

# **City of Eastpointe, Michigan**

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## **Financial Report with Supplemental Information June 30, 2015**

# City of Eastpointe, Michigan

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# City of Eastpointe, Michigan

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December 8, 2015

To the Honorable Mayor, Members of the City Council,  
and the Citizens of the City of Eastpointe

The financial report of the City of Eastpointe (the “City”) for the year ended June 30, 2015 is hereby submitted as mandated by the City Charter and State Statute, Public Act 2 of 1968. The City Charter and State Statute require that the City of Eastpointe issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. The financial statements and supplemental schedules contained herein have been audited by Plante & Moran, PLLC, certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Eastpointe. All disclosures necessary to enable the reader to gain an understanding of the City of Eastpointe activities have been included.

The financial report is presented in two sections: introductory and financial. The introductory section, which is unaudited, includes this letter of transmittal. The financial section includes the entity-wide financial statements, fund financial statements and schedules, as well as the independent auditor’s report on these financial statements and schedules. The required supplemental section includes management’s discussion and analysis and information on the pension plan. Other supplemental information includes combining and individual fund financial statements.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management’s discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Eastpointe’s MD&A can be found immediately following the report of the independent auditor.

## **City Profile and Economic Conditions**

### **Regional Settings**

The City of Eastpointe is located near the southeast corner of Macomb County, adjacent to the southern boundary of Macomb County and north of the city of Detroit. Freeway access to the southeast Michigan region is provided by Interstate-94 (I-94) and Interstate-696 (I-696). In addition, regional access is available using the bus system of the Suburban Mobility Authority for Regional Rapid Transit (SMART) system.

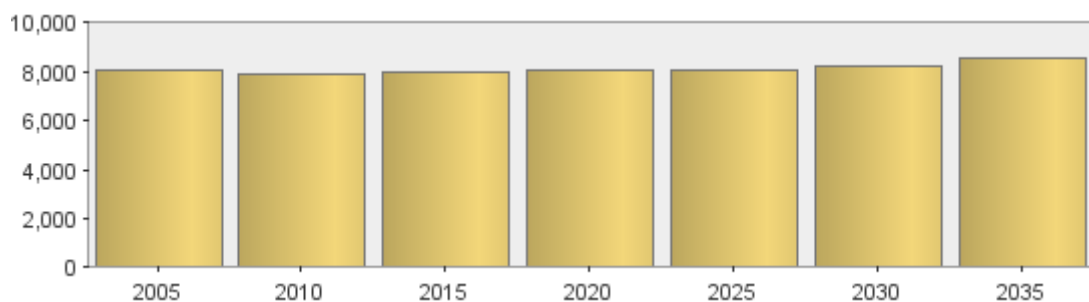
### **Local Economy**

Eastpointe has grown and prospered significantly as one of southeastern Michigan's earliest and strongest suburban communities. The City of Eastpointe continues to welcome residents, businesses, and visitors alike to a vibrant and diverse community. The City is ideally located in southeastern Michigan, within Macomb County and proud of the initiative to "Make Macomb Your Home." Eastpointe provides a full range of services to residents, visitors, and the business community and is conveniently located for employers and employees alike at the intersection of I-94 and I-696 and is centered by the Gratiot Corridor "M-3 the Place to Be." Macomb County continues to rank high in per capita income, employment opportunities, and overall quality of life.

The City of Eastpointe exemplifies the best in Macomb County through its high value to cost City services, road system, active community place-making efforts and organizations, and a variety of opportunities for residents and the business community. It is an aggressively fiscally managed and solid community with many advantages because of its affordable housing mix, business climate, and convenient access to other business and residential areas in southeastern Michigan.

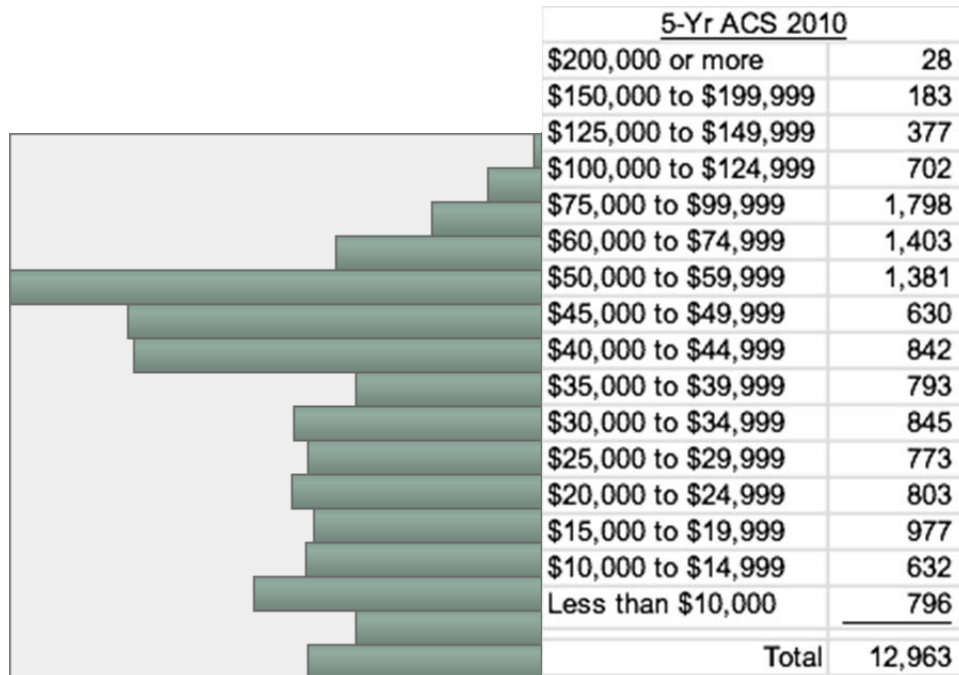
There are more than 800 commercial and industrial businesses and service enterprises within the City's 5.0 square miles. The City is proud to have a majority of small businesses, as well as more than 60 major companies within its borders, such as BMW and Porsche dealerships, CVS Pharmacy, Walgreen, Family Dollar, and Olive Garden.

