pension cost of \$560,101 for the plan was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 560,101	\$ 565,261	\$ 670,356
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

Funding Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the plan was 88.7 percent funded. The actuarial accrued liability for benefits was \$21.3 million, and the actuarial value of assets was \$18.9 million, resulting in an unfunded actuarial accrued liability of \$2.4 million. The covered payroll (annual payroll to active employees covered by the plan) was \$2.3 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 105.9 percent.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2012, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 to 8.3 percent per year, and (c) cost of living adjustments at varying percentages depending on retirement date. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 14 - Net Pension Liability of the City - Public Safety Employees

The City reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the City will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City has been measured as of June 30, 2014 and is composed of the following:

Total pension liability	\$	29,304,794
Plan fiduciary net position		<u>37,134,512</u>
City's net position liability	\$	<u>(7,829,718)</u>

Plan fiduciary net position as a percentage of the total pension liability	126.7 %
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2013, which used update procedures to roll forward the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.5 %	
Salary increases	4.5-8.3 %	average, including inflation
Investment rate of return	7.5 %	net of pension plan investment expense, including inflation

Mortality rates were based on the 1994 uninsured pension mortality table, male and female.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 14 - Net Pension Liability of the City - Public Safety Employees (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	6.50%
International equity	6.75%
U.S. government or agency fixed income	4.00%
Corporate bonds	4.75%
Private equity	7.75%
Real estate	6.50%
Cash or cash equivalents	2.00%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability of the City	\$ (4,392,680)	\$ (7,829,718)	\$ (10,848,042)

Note 15 - Net Pension Liability of the City - General Employees

The City reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the City will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City has been measured as of June 30, 2014 and is composed of the following:

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 15 - Net Pension Liability of the City - General Employees (Continued)

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

Total pension liability	\$	21,828,431
Plan fiduciary net position		<u>22,933,313</u>
City's net position liability	\$	<u>(1,104,882)</u>
Plan fiduciary net position as a percentage of the total pension liability		95.2 %

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2013, which used update procedures to roll forward the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.5 %	
Salary increases	4.5-8.3 %	average, including inflation
Investment rate of return	7.5 %	net of pension plan investment expense, including inflation

Mortality rates were based on the 1994 uninsured pension mortality table.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 15 - Net Pension Liability of the City - General Employees (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	6.50%
International equity	6.75%
U.S. government or agency fixed income	4.00%
Corporate bonds	4.75%
Private equity	7.75%
Real estate	6.50%
Cash or cash equivalents	2.00%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability of the City	\$ 1,322,429	\$ (1,104,882)	\$ (3,615,149)

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 16 - Other Postemployment Benefits - Public Safety Retirement System

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses in accordance with the Public Safety Retirement System. Benefits are provided to public safety employees. Currently, the plan has 79 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). The City pays all of the medical insurance premiums for system employees until age 65. Expenditures of postemployment healthcare benefits of approximately \$349,000 were recognized as paid during the year ended June 30, 2014. The plan does not issue a separate financial report.

The plan is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue separate stand-alone financial statements. Administrative costs are paid by the plan through employer contributions.

Funding Policy - Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment.

Funding Progress - For the year ended June 30, 2014, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,029,528
Interest on the prior year's net OPEB obligation	155,292
Adjustment to the annual required contribution	240,497
Annual OPEB cost	<u>1,425,317</u>
Contributions	<u>(381,625)</u>
Increase in net OPEB obligation	1,043,692
OPEB obligation - Beginning of year	<u>2,801,164</u>
OPEB obligation - End of year	<u>\$ 3,844,856</u>

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 16 - Other Postemployment Benefits - Public Safety Retirement System (Continued)

Employer contributions and annual OPEB cost data for the current and the four preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/10	6/30/08	\$ 853,454	24.8 %	\$ 1,248,943
6/30/11	6/30/09	1,109,434	24.6	2,085,052
6/30/12	6/30/11	772,303	48.6	2,481,863
6/30/13	6/30/11	689,301	53.7	2,801,164
6/30/14	6/30/13	1,425,317	26.8	3,844,856

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 2,840,823	\$ 11,627,949	\$ 8,787,126	24.4 %	\$ 2,790,700	314.9 %
6/30/08	2,704,470	12,221,098	9,516,628	22.1	2,881,435	330.3
6/30/09	2,308,126	14,151,437	11,843,311	16.3	2,980,880	397.3
6/30/11	3,059,965	13,188,299	10,128,334	23.2	2,941,032	344.4
6/30/13	3,779,637	16,417,214	12,637,577	23.0	2,746,023	460.2

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

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

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 16 - Other Postemployment Benefits - Public Safety Retirement System (Continued)

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.5 percent, which includes inflationary assumptions of 4 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013 was 30 years.

Financial Statement Information - As of June 30, 2014, the statement of net position for the Public Safety Other Postemployment Benefit Trust is as follows:

	<u>Public Safety Other Postemployment Benefit Trust</u>
Assets	
Investments - Common/collective funds	\$ 4,449,464
Prepaid expenses and other assets	<u>21,389</u>
Total assets	4,470,853
Liabilities - Accounts payable	<u>2,403</u>
Net Position	<u><u>\$ 4,468,450</u></u>

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 16 - Other Postemployment Benefits - Public Safety Retirement System (Continued)

For the year ended June 30, 2014, the statement of changes in net position for the Public Safety Other Postemployment Benefit Trust is as follows:

	Public Safety Other Postemployment Benefit Trust
Additions	
Investment income:	
Interest and dividends	\$ 86,902
Net increase in fair market value	570,720
Net investment income	657,622
Contributions:	
Employer	381,625
Employee	2,684
Total contributions	384,309
Total additions	1,041,931
Deductions	
Health benefits	348,617
Administrative expenses	4,501
Total deductions	353,118
Net Increase in Net Position Held in Trust	688,813
Net Position - Beginning of year	3,779,637
Net Position - End of year	\$ 4,468,450

Note 17 - Other Postemployment Benefits - General Employees' Retirement System

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses in accordance with the General Employees' Retirement System. Benefits are provided to general employees. Currently, the plan has 102 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). The City pays all of the medical insurance premiums for system employees until age 65. Expenditures of postemployment healthcare benefits of approximately \$394,000 were recognized as paid during the year ended June 30, 2014. The plan does not issue a separate financial report.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 17 - Other Postemployment Benefits - General Employees' Retirement System (Continued)

The plan is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue separate stand-alone financial statements. Administrative costs are paid by the plan through employer contributions.

Funding Policy - Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment.

Funding Progress - For the year ended June 30, 2014, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,226,486
Interest on the prior year's net OPEB obligation	171,620
Adjustment to the annual required contribution	<u>265,785</u>
Annual OPEB cost	1,663,891
Contributions	<u>(564,915)</u>
Increase in net OPEB obligation	1,098,976
OPEB obligation - Beginning of year	<u>3,095,696</u>
OPEB obligation - End of year	<u>\$ 4,194,672</u>

Employer contributions and annual OPEB cost data for the current and the four preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/10	6/30/08	\$ 921,631	24.8 %	\$ 1,315,141
6/30/11	6/30/09	1,165,977	28.4	2,149,500
6/30/12	6/30/11	1,069,025	51.9	2,663,526
6/30/13	6/30/11	986,766	56.2	3,095,696
6/30/14	6/30/13	1,663,891	34.0	4,194,672

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 17 - Other Postemployment Benefits - General Employees' Retirement System (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 626,680	\$ 10,325,231	\$ 9,698,551	6.1 %	\$ 2,953,901	328.3 %
6/30/08	571,407	11,532,281	10,960,874	5.0	3,057,857	358.4
6/30/09	401,788	13,703,761	13,301,973	2.9	3,116,703	426.8
6/30/11	209,457	14,297,174	14,087,717	1.5	2,816,985	500.1
6/30/13	489,845	15,680,229	15,190,384	3.1	2,285,740	664.6

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

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

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.5 percent, which includes inflationary assumptions of 4 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013 was 30 years.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 17 - Other Postemployment Benefits - General Employees' Retirement System (Continued)

Financial Statement Information - As of June 30, 2014, the statement of net position for the General Employees' Other Postemployment Benefit Trust is as follows:

	General Employees' Other Postemployment Benefit Trust
Assets	
Investments - Common/collective funds	\$ 726,075
Prepaid expenses and other assets	26,184
	<hr/>
Total assets	752,259
Liabilities - Accounts payable	7,112
	<hr/>
Net Position	<u>\$ 745,147</u>

For the year ended June 30, 2014, the statement of changes in net position for the General Employees' Other Postemployment Benefit Trust is as follows:

	General Employees' Other Postemployment Benefit Trust
Additions	
Investment income:	
Interest and dividends	\$ 13,537
Net increase in fair market value	75,658
	<hr/>
Net investment income	89,195
Contributions - Employer	564,915
	<hr/>
Total additions	654,110
Deductions	
Health benefits	394,307
Administrative expenses	4,501
	<hr/>
Total deductions	398,808
	<hr/>
Net Increase in Net Position Held in Trust	255,302
Net Position - Beginning of year	489,845
	<hr/>
Net Position - End of year	<u>\$ 745,147</u>

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 18 - 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 the counties of Wayne and Macomb, Michigan. Other members include the cities of Grosse Pointe Park, Grosse Pointe, Harper Woods, Grosse Pointe Woods, and Grosse Pointe Shores. 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 \$32,968 at June 30, 2014 and is reported as part of the governmental activities in the statement of net position. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

Note 19 - Contingent Liabilities

On May 25, 2011, the City experienced a 100-year rain event. As a result, the City's sanitation system lines backed up and approximately 250 residents experienced flood damage. The City was served on September 12, 2011 with a class action lawsuit for alleged failure to properly operate, maintain, or repair the City's sewer and sanitary lift station, resulting in the flooding of over 250 homes. The City believes that it has governmental immunity from these claims and that no sewer defect in the system exists that would eliminate that protection. As such, no estimated liability has been recorded related to this suit. However, the plaintiff's counsel has asserted alleged damages to be \$3,000,000. On November 5, 2013, the City's Motion for Summary Disposition was granted and the plaintiffs have subsequently appealed.