### **Job Forecast**



<u>Income</u>	<u>5-Yr ACS 2010</u>	<u>Change 2000 - 2010</u>	<u>Percent Change 2000 - 2010</u>
Median Household Income (in 2010 dollars)	\$ 45,157	\$ (15,392)	-25.4%
Per Capita Income (in 2010 dollars)	\$ 21,086	\$ (5,962)	-22.0%

### Annual Household Income



<u>Poverty</u>	<u>Census 2000</u>		<u>5-Yr ACS 2010</u>		<u>Percentage Point Chg 2000 - 2010</u>
Persons in Poverty	2,174	6.4%	4,242	12.9%	6.5%
Households in Poverty	930	6.8%	1,414	10.9%	4.1%

### Local Economic Base

Eastpointe is a full-service community. It has sound infrastructure, stable values, and has many advantages accruing to it because of its housing mix and business climate. City officials proudly point to the fact that almost 91 percent of the buildings are single-family homes or condominiums.

The diversity of the City's economic base is reflected in its building stock:

Single family homes*	12,699	Homes
Condominiums - 9 complexes*	331	Units
Senior citizen towers - 2 buildings	200	Units
Rental apartments - 36 complexes	2,600	Units
		Sites
Shopping centers (174,644 sq. ft.)	4	Centers
Hotel/Motels - 2 properties	208	Rooms
Offices (409,932 sq. ft.)	99	Buildings
Commercial (gas station/retail/restaurants, etc.)	463	Buildings
Light industrial (202,453 sq. ft.)	12	Buildings
Total units/buildings	16,616	

\* Single-family homes range in value from \$40,000 to in excess of \$80,000.

### **Tax Base Composition**

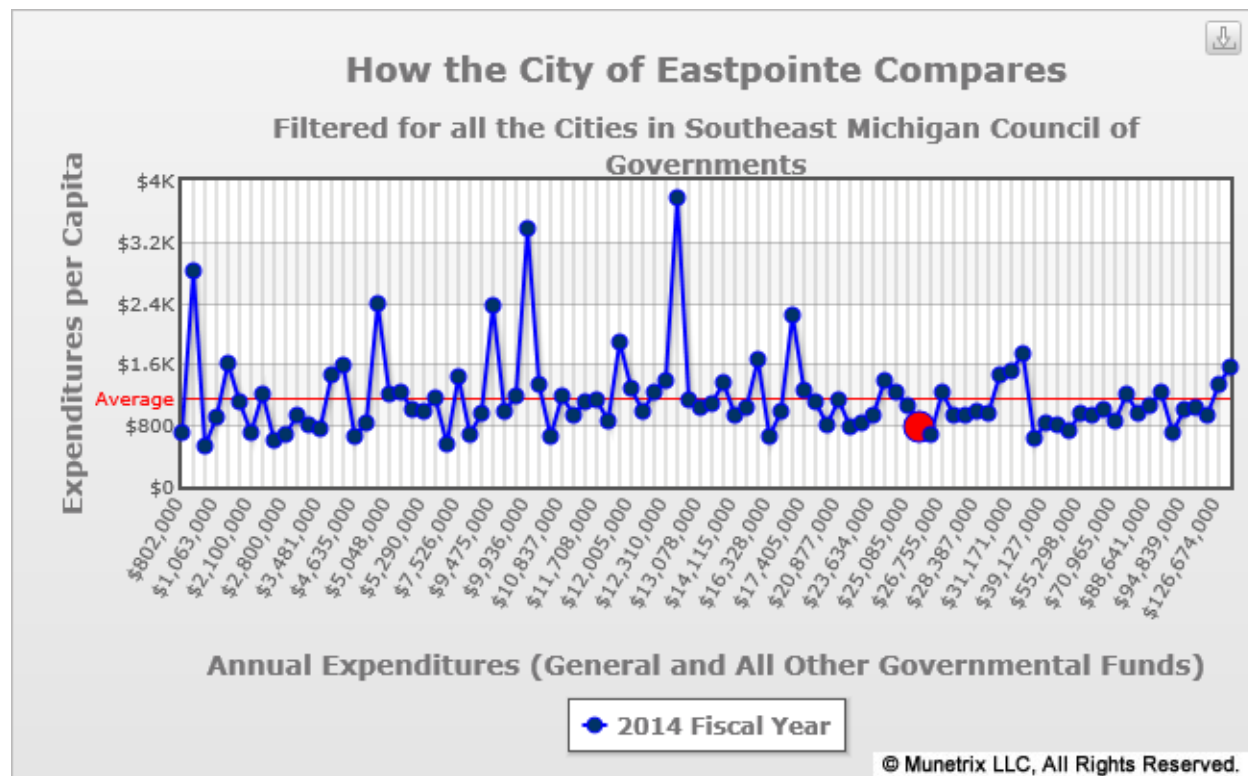
The principal source of revenues to fund the City's operations is the property tax (50 percent of total 2014-2015 General Fund revenues). The property tax revenues are a result of applying the millage rate set by the City Council within the restrictions of state law to the taxable value of real and personal property located within the City. The tables below illustrate the diversity of the City's tax base, including the DDA district, which was the basis for property tax revenue for the fiscal year 2014-2015 budget.

By Class	Taxable Value	Percent
Real property	\$ 394,541,110	91.7
Personal property	35,883,810	8.3
Total	\$ 430,424,920	100.0

By Use	Taxable Value	Percent
Residential	\$ 319,492,743	74.2
Commercial	85,607,147	19.9
Industrial	2,870,330	0.7
Utility	22,454,700	5.2
Total	\$ 430,424,920	100.0

## How Eastpointe Compares Financially to the Region

Cities within the Southeast Michigan Council of Governments, City of Eastpointe, with total expenditures of \$25,115,053, **places 28 in terms of Total Expenditures** for fiscal year 2014/15 and **77 in terms of Expenditures per Resident**. The City spent \$769 per capita; \$391 less than the Regional Average for Cities.



**Red= Eastpointe**

## **Major Achievements and Result of Operations for 2014/2015**

Recent years have not been without challenges. With the passage of the special public safety focused millage to fund the collaborative South Oakland Macomb Regional Services Authority, the next 20 appear to have improved and stabilized revenue for the Eastpointe government. Despite serious financial constraints, there were significant achievements in fiscal year 2014-2015 with more anticipated in the years ahead. As we pass the mid-decade benchmark, it is appropriate to consider the investment in services and operations that resulted from, or were an integral part of the fiscal management of the City. In the past five years, the City of Eastpointe achieved and completed multiple projects that reinforce our focus on community development, economic development, cost savings, community relations, and best practices.



## SAFE CITY

A safe city has an able fire department and police force that works with residents and businesses to serve and protect the community and to identify, repair and prevent hazards to public health and safety.

I. Created SERESA, the Southeast Regional Emergency Services Authority for emergency dispatch services in conjunction with Roseville and St. Clair Shores.

II. Formation of SMORSA, the South Macomb-Oakland Regional Services Authority and voter approval of associated 14-mil millage.

III. Voter approval of public safety millage renewal.

IV. Implemented the position of Public Safety Director to oversee operations at the fire department and police department.

V. Council approval of a special assessment for street lighting, a move that allowed the city to convert to brighter, longer-lasting LED bulbs.

VI. Renovations at the City's DPW site to improve efficiency and better serve residents.

VII. Hired five new firefighters.

VIII. Hired two new police officers.





## GREAT NEIGHBORHOODS

Great Neighborhoods have safe streets, parks and common spaces; services and housing options that meet the needs of the community; reliable transportation alternatives; employment opportunities, access to medical care; great schools; and an array recreation and entertainment options.

I. Voter approval of millage and successful incorporation and launch of RARE, the Recreational Authority of Roseville and Eastpointe.

II. Voter approval of 1-mil levy for library services.

III. Implementation of a new refuse disposal program that included improved resident participation in curbside recycling.

IV. Improvements to Kennedy Park - demolished old city pool; improved parking lot, restrooms and baseball field; and added a new gazebo, skate board park, pickle ball court and soccer field with sprinkler system.

V. Upgrades to Memorial Park, including new lighting on football field and improvements to the baseball fields.

VI. Guide to City codes and regulations mailed to residents.

VII. Establishment of the City's first Dog Park on 10 Mile Road, west of Gratiot.

VII. More than \$32 million in infrastructure improvements including: city roads (\$9.8 million); water delivery system (\$12.3 million); and sewer system (\$10.4 million).

IX. Hosted a "Sizzlin Summer" event at Kennedy Park, which drew hundreds of families to the park for games, an outdoor movie, snacks and more.

X. Hosted electronics recycling day that attracted hundreds of residents who dropped off more than 4 tons of electronic items that otherwise would have been placed into a landfill.

XI. Creation of a Service Line Assurance Program (SLAP) that for a small monthly fee protects residents against huge bills in the event of a sewer or water line failure.

XII. Hosted a 75th Anniversary celebration of library service.

XIII. Improvements to library: including improvements to parking lot and interior; the installation of a new roof; and upgrades to heating and cooling systems.



## **Public Reinvestment in Streets, Water, Sewers and Sidewalks**

Significant investment in public infrastructure projects were completed in 2014-2015. Since 2010, the City has invested \$36,797,326 in roads and sidewalks, water system, and sewer system, both City and County Joint. Key examples include these projects:

### Watermain Replacement Projects:

- Aggression and 8 mile PRV and Gratiot watermain (8 mile to Toepfer)
- Wilmont from 9 mile to Rosetta, Oak Wilmot to Kelly, Rosetta Wilmot to Kelly, Rosetta Kelly to Marine, Kelly Oak to Rosetta
- Owen, Senrau, Nicolai, Evergreen, Hofer, Aurora, and Liscomb
- Toepfer-Gratiot to Kelly
- Donald-Toepfer to Stephens

Over 26,300 feet of water main replaced.

### Sewer Repair Projects:

- Johnston-Spindler to Biscayne, Raven to East of Johnston

### Road Projects:

#### Major Streets

- Stephens road reconstruction from Gratiot to Tuscany
- Stephens road resurfacing Tuscany to Kelly
- N. Bound Kelly Rd., reconstruction, Toepfer to 9 mile road

#### Local Streets

- Johnston-Spindler to Biscayne and Spindler, Raven to East of Johnston
- Petersburg-Norton to Spindler
- Almond from Norton, 550 feet south

## **Departmental Services and Accomplishments**

The City of Eastpointe has been operating under the council-manager form of government since 1929. The city manager is the chief administrative officer of the city government, responsible for the efficient and effective management of all operations of the City. The city manager appoints all department heads and employees of the City, except the city attorney and finance director. The City manager also appoints the members of the Housing Commission and the Downtown Development Authority (DDA) and serves as a voting member on the DDA. The city manager serves as the city clerk and director of personnel of the City, as well as administrative officer and secretary to the City of Eastpointe Employees' Retirement System. The city manager prepares the City's annual budget for submission to the City Council and administers the budget after City Council adoption. The office of the city manager is also responsible for economic development and information technology services.