City of Grosse Pointe Farms, Michigan

Notes to Financial Statements June 30, 2014

Note 19 - Contingent Liabilities (Continued)

On September 9 and 10, 2011, the City experienced another significant rain event. An electrical power failure caused numerous residential sump-pumps to fail, thus resulting in the City's combined storm and sanitation system lines backing up and approximately 500 residents experienced flood damage. The City was served on December 9, 2011 with a class action lawsuit for alleged failure to properly operate, maintain, or repair the City's sewer and sanitary lift station, resulting in the flooding of over 500 homes. The City was also served with two other lawsuits from insurance companies for recovery of payment to insured homeowners citing the same allegations as the class action lawsuit. The City believes that it has governmental immunity from the anticipated claims and that no sewer defect in the system exists that would eliminate that protection. Furthermore, the City contends that it was an electrical power failure which led to the back-ups. As such, no estimated liability has been recorded related to this potential suit. However, the plaintiff's counsel has asserted damages to be \$5,000,000 on behalf of the putative class and the City's Motion for Summary Disposition was denied on November 5, 2013; because some questions of fact remained, the City has appealed.

In both of the above cases, management has rated various loss levels and evaluates the potential liability to be zero.

Note 20 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

City of Grosse Pointe Farms, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 9,383,700	\$ 9,383,700	\$ 9,344,347	\$ (39,353)
Licenses and permits	407,800	577,800	602,308	24,508
Federal grants	-	-	7,943	7,943
State-shared revenue and grants	736,000	736,000	769,944	33,944
Charges for services	1,443,900	1,468,900	1,427,017	(41,883)
Fines and forfeitures	340,500	345,500	354,391	8,891
Investment income	125,000	125,000	86,895	(38,105)
Other revenue	135,000	135,000	234,305	99,305
Interfund transfers in	376,550	376,550	-	(376,550)
Total revenue	12,948,450	13,148,450	12,827,150	(321,300)
Expenditures - Current				
General government	1,394,110	1,394,110	1,337,510	56,600
Municipal court	252,600	252,600	244,844	7,756
Public safety	4,550,320	4,550,320	4,410,846	139,474
Public works and streets	1,612,280	1,612,280	1,524,611	87,669
Recreation and culture	1,235,270	1,235,270	1,164,964	70,306
Other	2,712,890	2,712,890	2,639,316	73,574
Transfers out	1,190,980	1,390,980	1,390,476	504
Total expenditures	12,948,450	13,148,450	12,712,567	435,883
Net Change in Fund Balance	-	-	114,583	114,583
Fund Balance - Beginning of year	4,937,504	4,937,504	4,937,504	-
Fund Balance - End of year	<u>\$ 4,937,504</u>	<u>\$ 4,937,504</u>	<u>\$ 5,052,087</u>	<u>\$ 114,583</u>

City of Grosse Pointe Farms, Michigan

Required Supplemental Information General Employees' Retirement System Pension System Schedule Year Ended June 30, 2014

The schedule of funding progress for the General Employees' Retirement System is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 17,274,686	\$ 19,268,265	\$ 1,993,579	89.7 %	\$ 3,057,857	65.2 %
6/30/09	17,352,170	20,004,683	2,652,513	86.7	3,116,703	85.1
6/30/10	17,295,890	20,778,443	3,482,553	83.2	3,028,594	115.0
6/30/11	17,337,674	21,009,949	3,672,275	82.5	2,816,985	130.4
6/30/12	17,534,725	21,875,197	4,340,472	80.2	2,459,668	176.5
6/30/13	18,939,113	21,360,045	2,420,932	88.7	2,285,740	105.9

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2013, the latest actuarial valuation, follows:

Actuarial cost method	Dispatchers and union: Entry age normal Department heads and clerical: Aggregate Level percent of payroll open 20 years
Amortization method	4-year smoothed market value
Amortization period (perpetual)	
Asset valuation method	
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.5% - 8.3%
*Includes inflation at	4.5%
Cost of living adjustments	

For retirements effective June 30, 1991, a minimum retirement allowance was established equal to \$25 per month times the number of years of credited service with the City.

For retirements effective prior to July 1, 2000, there is a 2.50 percent increase per year on the annual pension every January 1 after being retired six months with a maximum of 15 increases.

For retirements effective on or after June 30, 2000, there is a 2.50 percent compound escalator payable every January 1 after being retired six months.

City of Grosse Pointe Farms, Michigan

Required Supplemental Information General Employees' Retirement System Schedule of Investment Returns Last Ten Fiscal Years

	2014	2013*	2012*	2011*	2010*	2009*	2008*	2007*	2006*	2005*
Annual money-weighted rate of return, net of investment expense	17.29 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

*GASB 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation.

City of Grosse Pointe Farms, Michigan

Required Supplemental Information General Employees' Retirement System Schedule of Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service cost	\$ 385,337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,567,981	-	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(192,339)	-	-	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(1,292,593)	-	-	-	-	-	-	-	-	-
Net Change in Total Pension Liability	468,386	-	-	-	-	-	-	-	-	-
Total Pension Liability - Beginning of year	21,360,045	-	-	-	-	-	-	-	-	-
Total Pension Liability - End of year	\$ 21,828,431	\$ -								
Plan Fiduciary Net Position										
Contributions - Employer	\$ 560,101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Members	133,633	-	-	-	-	-	-	-	-	-
Net investment income	3,439,269	-	-	-	-	-	-	-	-	-
Administrative expenses	(10,800)	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(1,292,593)	-	-	-	-	-	-	-	-	-
Other	(460)	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	2,829,150	-	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Beginning of year	20,104,133	-	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - End of year	\$ 22,933,283	\$ -								
City's Net Pension Liability - Ending	\$ (1,104,852)	\$ -								
Plan Fiduciary Net Position as a % of Total Pension Liability	105.06 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Covered Employee Payroll	\$ 2,221,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a % of Covered Employee Payroll	(49.7)%	- %	- %	- %	- %	- %	- %	- %	- %	- %

*GASB 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation.

City of Grosse Pointe Farms, Michigan

Required Supplemental Information Public Safety Retirement System Pension System Schedule Year Ended June 30, 2014

The schedule of funding progress for the Public Safety Retirement System is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 28,276,745	\$ 24,007,005	\$ (4,269,740)	117.8 %	\$ 2,881,435	- %
6/30/09	28,485,906	25,183,488	(3,302,418)	113.1	2,980,880	-
6/30/10	28,194,725	26,614,185	(1,580,540)	105.9	2,969,899	-
6/30/11	27,945,401	25,928,786	(2,016,615)	107.8	2,941,032	-
6/30/12	28,205,407	27,900,657	(304,750)	101.1	2,748,509	-
6/30/13	30,689,517	28,405,513	(2,284,004)	108.0	2,746,023	-

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2013, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll open
Amortization period (perpetual)	10 years
Asset valuation method	4-year smoothed market value

Actuarial assumptions:

Investment rate of return	7.5%
Projected salary increases	4.5% - 8.3%

Cost of living adjustments

For retirements effective on or after June 30, 1991, a minimum retirement allowance was established equal to \$25 per month times the number of years of credited service with the City.

For retirements effective on or after January 1, 1992, there is a 2.50 percent simple escalator payable after being retired five years. The maximum number of increases is 10 years.

For retirements effective on or after June 30, 1998, there is a 2.50 percent simple escalator payable every January 1 after being retired six months. The maximum number of increases is 15 years.

For retirements effective on or after June 30, 2000, there is a 2.50 percent compound escalator payable every January 1 after being retired six months.

For new hires effective July 1, 2012, there is no COLA benefit unless paid for by the member.

City of Grosse Pointe Farms, Michigan

Required Supplemental Information Public Safety Retirement System Schedule of Investment Returns Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual money-weighted rate of return, net of investment expense	17.28 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

*GASB 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation.

City of Grosse Pointe Farms, Michigan

Required Supplemental Information Public Safety Retirement System Schedule of Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service cost	\$ 561,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	2,089,965	-	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(112,068)	-	-	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(1,640,042)	-	-	-	-	-	-	-	-	-
Net Change in Total Pension Liability	899,281	-								
Total Pension Liability - Beginning of year	28,405,513	-								
Total Pension Liability - End of year	\$ 29,304,794	\$ -								
Plan Fiduciary Net Position										
Contributions - Employer	\$ 513,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Members	200,591	-	-	-	-	-	-	-	-	-
Net investment income	5,527,172	-	-	-	-	-	-	-	-	-
Administrative expenses	(12,709)	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(1,640,042)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	4,588,902	-								
Plan Fiduciary Net Position - Beginning of year	32,545,610	-								
Plan Fiduciary Net Position - End of year	\$ 37,134,512	\$ -								
City's Net Pension Liability - Ending	\$ (7,829,718)	\$ -								
Plan Fiduciary Net Position as a % of Total Pension Liability	126.72 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Covered Employee Payroll	\$ 2,740,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a % of Covered Employee Payroll	(285.7)%	- %	- %	- %	- %	- %	- %	- %	- %	- %

*GASB 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation.

City of Grosse Pointe Farms, Michigan

Required Supplemental Information Other Postemployment Benefit Trust System Schedule Year Ended June 30, 2014

The schedule of funding progress for the General Employees' Other Postemployment Benefit Trust is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 626,680	\$ 10,325,231	\$ 9,698,551	6.1	\$ 2,953,901	328.3
6/30/08	571,407	11,532,281	10,960,874	5.0	3,057,857	358.4
6/30/09	401,788	13,703,761	13,301,973	2.9	3,116,703	426.8
6/30/11	209,457	14,297,174	14,087,717	1.5	2,816,985	500.1
6/30/13	489,845	15,680,229	15,190,384	3.1	2,285,740	664.6

The schedule of employer contributions for the General Employees' Other Postemployment Benefit Trust is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/09	6/30/07	\$ 841,910	26.1
6/30/10	6/30/08	913,597	25.0
6/30/11	6/30/09	1,148,990	28.9
6/30/12	6/30/11	1,162,113	47.8
6/30/13	6/30/11	1,214,408	45.7
6/30/14	6/30/13	1,226,486	46.1

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2014, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Dispatchers and union: level percent of payroll Department heads and clerical: level dollar amount
Amortization period (perpetual)	Dispatchers and union: 30 years Department heads and clerical: 24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.75%
Projected salary increases	4.5% - 8.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

City of Grosse Pointe Farms, Michigan

Required Supplemental Information Other Postemployment Benefit Trust System Schedule (Continued) Year Ended June 30, 2014

The schedule of funding progress for the Public Safety Other Postemployment Benefit Trust is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 2,840,823	\$ 11,627,949	\$ 8,787,126	24.4	\$ 2,790,700	314.9
6/30/08	2,704,470	12,221,098	9,516,628	22.1	2,881,435	330.3
6/30/09	2,308,126	14,151,437	11,843,311	16.3	2,980,880	397.3
6/30/11	3,059,965	13,188,299	10,128,334	23.2	2,941,032	344.4
6/30/13	3,779,637	16,417,214	12,637,577	23.0	2,746,023	460.2

The schedule of employer contributions for the Public Safety Other Postemployment Benefit Trust is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/09	6/30/07	\$ 783,893	23.0
6/30/10	6/30/08	845,615	25.0
6/30/11	6/30/09	1,093,302	25.0
6/30/12	6/30/11	862,600	43.5
6/30/13	6/30/11	901,417	41.0
6/30/14	6/30/13	1,029,528	37.1

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2014, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period (perpetual)	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.75%
Projected salary increases	4.5% - 8.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

City of Grosse Pointe Farms, Michigan

Note to Required Supplemental Information Year Ended June 30, 2014

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund:		
Amounts per operating statement	\$ 12,827,150	\$ 11,322,091
Operating transfers budgeted as revenue and expenditures on budget statement	-	1,390,476
Amounts per budget statement	<u>\$ 12,827,150</u>	<u>\$ 12,712,567</u>

The City did not have significant expenditure budget variances.

Other Supplemental Information

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue Funds		Debt Service Funds		Total Nonmajor Governmental Funds
	Major Streets	Community Development Block Grant	General Debt Service	Capital Projects Fund	
Assets					
Cash and investments	\$ 600,265	\$ 35,143	\$ -	\$ 181,919	\$ 817,327
Receivables:					
Accrued interest receivable	17	-	11,539	1,746	13,302
Other receivables	5,838	-	-	103,162	109,000
Due from other governmental units	93,394	1,020	-	-	94,414
Due from other funds	-	-	-	200,000	200,000
Long-term advances to other funds	-	-	-	784,358	784,358
	<u>\$ 699,514</u>	<u>\$ 36,163</u>	<u>\$ 11,539</u>	<u>\$ 1,271,185</u>	<u>\$ 2,018,401</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 43,860	\$ 26,476	\$ -	\$ 155,193	\$ 225,529
Due to other funds	-	-	11,539	-	11,539
Accrued liabilities and other -					
Accrued salaries and wages	13,810	-	-	-	13,810
	<u>57,670</u>	<u>26,476</u>	<u>11,539</u>	<u>155,193</u>	<u>250,878</u>
Fund Balances					
Restricted:					
Roads	641,844	-	-	-	641,844
Grants	-	9,687	-	-	9,687
Assigned - Capital projects	-	-	-	1,115,992	1,115,992
	<u>641,844</u>	<u>9,687</u>	<u>-</u>	<u>1,115,992</u>	<u>1,767,523</u>
Total liabilities and fund balances	<u>\$ 699,514</u>	<u>\$ 36,163</u>	<u>\$ 11,539</u>	<u>\$ 1,271,185</u>	<u>\$ 2,018,401</u>

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2014

	Special Revenue Funds		Debt Service Fund		Total Nonmajor Governmental Funds
	Major Streets	Community Development Block Grant	General Debt Service	Capital Projects Fund	
Revenue					
Federal grants	\$ -	\$ 49,904	\$ -	\$ -	\$ 49,904
State sources	567,437	-	-	-	567,437
Investment income	521	-	-	26,864	27,385
Other revenue	36,362	-	-	292,531	328,893
Total revenue	604,320	49,904	-	319,395	973,619
Expenditures - Current					
Public works - Street construction	726,816	-	-	-	726,816
Community and economic development	-	49,899	-	-	49,899
Capital outlay	-	-	-	1,305,809	1,305,809
Debt service	-	-	539,358	-	539,358
Total expenditures	726,816	49,899	539,358	1,305,809	2,621,882
Excess of Revenue (Under) Over Expenditures	(122,496)	5	(539,358)	(986,414)	(1,648,263)
Other Financing Sources (Uses)					
Face value of debt issue	-	-	1,840,625	-	1,840,625
Transfers in	270,000	-	516,006	804,470	1,590,476
Transfers out	(250,000)	-	-	-	(250,000)
Payment to bond refunding escrow agent	-	-	(1,817,273)	-	(1,817,273)
Total other financing sources	20,000	-	539,358	804,470	1,363,828
Net Change in Fund Balances	(102,496)	5	-	(181,944)	(284,435)
Fund Balances - Beginning of year	744,340	9,682	-	1,297,936	2,051,958
Fund Balances - End of year	\$ 641,844	\$ 9,687	\$ -	\$ 1,115,992	\$ 1,767,523

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Nonmajor Special Revenue Fund - Major Streets Fund Budgetary Comparison Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 390,000	\$ 390,000	\$ 405,277	\$ 15,277
Other revenue	-	-	1,511	1,511
Transfers in	15,360	15,360	-	(15,360)
Total revenue	405,360	405,360	406,788	1,428
Expenditures - Current				
Public works - Streets	355,360	355,360	316,632	38,728
Transfers out	50,000	50,000	50,000	-
Total expenditures	405,360	405,360	366,632	38,728
Net Change in Fund Balance	-	-	40,156	40,156
Fund Balance - Beginning of year	368,234	368,234	368,234	-
Fund Balance - End of year	<u>\$ 368,234</u>	<u>\$ 368,234</u>	<u>\$ 408,390</u>	<u>\$ 40,156</u>

Due to the implementation of GASB No. 54, the Local Streets Fund was merged with the Major Streets Fund. The Local Streets Fund is budgeted separately from the Major Streets Fund. Total revenue for the Major Streets Fund per the operating statement is \$604,320 less the Local Streets Fund amount budgeted separately of \$197,532, which equals the revenue amount per the budget statement of \$406,788. Total expenditures for the Major Streets Fund per the operating statement are \$726,816 less the Local Streets Fund amount budgeted separately of \$410,184, which equals the expenditure amount per the budget statement of \$316,632.

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Nonmajor Special Revenue Fund - Local Streets Budgetary Comparison Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 155,000	\$ 155,000	\$ 162,160	\$ 7,160
Investment income	2,000	2,000	521	(1,479)
Other revenue	-	35,000	34,851	(149)
Fund balance appropriation and transfers in	470,710	470,710	270,000	(200,710)
Total revenue	627,710	662,710	467,532	(195,178)
Expenditures - Current				
Public works - Streets	427,710	462,710	410,184	52,526
Transfers out	200,000	200,000	200,000	-
Total expenditures	627,710	662,710	610,184	52,526
Net Change in Fund Balance	-	-	(142,652)	(142,652)
Fund Balance - Beginning of year	376,106	376,106	376,106	-
Fund Balance - End of year	<u>\$ 376,106</u>	<u>\$ 376,106</u>	<u>\$ 233,454</u>	<u>\$ (142,652)</u>

The City implemented GASB No. 54 in fiscal year 2011. As a result, the Local Streets Fund is now merged with the Major Streets Fund for reporting purposes but is budgeted as a separate fund.