The management office is responsible for human resource planning, recruitment, and selection; human resource development; compensation and benefits; safety and health; and employee and labor relations. This office also is responsible for developing, implementing, and interpreting personnel policies that are consistent with the needs and objectives of the City of Eastpointe. The city manager serves as the director of personnel in accordance with the city charter and the assistant city manager serves as the secretary to the Civil Service Commission.

The office administers the city purchasing programs and coordinates the purchase of all goods and services for the City of Eastpointe. Purchasing is the centralized function through which all city departments must request goods and vendors may be placed on the bidders' list by submitting their request in writing or by email to the purchasing department. The assistant city manager is the purchasing agent for the City.

The information technology office is responsible for supporting the City's wide area network (WAN) and computer-related functions. Examples of key services provided include installation and support of microcomputers, technical support liaison for all hardware and software, water and tax bill production, and assistance in setting the technological direction for the City.

## **District Court**

The 38th District Court, Eastpointe, was established by the State of Michigan to render judicial decisions for the citizens of the City. The State is divided into judicial districts, each of which is an administrative unit subject to the control of the Supreme Court of the State of Michigan.

Jurisdiction of the District Court includes all felonies, misdemeanors, civil infractions, and civil and small claim cases. The District Court judge, who is an employee of the State of Michigan and elected by local voters, supervises the District Court employees.

## **Downtown Development Authority**

The DDA follows the DDA Design Framework Plan and the National Mainstreet Program objectives. The Authority operates under a seven-person board of directors appointed by the city manager. Promotion goals for the Authority in 2014-2015 included paver replacement in the district, and streetscape cleaning and improvements district-wide as special events. Expenditure activity related programs included upgrades as required to decorative street lighting, display of hanging flower baskets, and painting of fire hydrants.

## **Finance Department**

The finance department consists of two distinct but intertwined functions: treasury and accounting.

The accounting activities include preparing a line item budget in accordance with generally accepted accounting principles. The preparation is coordinated with the city manager and department heads. When completed, it is presented to City Council for adoption.

Accounting maintains complete and accurate financial reporting through general ledger activities, in accordance with generally accepted accounting principles. An annual audit is required of the City's books, performed by an independent auditor experienced in GAAP accounting practices. The City is required to implement into its audit practices any pronouncements that are handed down to local units of government by the Governmental Accounting Standards Board (GASB).

In preparation for the annual audit, the accounting function has the responsibility of reviewing line items and analyzing the accuracy of revenue and expenditure allocations. It is necessary to have the books complete and supporting schedules available in a timely manner for the purpose of auditor review and to correctly present the financial position of all city activities.

Accounting also includes paying the obligations of the City through the accounts payable process and paying employee and retiree obligations through the payroll process. Both activities require significant compliance activities with federal and state government reporting requirements.

Accounting enrolls individuals in, and maintains employee benefits, including health, dental, optical, and life insurance. In addition to pension payments, retiree other postemployment benefits (OPEB) are administered, which include health and dental insurance and pension death benefits.

The treasury function involves billing, collecting, and recording city funds. The major items processed are the billing and collecting of property taxes and the monthly billing and collecting for the water/sewer system. Additional activities include billing and collecting miscellaneous/special assessment items.

Treasury maintains accurate accounting records providing a clear audit trail for all receipts deposited into City bank accounts. All receipts are balanced daily.

Treasury processes and maintains information for tax billings, including mortgage company requests, deferment requests, special assessments and board of review, MTT, and state tax commission adjustments. Property transfer information is coordinated with the assessing department.

Tax rolls are reconciled annually with Macomb County records. Delinquent taxes are processed and submitted to the Macomb County treasurer's office for further collection efforts. Pertinent tax billing and collection information is available on the City's webpage and is provided to citizens, homeowners, mortgage, and title companies upon request.

Monthly water/sewer billings are processed by the Treasury. Billings are based on actual usage with data coordinated with the water/sewer department. Final billings are generated off-cycle when requested by property owners and title companies. Pertinent water/sewer billing and collection information is available on the City's webpage and is provided to citizens, homeowners, mortgage, and title companies upon request.

The role of the treasury function is to accurately and timely invoice for funds due to the City of Eastpointe, collect, receipt, and deposit funds paid to the City, and then make available the necessary funds to meet the City's expenditure obligations. Any funds temporarily available in excess of current city obligations are to be invested in minimal risk instruments that will produce the highest return.

The mission of the finance department is to accurately record and report city financial activities in a timely manner and in accordance with GAAP. Its other mission is meeting and understanding the business needs of both the people and the City. In partnership with other departments, we create a working environment in which cooperation, teamwork, and creativity are encouraged and valued.

The finance department prepares and maintains the City's financial statements in compliance with the requirements of the Governmental Accounting Standards Board. The finance department is responsible for all accounting, pension administration, and treasury functions. In addition, the department also assists in budget development, implementation, maintenance, and control.

The City assessor's office is responsible for the appraisal of all real estate and personal property for property tax purposes. There are approximately 13,845 real property descriptions and 1,281 personal property accounts contained in the City's mass appraisal files.

The Assessing office operates under the provisions of the General Property Tax Act of 1893, as amended, and applicable local charter provisions. In addition, the department maintains and monitors the "principal residence" status of all property throughout the City as well as tracking property transfers.

The assessor is responsible for development of special assessment district rolls used to fund many infrastructure improvements. The assessing department also defends all assessments before the Michigan tax tribunal and supports some economic development programs.

## **Police Department**

The police department strives to preserve and protect life and property in Eastpointe through its two operating bureaus. The majority of the department's staffing, equipment, and financial resources are allocated to the Road Patrol Bureau. The bureau's role is to establish a communication network through community policing, suppress crime, maintain order, and respond to emergencies and calls for assistance.

The investigative bureau includes trained professional investigators who are responsible for researching, solving, and successful prosecution of crimes.

The accident investigation team's officers, through training in traffic and motor carrier enforcement, work to reduce traffic accidents by determining causes and making recommendations for changes in traffic regulations and enforcing overweight and safe vehicle statutes to protect the City's roadways.