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Nonmajor Special Revenue Fund - Community Development Block Grant Budgetary Comparison Year Ended June 30, 2014

	<u>Original Budget</u> (Unaudited)	<u>Amended</u> <u>Budget</u> (Unaudited)	<u>Actual</u>	Variance with <u>Amended</u> <u>Budget</u>
Revenue - Federal grants	\$ 48,600	\$ 50,600	\$ 49,904	\$ (696)
Expenditures - Current - Community and economic development	<u>48,600</u>	<u>50,600</u>	<u>49,899</u>	<u>701</u>
Net Change in Fund Balance	-	-	5	5
Fund Balance - Beginning of year	<u>9,682</u>	<u>9,682</u>	<u>9,682</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 9,682</u></u>	<u><u>\$ 9,682</u></u>	<u><u>\$ 9,687</u></u>	<u><u>\$ 5</u></u>

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Combining Statement of Net Position Nonmajor Enterprise Funds June 30, 2014

	Recycling Program	Municipal Radio System	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 91,687	\$ 21,658	\$ 113,345
Receivables:			
Other receivables	17,960	-	17,960
Due from other governmental units	-	79,700	79,700
Prepaid expenses and other assets	-	1,475	1,475
Total current assets	109,647	102,833	212,480
Noncurrent assets - Capital assets - Assets subject to depreciation			
	-	844,282	844,282
Total assets	109,647	947,115	1,056,762
Liabilities			
Current liabilities:			
Accounts payable	9,069	630	9,699
Refundable deposits, bonds, etc.	-	19,777	19,777
Accrued liabilities and other -			
Accrued salaries and wages	-	1,301	1,301
Compensated absences less than one year	-	7,019	7,019
Total current liabilities	9,069	28,727	37,796
Noncurrent liabilities:			
Compensated absences greater than one year	-	14,083	14,083
Net OPEB obligation	-	61,306	61,306
Total noncurrent liabilities	-	75,389	75,389
Total liabilities	9,069	104,116	113,185
Net Position			
Net investment in capital assets	-	844,282	844,282
Unrestricted	100,578	(1,283)	99,295
Total net position	\$ 100,578	\$ 842,999	\$ 943,577

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Nonmajor Enterprise Funds Year Ended June 30, 2014

	Recycling Program	Municipal Radio System	Total
Operating Revenue			
Interest and penalty charges	\$ 3,401	\$ -	\$ 3,401
Charges for services - Recycling	104,847	-	104,847
Charges for services - Radio system	-	229,042	229,042
Total operating revenue	<u>108,248</u>	<u>229,042</u>	<u>337,290</u>
Operating Expenses			
Other operating and maintenance costs	109,769	239,244	349,013
Depreciation	-	105,656	105,656
Total operating expenses	<u>109,769</u>	<u>344,900</u>	<u>454,669</u>
Change in Net Position	(1,521)	(115,858)	(117,379)
Net Position - Beginning of year	<u>102,099</u>	<u>958,857</u>	<u>1,060,956</u>
Net Position - End of year	<u><u>\$ 100,578</u></u>	<u><u>\$ 842,999</u></u>	<u><u>\$ 943,577</u></u>

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2014

	Recycling Program	Municipal Radio System	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 108,248	\$ 229,042	\$ 337,290
Payments to suppliers	(932)	(116,976)	(117,908)
Payments to employees	(108,837)	(110,161)	(218,998)
Other receipts (payments)	1,268	(6,341)	(5,073)
Net cash used in operating activities	(253)	(4,436)	(4,689)
Net Decrease in Cash and Cash Equivalents	(253)	(4,436)	(4,689)
Cash and Cash Equivalents - Beginning of year	91,940	26,094	118,034
Cash and Cash Equivalents - End of year	\$ 91,687	\$ 21,658	\$ 113,345
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (1,521)	\$ (115,858)	\$ (117,379)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	-	105,656	105,656
Changes in assets and liabilities:			
Receivables	1,268	(6,341)	(5,073)
Prepaid and other assets	-	(242)	(242)
Accounts payable	-	(417)	(417)
Accrued and other liabilities	-	12,766	12,766
Net cash used in operating activities	\$ (253)	\$ (4,436)	\$ (4,689)

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Statement of Fiduciary Net Position Fiduciary Funds June 30, 2014

	Pension Trust Funds					Agency Fund - Tax Collections
	General Employees' Retirement System	Public Safety Retirement System	General Employees' Other Postemployment Benefit Trust	Public Safety Other Postemployment Benefit Trust	Total Pension Trust Funds	
Assets						
Cash and cash equivalents	\$ 207,828	\$ 257,192	\$ -	\$ -	\$ 465,020	\$ 1,293
Investments - Common/collective funds	22,692,943	36,799,040	726,075	4,449,464	64,667,522	-
Receivables:						
Accrued interest receivable	63,264	111,114	-	-	174,378	-
Other receivable	300	-	-	-	300	805
Prepaid expenses and other assets	-	-	26,184	21,389	47,573	-
Total assets	<u>22,964,335</u>	<u>37,167,346</u>	<u>752,259</u>	<u>4,470,853</u>	<u>65,354,793</u>	<u>\$ 2,098</u>
Liabilities						
Accounts payable	10,450	16,261	7,112	2,403	36,226	\$ 2,098
Due to primary government	20,571	16,571	-	-	37,142	-
Total liabilities	<u>31,021</u>	<u>32,832</u>	<u>7,112</u>	<u>2,403</u>	<u>73,368</u>	<u>\$ 2,098</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 22,933,314</u>	<u>\$ 37,134,514</u>	<u>\$ 745,147</u>	<u>\$ 4,468,450</u>	<u>\$ 65,281,425</u>	

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2014

	General Employees' Retirement System	Public Safety Retirement System	General Employees' Other Postemployment Benefit Trust	Public Safety Other Postemployment Benefit Trust	Total
Additions					
Investment income:					
Interest and dividends	\$ 457,717	\$ 737,560	\$ 13,537	\$ 86,902	\$ 1,295,716
Net increase in fair value of investments	3,032,657	4,879,913	75,658	570,720	8,558,948
Net investment income	3,490,374	5,617,473	89,195	657,622	9,854,664
Contributions:					
Employer	560,101	513,890	564,915	381,625	2,020,531
Employee	133,663	200,592	-	2,684	336,939
Total contributions	693,764	714,482	564,915	384,309	2,357,470
Total additions	4,184,138	6,331,955	654,110	1,041,931	12,212,134
Deductions					
Benefit payments	1,292,953	1,640,042	-	-	2,932,995
Health benefits	-	-	394,307	348,617	742,924
Administrative expenses	62,004	103,009	4,501	4,501	174,015
Total deductions	1,354,957	1,743,051	398,808	353,118	3,849,934
Net Increase in Net Position Held in Trust	2,829,181	4,588,904	255,302	688,813	8,362,200
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	20,104,133	32,545,610	489,845	3,779,637	56,919,225
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 22,933,314	\$ 37,134,514	\$ 745,147	\$ 4,468,450	\$ 65,281,425

City of Grosse Pointe Farms, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2014

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
Agency Fund - Tax collections				
Cash and cash equivalents	\$ 4,624	\$ 34,098,867	\$ (34,102,198)	\$ 1,293
Receivables - Taxes	-	805	-	805
Total assets	<u>\$ 4,624</u>	<u>\$ 34,099,672</u>	<u>\$ (34,102,198)</u>	<u>\$ 2,098</u>
Liabilities				
Accounts payable	\$ 4,624	\$ 67,936	\$ (70,462)	\$ 2,098
Due to other governmental units	-	34,070,603	(34,070,603)	-
Total liabilities	<u>\$ 4,624</u>	<u>\$ 34,138,539</u>	<u>\$ (34,141,065)</u>	<u>\$ 2,098</u>

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

Sources - Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

City of Grosse Pointe Farms, Michigan

	June 30			
	2005	2006	2007	2008
Governmental Activities				
Net investment in capital assets	\$ 17,585,000	\$ 17,642,000	\$ 17,476,000	\$ 17,283,000
Restricted	571,000	560,000	957,000	816,000
Unrestricted	<u>5,419,000</u>	<u>5,547,000</u>	<u>5,824,000</u>	<u>5,905,000</u>
Total net assets	<u>\$ 23,575,000</u>	<u>\$ 23,749,000</u>	<u>\$ 24,257,000</u>	<u>\$ 24,004,000</u>
Business-type Activities				
Net investment in capital assets	\$ 5,695,000	\$ 6,523,000	\$ 6,848,000	\$ 7,523,000
Restricted	-	-	-	-
Unrestricted	<u>1,128,000</u>	<u>994,000</u>	<u>1,235,000</u>	<u>1,064,000</u>
Total net assets	<u>\$ 6,823,000</u>	<u>\$ 7,517,000</u>	<u>\$ 8,083,000</u>	<u>\$ 8,587,000</u>
Primary Government in Total				
Net investment in capital assets	\$ 23,280,000	\$ 24,165,000	\$ 24,323,000	\$ 24,806,000
Restricted	571,000	560,000	957,000	816,000
Unrestricted	<u>6,547,000</u>	<u>6,541,000</u>	<u>7,060,000</u>	<u>6,969,000</u>
Total net assets	<u>\$ 30,398,000</u>	<u>\$ 31,266,000</u>	<u>\$ 32,340,000</u>	<u>\$ 32,591,000</u>

Source: City Annual Financial Statements

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting, Rounded to the Nearest Thousand)

June 30					
2009	2010	2011	2012	2013	2014
\$ 17,160,000	\$ 16,134,000	\$ 15,496,000	\$ 14,682,000	\$ 14,668,000	\$ 14,931,000
933,000	356,000	495,000	579,000	754,000	651,000
5,165,000	4,204,000	2,403,000	1,276,000	(457,000)	(2,623,000)
<u>\$ 23,258,000</u>	<u>\$ 20,694,000</u>	<u>\$ 18,394,000</u>	<u>\$ 16,537,000</u>	<u>\$ 14,965,000</u>	<u>\$ 12,959,000</u>
\$ 8,271,000	\$ 8,867,000	\$ 10,219,000	\$ 11,390,000	\$ 11,466,000	\$ 11,595,000
-	-	-	-	-	-
1,010,000	605,000	(318,000)	(827,000)	(945,000)	(839,000)
<u>\$ 9,281,000</u>	<u>\$ 9,472,000</u>	<u>\$ 9,901,000</u>	<u>\$ 10,563,000</u>	<u>\$ 10,521,000</u>	<u>\$ 10,756,000</u>
\$ 25,431,000	\$ 25,001,000	\$ 25,715,000	\$ 26,072,000	\$ 26,134,000	\$ 26,526,000
933,000	356,000	495,000	579,000	754,000	651,000
6,175,000	4,809,000	2,085,000	449,000	(1,402,000)	(3,462,000)
<u>\$ 32,539,000</u>	<u>\$ 30,166,000</u>	<u>\$ 28,295,000</u>	<u>\$ 27,100,000</u>	<u>\$ 25,486,000</u>	<u>\$ 23,715,000</u>