Finally, the auxiliary services unit is responsible for helping citizens who wish to become more involved in and aware of methods of crime prevention in their community. Auxiliary services consist primarily of volunteers supervised by a police lieutenant.

## **Fire Department**

The fire department is responsible for the protection of life and property from the ravages of fire. The fire department responds to residential, commercial, and industrial fires with specialized equipment designed to meet the needs of the particular fire. In addition, the department is able to respond to hazardous materials incidents, confined space rescue, and trench rescue.

The fire department provides advance life support emergency medical services in cases of sudden illness or injury. Licensed paramedics, working under the direction of a base hospital physician, provide quality prehospital emergency care.

The fire prevention division is involved in the enforcement of state laws and City ordinances that relate to fire protection and prevention. In addition, the department inspects commercial and industrial buildings and multiple-unit dwellings for fire code violations. The division also conducts fire investigations and aids in the fire prevention effort through the development and presentation of public fire education programs.

## **Department of Development Public Works and Services**

### **Development and Building Services Division**

The building services division enforces building codes and zoning codes. This division administers the Michigan building and housing code issuing permits for construction and reconstruction. This office receives construction permit applications, reviews construction plans and documents, and issues the appropriate permits for the erection and alteration of residential, commercial, and industrial buildings.

This division administers all work of the Planning Commission and Zoning Board of Appeals. The field work includes administration of the rental registration and inspection program, the vacant structure registration, sidewalk, and dangerous building programs.

Code enforcement is administered through this division including violations and regulatory enforcement of blight, rodent, and property maintenance compliance including long grass, refuse, and weed regulations.

### **Streets Division**

The Department of Public Services - Streets Division is responsible for maintaining the miles of streets within the City. The streets division is responsible for handling all street cleaning, snow and ice removal, tree trimming, street signs, and open drain repair. The streets division is upgrading street signs with a high density facing for a safer, more visible sign. The streets division will be performing both targeted and generalized concrete repair as part of the neighborhood road improvement program that was initiated in 1997.

## **Public Services Division**

The motor pool program is responsible for maintaining all city vehicles and related equipment. The Motor Pool Division keeps individual records on each vehicle and piece of equipment to help determine whether the cost of repair is justified as the need arises. The equipment is also inspected for safety problems, thereby protecting the employees and the general public. The Motor Pool Division is also responsible for keeping adequate vehicle and equipment parts in stock and updated. The Motor Pool Division also orders gasoline and diesel fuel and oversees the work done on all emergency backup generators.

The solid waste program of public services supervises the contracted WMI and is responsible for the collection of refuse and recyclables, brush chipping, street sweeping, leaf pickup, litter disposal, and catch basin cleanout. The City has established a mandatory recycling program. Recycled materials include metals, telephone books, magazines, paper, plastics, glass, tin, Christmas trees, batteries, grass clippings, and leaves.

## **Department of Public Works - Parks Division**

The parks division is responsible for the maintenance of all city parks. In addition, the parks division performs landscaping duties, as well as sidewalk and parking lot maintenance for all city buildings. The parks division is also responsible for mowing, responding to tree service calls, removal of unsafe or dead trees, and oversight of the mowing contractor. All athletic field sites are prepared for use and maintained by the parks division.

## **Department of Public Services - Water and Sewer Division**

The water and sewer division is responsible for providing water distribution and sewage collection to the City's citizens and businesses. The process begins with the purchase of water from the Detroit water and sewerage department. The water and sewer division handles the installation, repair, and reading of all water meters. The water and sewer division does all repair work on water and sewer mains, gate wells, maintenance, and catch basin structures; all cleaning of sewer mains, catch basins, gate wells and culverts; and all other related services. The water and sewer division handles all repair work, including pavement and landscape repairs arising from water main breaks and/or sewer trench settlement. The process ends with the City paying the Macomb County Drain Commission for the treatment of sewage that enters its facilities and transmission of the sewage via the Southeast Macomb Sanitary District of which the City is a collaborative member.

## **Library Department**

The library department is a multifaceted service agency involved in meeting the community's needs for information in a variety of formats. Demand for educational, recreational, and cultural materials is met with a constantly updated collection of books, periodicals, pamphlets, videos, compact discs, and books on tape.

The library department's ability to provide information is further enhanced by its membership in The Suburban Library Cooperative (SLC). This membership allows for the electronic inter-loan of items from other SLC members. These items are then delivered to Eastpointe for patron pickup.

A myriad of additional services is offered by the Library. Personal computers, with Internet access, are available for use by patrons as well as Wi-Fi access to reference material. A liaison is maintained with the City's schools and classroom visits are arranged. Art exhibits are scheduled regularly and speakers, films, book reviews, and children's programming are offered year round.

### **The Reporting Entity and Services Provided**

The City of Eastpointe has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). The City of Eastpointe includes all the funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the mayor and City Council. Based on these criteria, the Municipal Building Authority, Downtown Development Authority, and the Economic Development Corporation have been included in this report.

The City of Eastpointe provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; planning and zoning; library services; recreational activities; and cultural events. In addition, water and sewer services are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt.

### **Financial Information**

Management of the City is responsible for establishing and maintaining internal control designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance 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.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City adopted a balanced fiscal year 2014-2015 General Fund/public safety budget. The City used \$1,505,650 of fund balance in fiscal year 2014-2015. The slowdown in the economy including a loss of more than 2 percent of taxable property values, cuts in State revenue sharing, and increases in expenditures for health insurance and pension costs will seriously affect the budgets. However, with the implementation of employee benefit controls and reductions, initial restructuring, and new fiscal controls and modifications to programs, this use of fund balance was less than the projected use of \$ 3,236,454.

### **Long-term Financial Planning**

The City Council has adopted the financial management plan and following financial policies to guide the process for long-term financial decisions: (1) debt management policy - provides guidelines for borrowing money-to-finance projects, (2) cash management policy - provides guidelines for the day-to-day handling of cash and investments, (3) capital improvement policy - sets capitalization thresholds and parameters for capital asset purchases, and (4) investment policy - provides guidelines for investment of the City's liquid assets.

As the City faces a slower economy, additional funding sources will have to be found to fund field service operations and large capital projects. This may include additional taxes, which can only be raised by a vote of the people. Other sources of revenue may include grants or raising fees. These challenges will be met using the financial policies above.

### **Federal Financial Assistance**

As a recipient of federal financial assistance, the City is also responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control systems are evaluated periodically by management to achieve these objectives. The City is not required to have a single audit in fiscal year 2014-2015 because it received less than \$500,000 in federal assistance as required by the Federal Office of Management and Budget (OMB) Circular A-133.

### **Budgeting Controls**

In accordance with state law, the City's budget is prepared on the modified accrual basis for governmental-type funds, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on long-term debt and accrued vacation benefits. Governmental fund types, such as the City's General Fund, special revenue funds, debt service funds, and capital projects funds, are reported on the modified accrual basis. The City's Enterprise Funds, internal service funds, and Pension Trust Fund are reported on the full accrual basis, under which revenues are recorded when earned and expenses are recorded when incurred.

The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the General Fund 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 at the department level for the General Fund, special revenue funds, and certain debt service funds. However, for internal accounting purposes, budgetary control is maintained by object class (line account) for all funds. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Purchase orders that would create an over-encumbrance are not written until additional appropriations are available. Encumbered accounts lapse at year end. However, any encumbrances outstanding at June 30, 2015 are reported as reservations of fund balances.

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.

The preparation of the financial report on a timely basis was made possible by the dedicated service of the entire staff of the department of finance, Office of City Management, and our independent auditors, Plante & Moran, PLLC, certified public accountants. Each of them has our sincere thanks and compliments for professional work performed.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve M. Duchane".

Steve M. Duchane  
City Manager

A handwritten signature in black ink, appearing to read "Randall Blum".

Randall Blum  
Director of Finance

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Eastpointe, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eastpointe, Michigan (the "City") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City of Eastpointe, 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 an opinion 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 City'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 City'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 opinion.

To the Honorable Mayor and  
Members of the City Council  
City of Eastpointe, Michigan

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eastpointe, Michigan as of June 30, 2015 and the respective changes in its financial position and cash flows, where applicable, 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 I to the basic financial statements, in 2015, the City adopted the new accounting guidance of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which established accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. 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 and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

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

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

To the Honorable Mayor and  
Members of the City Council  
City of Eastpointe, Michigan

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

*Plante & Morse, PLLC*

December 2, 2015

# City of Eastpointe, Michigan

## Management's Discussion and Analysis

The City of Eastpointe, Michigan's (the "City") management's discussion and analysis (MD&A) is a narrative overview of the City's financial activities and performance as of and for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements and notes to the financial statements.

### **Financial Highlights**

- The City's combined total net position is reported as \$47.9 million for the fiscal year ended June 30, 2015, compared to \$49.4 million last fiscal year.
- In the City's governmental activities, revenue generated \$21.9 million, while expenses totaled \$23.6 million.
- In the City's business-type activities, program revenue generated \$13.7 million, while operating expenses totaled \$13.5 million and capital investment in the City's water system totaled \$6.6 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities, was \$37.1 million, up \$3.4 million from last fiscal year.
- Total net position decreased \$1.5 million, largely due to investments in infrastructure, specifically roads, water main, and drains, and increased retirement costs as a result of the City's implementation of Governmental Accounting Standards Board Statement No. 68.

### **Government-wide Statements**

The MD&A is followed by the City's basic financial statements, which are comprised of two sections. The first two statements, entitled government-wide statement of net position followed by the government-wide statement of activities, are financial statements that represent the City as a whole and provide a long-term perspective regarding the City's overall financial status. The statement of net position includes all of the City's assets and liabilities as described in Notes 5 and 8, respectively, to the financial statements. The difference between the City's assets and liabilities is "net position," which is a way to measure the financial health of the City as it fluctuates from one year to the next. The statement of activities reports all of the current year's earned revenue and accrued expenses, regardless of when cash is received or paid, and represents the change in net position from one year to the next.

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

The City's activities are separated into three categories: governmental and business-type activities, which represent the City's total financial performance, followed by the component unit financial information.

- The governmental activities column reports the City's basic services, including general administration, public safety, public works, and parks and recreation.
- Business-type activities represent those activities for which the City charges fees to customers to cover the cost of services. The City's water and sewer system was previously the only business-type activity reported; but during fiscal year 2015, the City determined that the Garbage and Rubbish Collection Fund should be accounted for as a proprietary fund (rather than a governmental fund) as well.
- The City has two discretely presented component units included in this report as follows: the Downtown Development Authority and the Economic Development Corporation. Although legally separate, these component units are important because the City is financially accountable for them. Further information regarding the purpose of each component unit is found in Note I to the financial statements.

### Fund Financial Statements

The City's fund financial statements are similar to the historical presentation; however, this section individually discloses only those funds designated as the City's "major" funds. All nonmajor funds are aggregated into one column. These statements provide a higher level of detail than the government-wide statements and continue to illustrate how the services provided by the City were financed in the short term as well as what remains for future spending. The City has three types of funds that are used to keep track of specific sources of funding and spending for particular purposes as follows:

- **Governmental Funds** - The majority of the City's basic services included in the governmental funds not only focus on how cash and other financial assets can readily be converted to cash flow in and out, but also what year-end balances are available to finance future city programs. Because this information does not include the additional long-term focus of the government-wide statements, reconciliation statements are provided to explain the differences between the two methods of reporting. Pages 17 and 19 illustrate this concept.
- **Proprietary Funds** - Services for which the City charges customers fees are reported in this fund type. This fund type provides both the short- and long-term financial information comparable to the business-type activity in the government-wide statements. The Water and Sewer Fund and the Garbage and Rubbish Collection Fund are proprietary funds, which typically charge residents usage fees and accounts for the cost of operations.