City of Grosse Pointe Farms, Michigan

	Year Ended June 30				
	2005	2006	2007	2008	2009
Expenses					
Governmental Activities					
General government	\$ 3,251,023	\$ 3,032,307	\$ 2,741,679	\$ 3,428,248	\$ 3,213,352
Municipal court	279,031	273,569	259,534	229,924	246,676
Public safety	4,607,276	4,755,663	4,936,706	5,133,805	5,532,467
Public works	2,919,866	3,282,469	3,694,198	3,419,905	3,573,103
Community and economic development	-	-	-	-	-
Recreation and culture	1,234,323	1,700,773	1,807,819	1,864,209	1,995,240
Interest on long-term debt	35,908	260,050	268,800	265,386	260,568
Total governmental activities expenses	12,327,427	13,304,831	13,708,736	14,341,477	14,821,406
Business-type Activities					
Water and sewer	3,481,591	3,964,617	3,962,492	4,347,654	4,051,550
Radio system charges	181,517	195,506	174,023	177,394	209,373
Recycling program	-	-	-	-	-
Interest on long-term debt	366,772	379,704	348,599	309,787	296,137
Total business-type activities expenses	4,029,880	4,539,827	4,485,114	4,834,835	4,557,060
Total primary government expenses	16,357,307	17,844,658	18,193,850	19,176,312	19,378,466
Program Revenue					
Charges for services:					
Municipal court	144,116	167,030	115,937	136,971	122,023
Public safety	664,651	600,677	529,272	565,939	579,890
Public works	126,938	114,641	100,658	110,459	108,689
General government	192,795	293,764	331,962	286,089	357,373
Recreation and culture	272,274	406,907	456,257	450,056	445,431
Operating and capital grants and contributions	1,055,255	579,164	681,915	725,991	857,406
Total governmental activities program revenue	2,456,029	2,162,183	2,216,001	2,275,505	2,470,812
Business-type Activities					
Charges for services:					
Water and sewer	2,605,248	2,994,076	2,845,677	3,190,978	2,972,857
Other charges for services - Grosse Pointe City	546,129	667,958	644,975	481,180	806,623
Radio system charges	181,518	196,483	173,041	177,396	209,373
Recycling program	-	-	-	-	-
Operating and capital grants and contributions	-	-	-	-	-
Total business-type activities program revenue	3,332,895	3,858,517	3,663,693	3,849,554	3,988,853
Total primary government program revenue	5,788,924	6,020,700	5,879,694	6,125,059	6,459,665

Source: City Annual Financial Statements

**Changes in Net Position
Governmental Activities, Business-type
Activities, and Primary Government
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)**

Year Ended June 30				
2010	2011	2012	2013	2014
\$ 2,654,838	\$ 3,147,215	\$ 3,148,607	\$ 3,138,683	\$ 3,265,673
247,370	222,774	242,325	246,021	244,844
5,821,182	6,207,639	5,981,440	5,665,301	6,708,322
4,114,191	3,876,300	3,429,387	3,485,847	3,492,491
-	-	47,289	-	49,899
1,960,948	1,914,399	1,903,154	1,746,363	1,898,214
<u>255,130</u>	<u>247,758</u>	<u>241,221</u>	<u>241,268</u>	<u>206,508</u>
15,053,659	15,616,085	14,993,423	14,523,483	15,865,951
4,024,053	4,685,051	5,570,439	5,758,985	6,082,756
273,320	267,189	275,772	869,354	344,900
-	-	107,732	107,076	109,769
<u>357,429</u>	<u>264,318</u>	<u>241,825</u>	<u>333,332</u>	<u>322,444</u>
<u>4,654,802</u>	<u>5,216,558</u>	<u>6,195,768</u>	<u>7,068,747</u>	<u>6,859,869</u>
19,708,461	20,832,643	21,189,191	21,592,230	22,725,820
115,142	118,102	140,406	142,312	135,506
491,606	504,622	590,018	634,925	846,095
110,888	109,125	-	-	-
258,178	341,806	239,027	271,606	251,162
461,093	438,052	476,190	522,090	531,975
<u>526,506</u>	<u>698,107</u>	<u>629,434</u>	<u>565,925</u>	<u>631,411</u>
1,963,413	2,209,814	2,075,075	2,136,858	2,396,149
3,045,418	3,625,449	4,121,315	5,272,212	5,546,862
736,747	679,651	508,235	411,862	458,196
210,250	195,380	646,240	189,555	229,042
-	-	110,913	103,573	108,248
<u>-</u>	<u>89,038</u>	<u>485,943</u>	<u>313,200</u>	<u>-</u>
<u>3,992,415</u>	<u>4,589,518</u>	<u>5,872,646</u>	<u>6,290,402</u>	<u>6,342,348</u>
<u>5,955,828</u>	<u>6,799,332</u>	<u>7,947,721</u>	<u>8,427,260</u>	<u>8,738,497</u>

City of Grosse Pointe Farms, Michigan

	Year Ended June 30				
	2005	2006	2007	2008	2009
Net (Expense) Revenue					
Governmental activities	\$ (9,871,398)	\$ (11,142,648)	\$ (11,492,735)	\$ (12,065,972)	\$ (12,350,594)
Business-type activities	<u>(696,985)</u>	<u>(681,310)</u>	<u>(821,421)</u>	<u>(985,281)</u>	<u>(568,207)</u>
Total primary government	(10,568,383)	(11,823,958)	(12,314,156)	(13,051,253)	(12,918,801)
General Revenue					
Governmental activities:					
Property taxes	9,081,308	9,372,015	9,618,175	9,816,949	9,775,863
State-shared revenue	833,417	823,981	807,176	796,332	768,391
Interest	330,665	614,319	577,229	575,900	400,967
Franchise fees and other	587,675	626,305	618,108	743,749	660,167
Transfers	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Total government activities	<u>10,713,065</u>	<u>11,316,620</u>	<u>11,500,688</u>	<u>11,812,930</u>	<u>11,605,388</u>
Business-type activities:					
Property taxes	1,110,873	1,155,806	1,196,606	1,232,991	1,231,536
Unrestricted investment earnings	68,086	99,206	70,661	56,291	30,701
Transfers	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Total business-type activities	<u>1,298,959</u>	<u>1,375,012</u>	<u>1,387,267</u>	<u>1,409,282</u>	<u>1,262,237</u>
Total primary government general revenue	<u>12,012,024</u>	<u>12,691,632</u>	<u>12,887,955</u>	<u>13,222,212</u>	<u>12,867,625</u>
Change in Net Position					
Governmental activities	841,667	173,972	7,953	(253,042)	(745,206)
Business-type activities	<u>601,974</u>	<u>693,702</u>	<u>565,846</u>	<u>424,001</u>	<u>694,030</u>
Total primary government	<u>\$ 1,443,641</u>	<u>\$ 867,674</u>	<u>\$ 573,799</u>	<u>\$ 170,959</u>	<u>\$ (51,176)</u>

Source: City Annual Financial Statements

Changes in Net Position
Governmental Activities, Business-type
Activities, and Primary Government
Last Ten Fiscal Years (Continued)
(Accrual Basis of Accounting)
(Unaudited)

Year Ended June 30				
2010	2011	2012	2013	2014
\$ (13,090,246)	\$ (13,406,271)	\$ (12,918,348)	\$ (12,386,625)	\$ (13,469,802)
<u>(662,387)</u>	<u>(627,040)</u>	<u>(323,122)</u>	<u>(778,345)</u>	<u>(517,521)</u>
(13,752,633)	(14,033,311)	(13,241,470)	(13,164,970)	(13,987,323)
9,849,826	9,481,378	9,490,657	9,238,242	9,344,347
665,163	798,961	727,808	744,993	763,817
259,662	110,149	235,549	58,346	117,712
523,550	716,396	845,866	773,625	1,238,006
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
11,298,201	11,106,884	11,299,880	10,815,206	11,463,882
866,081	792,009	744,402	735,296	750,556
13,943	-	40	1,139	1,503
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
880,024	792,009	744,442	736,435	752,059
12,178,225	11,898,893	12,044,322	11,551,641	12,215,941
(1,792,045)	(2,299,387)	(1,756,220)	(1,571,419)	(2,005,920)
<u>217,637</u>	<u>164,969</u>	<u>559,072</u>	<u>(41,910)</u>	<u>234,538</u>
<u>\$ (1,574,408)</u>	<u>\$ (2,134,418)</u>	<u>\$ (1,197,148)</u>	<u>\$ (1,613,329)</u>	<u>\$ (1,771,382)</u>

City of Grosse Pointe Farms, Michigan

Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	June 30									
	2005	2006	2007	2008	2009	2010	2011**	2012**	2013**	2014**
General Fund:										
Reserved	\$ 79,671	\$ 81,830	\$ 93,563	\$ 615,448	\$ 123,685	\$ 99,578	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Designated	-	-	-	-	2,212,369	2,821,681	-	-	-	-
Undesignated	3,994,044	4,085,619	4,490,187	4,286,837	2,694,702	2,760,810	-	-	-	-
Nonspendable	-	-	-	-	-	-	595,138	507,028	312,451	213,574
Committed	-	-	-	-	-	-	1,046,487	1,003,028	880,168	845,990
Assigned	-	-	-	-	-	-	206,000	200,000	376,550	300,000
Unassigned	-	-	-	-	-	-	2,900,087	3,209,206	3,368,335	3,692,523
Total General Fund	<u>4,073,715</u>	<u>4,167,449</u>	<u>4,583,750</u>	<u>4,902,285</u>	<u>5,030,756</u>	<u>5,682,069</u>	<u>4,747,712</u>	<u>4,919,262</u>	<u>4,937,504</u>	<u>5,052,087</u>
Special revenue funds:										
Reserved - Reported in special revenue funds	-	-	-	-	19,900	-	-	-	-	-
Unreserved - Reported in special revenue funds	1,205,267	1,177,296	1,066,937	934,790	948,097	855,712	-	-	-	-
Restricted	-	-	-	-	-	-	398,462	578,938	754,022	651,531
Assigned	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	102,421	-	-	-
Total special revenue funds	<u>1,205,267</u>	<u>1,177,296</u>	<u>1,066,937</u>	<u>934,790</u>	<u>967,997</u>	<u>855,712</u>	<u>500,883</u>	<u>578,938</u>	<u>754,022</u>	<u>651,531</u>
Unreserved - Reported in - Capital Projects Fund:										
Nonspendable	-	-	-	-	-	-	-	727,425	748,278	-
Unassigned	940,695	1,089,101	898,647	1,264,432	1,065,475	1,028,722	-	-	-	-
Assigned	-	-	-	-	-	-	2,508,612	1,410,658	549,658	1,115,992
Total Capital Projects Fund	<u>940,695</u>	<u>1,089,101</u>	<u>898,647</u>	<u>1,264,432</u>	<u>1,065,475</u>	<u>1,028,722</u>	<u>2,508,612</u>	<u>2,138,083</u>	<u>1,297,936</u>	<u>1,115,992</u>
Total all other governmental funds	<u>2,145,962</u>	<u>2,266,397</u>	<u>1,965,584</u>	<u>2,199,222</u>	<u>2,033,472</u>	<u>1,884,434</u>	<u>3,009,495</u>	<u>2,717,021</u>	<u>2,051,958</u>	<u>1,767,523</u>
Total governmental funds	<u>\$ 6,219,677</u>	<u>\$ 6,433,846</u>	<u>\$ 6,549,334</u>	<u>\$ 7,101,507</u>	<u>\$ 7,064,228</u>	<u>\$ 7,566,503</u>	<u>\$ 7,757,207</u>	<u>\$ 7,636,283</u>	<u>\$ 6,989,462</u>	<u>\$ 6,819,610</u>

** Fund balance classifications were changed as a result of the implementation of GASB No. 54.

Source: City Annual Financial Statements

City of Grosse Pointe Farms, Michigan

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue										
Property taxes	\$ 9,081,308	\$ 9,372,015	\$ 9,618,172	\$ 9,816,949	\$ 9,775,863	\$ 9,849,826	\$ 9,481,378	\$ 9,490,657	\$ 9,238,242	\$ 9,344,347
Licenses and permits	300,392	280,651	260,824	296,960	260,977	281,955	274,707	378,512	399,410	602,308
Federal sources	153,087	17,525	42,886	25,307	37,385	2,130	169,988	78,642	9,682	57,847
State sources	1,435,085	1,390,255	1,470,440	1,357,659	1,309,873	1,203,093	1,332,661	1,278,600	1,301,236	1,337,381
Charges for services	1,078,316	1,356,125	1,365,729	1,361,557	1,521,518	1,256,747	1,366,841	1,313,592	1,417,111	1,427,017
Fines and forfeitures	426,898	409,959	334,208	356,939	318,119	331,690	335,119	327,235	353,995	354,391
Interest	330,665	589,178	544,419	542,860	376,578	242,939	103,730	216,647	56,457	114,280
Other	482,794	162,589	191,866	298,346	447,393	364,236	251,993	256,563	161,717	563,198
Total revenue	13,288,545	13,578,297	13,828,544	14,056,577	14,047,706	13,532,616	13,316,417	13,340,448	12,937,850	13,800,769
Expenditures										
Current:										
General government	984,008	964,323	1,024,011	1,041,644	1,007,904	1,044,756	1,480,916	1,350,651	1,368,999	1,337,510
Municipal court	278,397	272,935	259,534	229,924	242,310	236,139	209,382	234,536	246,021	244,844
Public safety:										
Police, fire, and EMS	4,336,236	4,388,644	4,385,382	4,514,031	4,683,242	4,557,016	4,550,749	4,636,317	4,369,616	4,410,846
Building inspections	429,524	475,135	557,572	535,600	511,296	414,816	-	-	-	-
Public works and streets:										
Streets	717,164	1,040,304	1,264,729	1,056,972	940,704	1,173,349	941,499	665,131	685,120	726,816
Rubbish disposal and recycling	1,514,497	1,554,988	1,668,888	1,652,121	1,744,819	1,687,334	1,487,760	1,523,204	1,529,207	1,524,611
Community and economic development	78,850	8,903	42,886	25,308	34,947	-	-	47,289	-	49,899
Recreation and culture	932,253	1,104,767	1,162,040	1,220,498	1,287,139	1,244,210	1,198,465	1,249,703	1,138,274	1,164,964
Other functions	1,485,057	1,687,616	1,997,665	2,226,043	2,079,751	2,031,466	2,585,658	2,663,911	2,554,176	2,639,316
Capital outlay	4,632,617	5,735,292	764,220	881,398	1,128,335	172,155	225,629	363,382	1,189,933	1,305,809
Debt service principal	90,000	-	46,875	121,875	162,500	162,500	193,750	243,750	243,750	293,750
Debt service interest	36,208	198,653	269,255	266,489	262,038	256,600	251,905	243,325	234,575	245,608
Total expenditures	15,514,811	17,431,560	13,443,057	13,771,903	14,084,985	12,980,341	13,125,713	13,221,199	13,559,671	13,943,973
Excess of Revenue (Under) Over Expenditures	(2,226,266)	(3,853,263)	385,487	284,674	(37,279)	552,275	190,704	119,249	(621,821)	(143,204)
Other Financing Sources (Uses)										
Debt issuance/refinanced	2,500,000	4,300,000	-	-	-	-	-	-	-	23,352
Debt premium or discount	(7,394)	37,433	-	-	-	-	-	-	-	-
Transfers in	1,974,708	2,262,719	1,535,767	1,926,879	1,466,871	1,084,170	2,519,797	894,165	1,119,909	1,590,476
Transfers out	(2,271,209)	(2,532,719)	(1,805,767)	(2,159,380)	(1,466,871)	(1,134,170)	(2,519,797)	(1,031,917)	(1,144,909)	(1,640,476)
Prior Period Adjustment (GASB No. 16)	-									
Net Change in Fund Balances	(30,161)	214,170	115,487	52,173	(37,279)	502,275	190,704	(18,503)	(646,821)	(169,852)
Fund Balances - Beginning of year	6,249,838	6,219,677	6,433,847	7,049,334	7,101,507	7,064,228	7,566,503	7,757,207	7,636,283	6,989,462
Change in Accounting Method	-	-	500,000	-	-	-	-	(102,421)	-	-
Fund Balances - End of year	\$ 6,219,677	\$ 6,433,847	\$ 7,049,334	\$ 7,101,507	\$ 7,064,228	\$ 7,566,503	\$ 7,757,207	\$ 7,636,283	\$ 6,989,462	\$ 6,819,610
Debt service as a percentage of noncapital expenditures	1.17%	1.73%	2.56%	3.11%	3.39%	3.38%	3.58%	3.94%	4.02%	4.42%

Source: City Annual Financial Statements

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

City of Grosse Pointe Farms, Michigan

Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year		Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
	Ended June 30	Total Levy					
2004	2005	\$ 10,154,372	\$ 9,946,298	97.95%	\$ 196,054	\$10,142,352	99.88%
2005	2006	10,224,520	9,894,046	96.77%	315,166	10,209,212	99.85%
2006	2007	10,476,529	10,196,966	97.33%	278,004	10,474,970	99.99%
2007	2008	10,692,189	10,291,856	96.26%	397,709	10,689,565	99.98%
2008	2009	10,698,768	10,379,926	97.02%	316,916	10,696,842	99.98%
2009	2010	10,361,975	10,092,125	97.40%	266,051	10,358,176	99.96%
2010	2011	9,957,894	9,737,583	97.79%	217,324	9,954,907	99.97%
2011	2012	10,175,907	9,964,551	97.92%	210,805	10,175,356	99.99%
2012	2013	9,767,873	9,627,480	98.56%	140,315	9,767,795	100.00%
2013	2014	10,024,210	9,890,783	98.67%	133,427	10,024,210	100.00%

Source: City Controller/Treasurer's office

City of Grosse Pointe Farms, Michigan

Assessed Taxable Values (History of Property Values) Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	Taxable Value by Property Type				Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percent of Actual
		Real Property		Personal Property	Total Value			
		Residential	Commercial					
2004	2005	\$ 704,378,778	\$ 28,808,986	\$ 8,111,800	\$ 741,299,564	13.375	\$ 2,004,236,600	36.99%
2005	2006	731,565,929	30,089,081	9,343,764	770,998,774	13.250	2,041,603,156	37.76%
2006	2007	760,270,755	31,461,585	8,261,000	799,993,340	13.125	2,052,746,562	38.97%
2007	2008	780,877,307	33,597,996	8,593,936	823,069,239	13.000	2,043,496,202	40.28%
2008	2009	777,751,134	36,324,134	9,463,900	823,539,168	13.000	1,954,279,858	42.14%
2009	2010	749,690,097	38,303,234	9,094,206	797,087,537	13.500	1,701,709,100	46.84%
2010	2011	693,900,487	38,130,876	9,056,631	741,087,994	13.500	1,515,989,690	48.88%
2011	2012	663,038,327	37,934,338	9,062,200	710,034,865	14.000	1,459,682,169	48.64%
2012	2013	643,115,192	35,486,972	9,799,700	688,401,864	14.000	1,401,376,290	49.12%
2013	2014	649,919,090	35,579,801	9,597,200	695,096,091	14.000	1,412,976,200	49.19%

Note: Under Michigan law, the revenue base is referred to as "taxable value." This amount represents assessed value (50 percent of true cash value), limited for each property by the lower of 5 percent or inflation.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Source: Wayne County Department of Assessing and Equalization

City of Grosse Pointe Farms, Michigan

Property Tax Rates Direct and Overlapping Governments Last Ten Fiscal Years

Tax Year	Millage Rates - Direct City Taxes				Overlapping Taxes							Total Tax Rate		
	General Operating	Debt	Special Purpose	Total Direct Taxes	County	Detroit Zoo	Detroit Inst. Arts	Grosse Pointe Library	Community College	Intermediate School District	School Homestead	School Non- homestead	Homestead	Non- homestead
2004	\$ 10.5750	\$ 1.5000	\$ 1.3000	\$ 13.3750	\$ 8.6354	\$ -	\$ -	\$ 1.5000	\$ 2.4844	\$ 3.4643	\$ 14.8384	\$ 25.1152	\$ 44.2975	\$ 54.5743
2005	10.4500	1.5000	1.3000	13.2500	8.6346	-	-	1.5000	2.4769	3.4643	14.5498	26.2851	43.8756	55.6109
2006	10.3500	1.5000	1.2750	13.1250	8.6266	-	-	1.5413	2.4769	3.4643	14.2741	26.2932	43.5082	55.5273
2007	10.2750	1.5000	1.2250	13.0000	8.6266	-	-	1.5412	2.4769	3.4643	14.0661	26.2216	43.1751	55.3306
2008	10.2750	1.5000	1.2250	13.0000	8.6266	0.1000	-	1.5412	2.4769	3.4643	14.0165	26.2499	43.2255	55.4589
2009	10.6916	1.0834	1.2250	13.0000	8.6266	0.1000	-	1.5413	2.4769	3.4643	14.9534	26.4821	44.1625	55.6912
2010	10.6916	1.0834	1.7250	13.5000	8.6266	0.1000	-	1.5412	2.4769	3.4643	14.9534	26.4821	44.6624	56.1911
2011	11.1916	1.0834	1.7250	14.0000	8.6266	0.1000	-	1.5412	2.2408	3.4643	15.5790	26.6750	45.5519	56.6479
2012	11.5000	1.0834	1.4166	14.0000	8.6266	0.1000	0.2000	2.0012	2.2408	3.4643	16.0882	26.7587	46.7211	57.3916
2013	11.5000	1.0834	1.4166	14.0000	8.6266	0.1000	0.2000	2.0412	3.2408	3.4643	16.0890	26.7852	47.7619	58.4581

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of residents, as follows:

	General Operating	Debt	Special Purpose
2013	12.4176	no limit	2.7341

Source: Wayne County, Michigan Apportionment Report

City of Grosse Pointe Farms, Michigan

Principal Property Taxpayers (Major Taxpayers) Current Year and Nine Years Ago

Taxpayer	2013 Taxable Value	Percentage of Total	2004 Taxable Value	Percentage of Total	2004 Rank
Kercheval Development Co.	\$ 4,788,296	0.69%	\$ 3,836,755	0.52%	2
Country Club of Detroit	4,480,800	0.64%	5,925,501	0.80%	1
Detroit Edison Co.	2,709,000	0.39%	2,359,800	0.32%	3
Premiere Equities GP, LLC	2,583,849	0.37%	1,930,700	0.26%	6
Soave, Anthony-Darlene	2,578,400	0.37%	2,103,821	0.28%	4
50/60 Lakeshore, LLC	1,903,300	0.27%	-	- %	-
Elena Ford	1,873,890	0.27%	-	- %	-
Cracchiolo, Ray	1,854,000	0.27%	1,690,593	0.23%	9
Michigan Consolidated Gas	1,648,000	0.24%	1,854,700	0.25%	8
Ford, Mr. and Mrs. Edsel	1,639,200	0.24%	2,055,121	0.28%	5
Meath, Cullen	-	- %	1,927,478	0.26%	7
Williamson, Marianne	-	- %	1,590,600	0.21%	10

Source: City Assessing Department Records

Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

City of Grosse Pointe Farms, Michigan

Ratios of Net General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt per Capita	Debt per Total Personal Income
2005	\$ 13,138,308	\$ -	\$ 13,138,308	\$ 741,299,564	1.77%	9,764	\$ 1,345.59	3.22%
2006	17,023,737	-	17,023,737	770,998,774	2.21%	9,764	1,743.52	4.11%
2007	16,547,055	-	16,547,055	799,993,340	2.07%	9,764	1,694.70	3.41%
2008	15,914,942	-	15,914,942	823,069,239	1.93%	9,764	1,629.96	2.77%
2009	15,227,833	-	15,227,833	823,539,168	1.85%	9,764	1,559.59	2.61%
2010	14,508,606	-	14,508,606	797,087,537	1.82%	9,764	1,485.93	2.71%
2011	13,725,053	-	13,725,053	741,087,994	1.85%	9,479	1,447.94	2.41%
2012	17,393,475	-	17,393,475	710,034,865	2.45%	9,479	1,834.95	*
2013	16,519,574	-	16,519,574	688,401,864	2.40%	9,479	1,742.75	*
2014	15,588,734	-	15,588,734	695,096,091	2.24%	9,479	1,644.55	*

* Information not available

Source: City Controller/Treasurer's office

City of Grosse Pointe Farms, Michigan

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
General obligation bonds	\$ 2,492,976	\$ 6,830,779	\$ 6,782,402	\$ 6,659,025	\$ 6,495,023	\$ 6,331,021	\$ 6,135,769	\$ 5,890,517	\$ 5,645,265	\$ 5,413,082
Installment purchase agreements	-	-	-	-	-	-	-	-	-	-
Total	2,492,976	6,830,779	6,782,402	6,659,025	6,495,023	6,331,021	6,135,769	5,890,517	5,645,265	5,413,082
Business-type Activities										
General obligation bonds	10,645,332	10,192,958	9,764,653	9,255,917	8,732,810	8,177,585	7,589,284	11,502,958	10,874,657	10,175,652
Installment purchase agreements	-	-	-	-	-	-	-	-	-	-
Revenue bonds	-	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-	-
Total	10,645,332	10,192,958	9,764,653	9,255,917	8,732,810	8,177,585	7,589,284	11,502,958	10,874,657	10,175,652
Total debt of the government	\$ 13,138,308	\$ 17,023,737	\$ 16,547,055	\$ 15,914,942	\$ 15,227,833	\$ 14,508,606	\$ 13,725,053	\$ 17,393,475	\$ 16,519,922	\$ 15,588,734
Taxable Value	\$ 741,299,564	\$ 770,998,774	\$ 799,993,340	\$ 823,069,239	\$ 823,539,168	\$ 797,087,537	\$ 741,087,994	\$ 710,034,865	\$ 688,401,864	\$ 695,096,091
Ratio of Total Debt to Taxable Value	1.77%	2.21%	2.07%	1.93%	1.85%	1.82%	1.85%	2.45%	2.40%	2.24%
Total Population	9,764	9,764	9,764	9,764	9,764	9,764	9,479	9,479	9,479	9,479
Total Debt Per Capita	\$ 1,346	\$ 1,744	\$ 1,695	\$ 1,630	\$ 1,560	\$ 1,486	\$ 1,448	\$ 1,835	\$ 1,743	\$ 1,645
Percentage - Total Debt to Total Personal Income	3.22%	4.11%	3.41%	2.77%	2.61%	2.71%	2.41%	*	*	*

* Information not available

Source: City Controller/Treasurer's Office

City of Grosse Pointe Farms, Michigan

Direct and Overlapping Governmental Activities Debt June 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Wayne County	\$ 341,632,130	1.74%	\$ 5,944,399
Grosse Pointe School District	43,785,000	27.89%	12,211,637
Grosse Pointe Library	13,365,000	27.89%	3,727,499
Wayne County Community College	-	2.80%	-
Intermediate School District	-	1.72%	-
Total overlapping debt			21,883,534
Direct City debt			5,413,082
Total direct and overlapping debt			\$ 27,296,616

The estimated percentage applicable is calculated by the taxable value of GPF divided by the taxable value of the taxing authority's district.

Source: Municipal Advisory Council of Michigan

City of Grosse Pointe Farms, Michigan

Legal Debt Margin Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Calculation of Debt Limit										
State equalized valuation	<u>\$ 1,002,118,300</u>	<u>\$ 1,020,801,578</u>	<u>\$ 1,026,373,281</u>	<u>\$ 1,021,748,101</u>	<u>\$ 977,139,929</u>	<u>\$ 852,130,900</u>	<u>\$ 757,994,845</u>	<u>\$ 725,993,024</u>	<u>\$ 700,688,145</u>	<u>\$ 706,488,100</u>
10% of state equalized valuation	<u>\$ 100,211,830</u>	<u>\$ 102,080,158</u>	<u>\$ 102,637,328</u>	<u>\$ 102,174,810</u>	<u>\$ 97,713,993</u>	<u>\$ 85,213,090</u>	<u>\$ 75,799,485</u>	<u>\$ 72,599,302</u>	<u>\$ 70,068,815</u>	<u>\$ 70,648,810</u>
Calculation of Debt Subject to Limit										
Total debt	\$ 13,138,308	\$ 17,023,737	\$ 16,547,055	\$ 15,914,942	\$ 15,227,833	\$ 14,508,606	\$ 13,725,053	\$ 17,393,474	\$ 16,519,922	\$ 15,588,734
Less debt not subject to limit:										
Revenue bonds	-	-	-	-	-	-	-	-	-	-
Water Resources Commission or court-ordered bonds	<u>10,645,332</u>	<u>10,192,958</u>	<u>9,764,653</u>	<u>9,255,917</u>	<u>8,732,810</u>	<u>8,177,585</u>	<u>7,589,284</u>	<u>6,995,983</u>	<u>6,367,682</u>	<u>4,662,849</u>
Net debt subject to limit	<u>\$ 2,492,976</u>	<u>\$ 6,830,779</u>	<u>\$ 6,782,402</u>	<u>\$ 6,659,025</u>	<u>\$ 6,495,023</u>	<u>\$ 6,331,021</u>	<u>\$ 6,135,769</u>	<u>\$ 10,397,491</u>	<u>\$ 10,152,240</u>	<u>\$ 10,925,885</u>
Legal Debt Margin	<u>\$ 97,718,854</u>	<u>\$ 95,249,379</u>	<u>\$ 95,854,926</u>	<u>\$ 95,515,785</u>	<u>\$ 91,218,970</u>	<u>\$ 78,882,069</u>	<u>\$ 69,663,716</u>	<u>\$ 62,201,811</u>	<u>\$ 59,916,575</u>	<u>\$ 59,722,925</u>
Net Debt Subject to Limit as Percent of Debt Limit	2.49%	6.69%	6.60%	6.51%	6.65%	7.43%	8.09%	14.32%	14.49%	15.47%

Source: City Controller/Treasurer's Office

City of Grosse Pointe Farms, Michigan

Pledged Revenue Coverage Last Ten Fiscal Years

Water and Sewer Revenue Bonds							
Fiscal Year	Gross Revenue	Applicable Expenses	Net Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2005	\$ 3,187,862	\$ 3,139,055	\$ 48,807	\$ 100,000	\$ 3,150	\$ 103,150	47%
2006	3,744,986	3,590,474	154,512	-	-	-	- %
2007	3,490,651	3,523,503	(32,852)	-	-	-	- %
2008	3,672,158	3,928,415	(256,257)	-	-	-	- %
2009	3,779,480	3,633,688	145,792	-	-	-	- %
2010	3,791,432	3,958,252	(166,820)	-	-	-	- %
2011	4,305,100	4,044,174	260,926	-	-	-	- %
2012	4,629,550	5,113,435	(483,885)	-	-	-	- %
2013	5,677,046	5,305,128	371,918	-	-	-	- %
2014	6,005,058	5,392,442	612,616	-	-	-	- %

Source: City Controller/Treasurer's Office

Demographics and Economic Information

These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.

City of Grosse Pointe Farms, Michigan

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate (I)
2005	9,764	\$ 408,252	\$ 41,812	<2%
2006	9,764	414,706	42,473	<2%
2007	9,764	485,222	49,695	<2%
2008	9,764	574,299	58,818	<3%
2009	9,764	584,131	59,825	<4%
2010	9,764	535,946	54,890	<4%
2011	9,479	567,887	59,910	<3%
2012	9,479	*	*	<3%
2013	9,479	*	*	*
2014	9,479	*	*	*

Source: City-Data.com

(I) For population over 25 years old and over

* Information not available

City of Grosse Pointe Farms, Michigan

Principal Employers (Major Employers) Last Fiscal Year and Nine Years Ago

Taxpayer	2014 Employees	Percentage of Total City Employment
1 Grosse Pointe Schools	254	8%
2 City of Grosse Pointe Farms	123	4%
3 Country Club of Detroit	120	4%
4 United States Post Office	102	3%
5 Henry Ford/Pearson Clinic	90	3%
6 Grosse Pointe Academy	80	2%
7 Hill Chop House	50	2%
8 St. Paul's Church/School	45	1%
9 Village Market	36	1%
10 Morgan Stanley	34	1%
Total	934	

Note: Current year total employment data and data from nine years earlier is not readily available.

Source: City Controller/Treasurer's Office

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Grosse Pointe Farms, Michigan

Full-time Equivalent Government Employees by Function Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	11.10	11.50	11.50	10.50	10.15	10.15	10.00	10.00	10.00	10.00
Public safety:										
Police	44.34	44.34	44.34	44.34	44.34	42.34	40.34	40.34	40.34	40.34
Fire and EMS	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Building inspection	3.02	3.52	3.52	3.68	3.68	3.68	3.68	3.00	3.00	3.00
Radio system	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Municipal court	3.60	3.60	3.60	3.60	2.60	2.00	2.00	2.50	2.50	2.50
Public works:										
DPW	30.72	30.72	30.72	29.72	29.72	26.00	24.50	25.50	25.50	25.50
Water and sewer	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25
Parks and recreation	23.06	24.18	26.16	26.36	28.75	28.75	29.75	28.75	28.75	28.75
Total	<u>129.09</u>	<u>131.11</u>	<u>133.09</u>	<u>131.45</u>	<u>132.49</u>	<u>126.17</u>	<u>123.52</u>	<u>123.34</u>	<u>123.34</u>	<u>123.34</u>

Source: Various City of Grosse Pointe Farms departments

City of Grosse Pointe Farms, Michigan

Operating Indicators by Function Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Election data:										
Registered voters	8,282	7,812	7,860	7,821	7,957	8,062	8,103	7,918	8,307	8,279
Voters (at the polls or absentee)	6,656	987	5,507	1,939	2,756	2,767	5,203	1,936	6,604	1,813
Percent voting	80%	13%	70%	25%	35%	34%	64%	24%	79%	22%
Municipal court - Court caseload	6,156	5,908	5,977	5,816	4,625	5,412	5,926	4,835	5,307	5,163
Police:										
Physical arrests	400	357	439	439	337	397	355	362	322	474
Investigations	6,093	6,025	5,455	5,305	5,171	5,136	4,968	5,204	4,654	4,997
Fire:										
Fire runs	108	116	168	114	101	108	97	143	93	103
Emergency medical runs	402	376	367	409	420	407	410	411	400	474
Inspections	285	282	272	279	260	140	13	10	62	86
Public works:										
Miles of street resurfaced	-	-	3	0.97	-	1.21	-	-	1.88	1.86
Refuse collected (tons)	8,670	7,989	8,435	8,244	7,725	7,652	6,940	7,303	6,750	6,517
Parks and recreation:										
Recreation program attendance	N/A	542	1,140	1,547	1,600	1,741	1,223	1,424	1,829	2,632
Vehicles entering Pier Park	N/A	151,422	110,566	115,540	115,698	120,925	112,254	119,502	114,313	113,082
Water:										
Number of customers billed	4,102	4,099	4,094	4,096	4,094	4,088	4,088	4,085	4,085	4,089
Total consumption (thous. cu. ft.)	72,075	83,417	73,115	72,814	66,054	62,786	66,610	69,472	65,257	58,498
Avg. consumption per user	17.57	20.35	17.86	17.78	16.13	15.36	16.29	17.01	15.97	14.31

Source: Various City of Grosse Pointe Farms departments

City of Grosse Pointe Farms, Michigan

Capital Asset Statistics by Function Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	6	6	7	7	7	7	7	7	7	7
Fire:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire response vehicles	3	3	3	3	3	3	3	3	3	3
Public works:										
Streets (miles):										
Major streets	11.18	11.18	11.18	11.18	11.18	11.18	11.18	11.18	11.18	11.18
Local streets	27.07	27.07	27.07	27.07	27.07	27.07	27.07	27.07	27.07	27.07
Sidewalks	74.59	74.59	74.59	74.59	74.59	74.59	74.59	74.59	74.59	74.59
Streetlights	954	954	954	954	954	954	954	954	959	959
Traffic signals	23	23	23	23	23	23	23	23	23	23
Refuse collection trucks	8	8	8	8	8	8	8	8	8	8
Parks and recreation:										
Acreage	23.26	23.26	23.26	23.26	23.26	23.26	23.26	23.26	23.26	23.26
Developed parks/playgrounds	2	2	2	2	2	2	2	2	2	2
Developed fields (soccer, baseball, etc.)	4	4	4	4	4	4	4	4	4	4
Harbor boat wells	291	333	333	333	333	333	333	333	333	333
Water:										
Mains (miles)	42.34	42.59	42.59	42.59	42.59	42.59	42.59	42.59	42.59	42.59
Fire hydrants	500	502	502	502	502	502	502	502	502	502
Storage capacity - Millions of gallons	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Sewer:										
Miles of sanitary sewers	18	18	18	18	18	18	18	18	18	18
Miles of storm sewers	18	18	18	18	18	18	18	18	18	18
Miles of combined sanitary and storm	21	21	21	21	21	21	21	21	21	21

Source: Various City of Grosse Pointe Farms departments