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

- **Fiduciary Funds** - The Trust Fund and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individual, private organizations, other governments, and other city funds. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in a separate statement of fiduciary net position. Fiduciary activities are excluded from the City's government-wide statements because these assets are not available to finance City operations.

### Financial Analysis of the City as a Whole

**Statement of Net Position** - The City's combined net position decreased 3.0 percent, or \$1.5 million, from \$49.4 million in 2014 to \$47.9 million in 2015. The net position for the governmental activities decreased from \$4.4 million in 2014 to \$2.7 million in 2015. The decrease can be attributed mainly to the City's implementation of Governmental Accounting Standards Board Statement (GASB) Statement No. 68 which resulted in additional retirement expense of \$0.5 million in 2015. The current level of unrestricted net position for governmental activities is a deficit of \$22.5 million as a result of the City recognizing a net pension liability of \$29.4 million in 2015 in accordance with GASB Statement No. 68. The net position of the business-type activity increased from \$45.0 million in 2014 to \$45.2 million in 2015, or \$0.2 million. The unrestricted net position decreased by \$6.2 million, or 37.4 percent in the business-type activity. The decrease in unrestricted net position is primarily related to the recognition of the net pension liability of \$2.1 million in 2015 in accordance with GASB Statement No. 68.

The City's assets totaled \$102.5 million in 2015, which is a decrease of \$1.6 million from 2014. This relates to a decrease in net current assets of \$9.4 million, or 30.5 percent and an increase in net capital assets of \$7.4 million, or 11.2 percent. The primary change in net current assets is due to a decrease in cash and investments by \$8.5 million as a result of significant investments in 2015 in the City's water and sewer system. The primary change in net capital assets is due to the addition of assets related to the water and sewer system of \$6.6 million.

The City's total liabilities decreased \$2.4 million, or 4.2 percent, to \$55.1 million in 2015. This is primarily due to the City paying scheduled debt payments in 2015 in the amount of \$1.0 million and not incurring any significant new debt in 2015.

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

In a condensed format, the table below shows the comparison of net position (in millions) as of June 30, 2015 to the prior two years:

	Governmental Activities			Business-type Activities			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
<b>Assets</b>									
Current assets	\$ 12,284	\$ 15,022	\$ 15,354	\$ 9,012	\$ 15,632	\$ 13,480	\$ 21,296	\$ 30,654	\$ 28,834
Capital assets	25,622	23,274	22,347	47,557	42,506	39,249	73,179	65,780	61,596
Other noncurrent assets	1,835	860	648	6,188	6,849	6,611	8,023	7,709	7,259
Total assets	39,741	39,156	38,349	62,757	64,987	59,340	102,498	104,143	97,689
<b>Deferred Outflows Related to Pension</b>	2,842	2,578	-	204	185	-	3,046	2,763	-
<b>Liabilities</b>									
Current liabilities	2,555	1,275	1,258	2,754	3,233	3,013	5,309	4,508	4,271
Long-term liabilities	34,970	36,745	6,168	14,842	16,263	10,933	49,812	53,008	17,101
Total liabilities	37,525	38,020	7,426	17,596	19,496	13,946	55,121	57,516	21,372
<b>Deferred Inflows Related to Pension</b>	2,333	-	-	168	-	-	2,501	-	-
<b>Net Position</b>									
Net investment in capital assets	21,491	19,005	18,726	34,857	29,182	27,478	56,348	48,187	46,204
Restricted	3,710	7,634	5,084	20	20	20	3,730	7,654	5,104
Unrestricted	(22,476)	(22,925)	7,113	10,320	16,474	17,896	(12,156)	(6,451)	25,009
Total net position	<u>\$ 2,725</u>	<u>\$ 3,714</u>	<u>\$ 30,923</u>	<u>\$ 45,197</u>	<u>\$ 45,676</u>	<u>\$ 45,394</u>	<u>\$ 47,922</u>	<u>\$ 49,390</u>	<u>\$ 76,317</u>

**Changes in Net Position** - The City's total net position decreased by \$1.5 million during the fiscal year ended June 30, 2015. The table below shows the comparison of changes in net position (in millions) to the prior two years:

# City of Eastpointe, Michigan

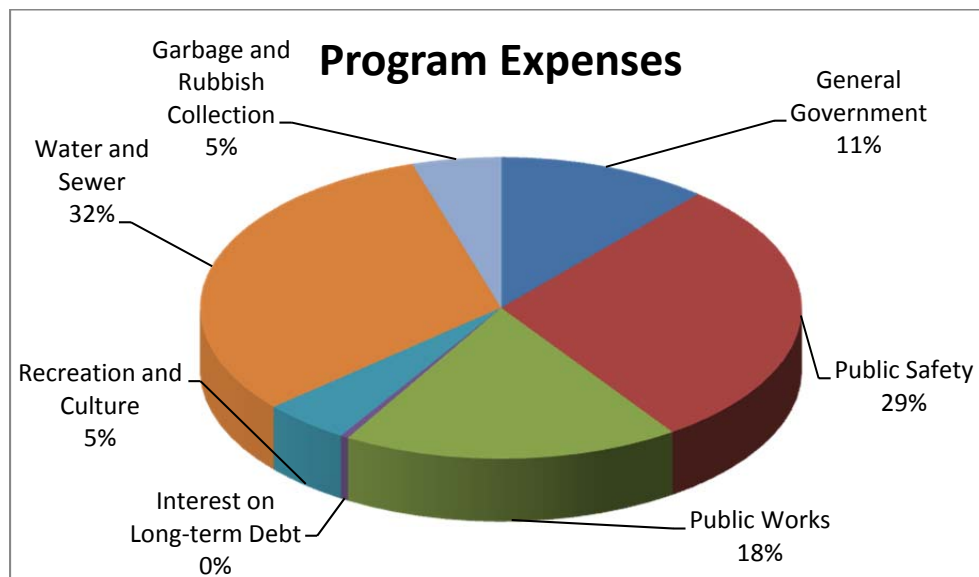
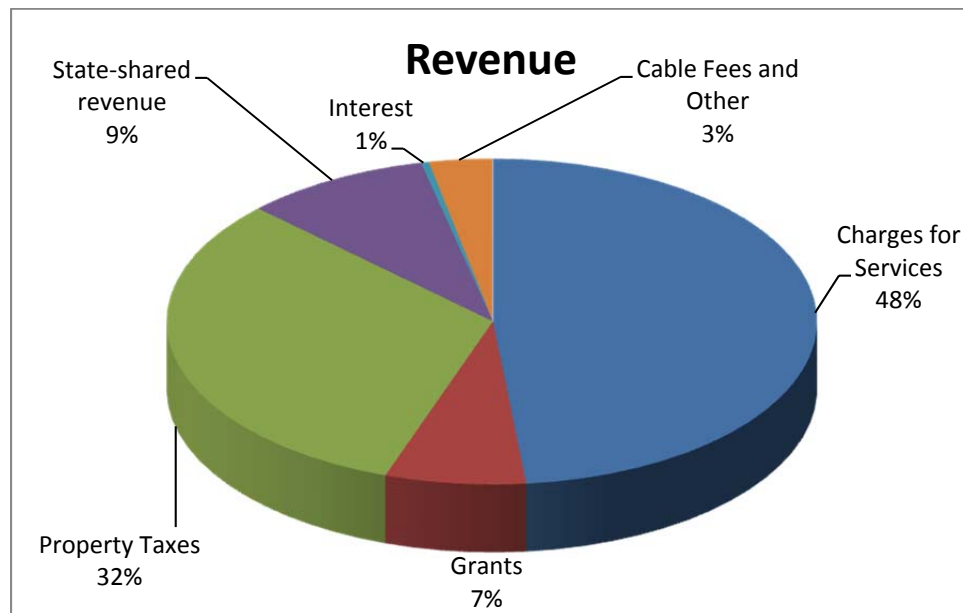
## Management's Discussion and Analysis (Continued)

	Governmental Activities			Business-type Activities			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
<b>Revenue</b>									
Program revenue:									
Charges for services	\$ 4,452	\$ 6,449	\$ 5,865	\$12,796	\$ 11,218	\$12,283	\$ 17,248	\$ 17,667	\$ 18,148
Operating grants and contributions	2,399	2,303	2,169	-	-	-	2,399	2,303	2,169
Capital grants and contributions	22	1,850	15	66	-	166	88	1,850	181
General revenue:									
Property taxes	11,364	11,502	12,208	-	-	-	11,364	11,502	12,208
State-shared revenue	3,300	3,236	3,144	-	-	-	3,300	3,236	3,144
Interest	57	39	46	82	92	111	139	131	157
Cable fees and other	532	500	564	-	3	-	532	503	564
Transfers and other revenue	(219)	(706)	(923)	812	982	994	593	276	71
Total revenue	21,907	25,173	23,088	13,756	12,295	13,554	35,663	37,468	36,642
<b>Program Expenses</b>									
General government	4,223	6,354	5,826	-	-	-	4,223	6,354	5,826
Public safety	10,769	9,918	10,397	-	-	-	10,769	9,918	10,397
Public works	6,727	5,296	6,708	-	-	-	6,727	5,296	6,708
Community and economic development	-	195	596	-	-	-	-	195	596
Recreation and culture	1,741	1,694	1,730	-	-	-	1,741	1,694	1,730
Interest on long-term debt	159	222	168	-	-	-	159	222	168
Water and sewer	-	-	-	11,735	10,071	9,539	11,735	10,071	9,539
Garbage and rubbish collection	-	-	-	1,777	-	-	1,777	-	-
Total program expenses	23,619	23,679	25,425	13,512	10,071	9,539	37,131	33,750	34,964
<b>Implementation of GASB Statement No. 68</b>	-	(27,980)	-	-	(2,665)	-	-	(30,645)	-
<b>Change in Net Position</b>	<u><u>\$ (1,712)</u></u>	<u><u>\$ (26,486)</u></u>	<u><u>\$ (2,337)</u></u>	<u><u>\$ 244</u></u>	<u><u>\$ (441)</u></u>	<u><u>\$ 4,015</u></u>	<u><u>\$ (1,468)</u></u>	<u><u>\$ (26,927)</u></u>	<u><u>\$ 1,678</u></u>

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

The City's governmental activities saw a decrease in net position in the current year of \$1.7 million. This decrease compared to prior year was due primarily to transferring the Garbage and Rubbish Fund from governmental activities to business-type activities, which had a fund balance of \$0.7 million as of June 30, 2014. Annual expenses for business-type activity exceeded revenue by \$1.1 million, resulting in a decrease in net position to \$47.2 million. The following graphs illustrate the primary sources of revenue and expenses for the total primary government of the City of Eastpointe for the year ended June 30, 2015:



# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

**Governmental Activities** - Of the City's total revenue generated for fiscal year 2015, property tax comprises the largest segment, \$11.4 million. Property tax revenue decreased over the prior year by \$0.1 million, or 1.2 percent, which is consistent with the decrease in property taxable values. State-shared revenue is another primary source of revenue for the City, of which we received \$3.3 million; this is an increase of \$0.1 million, or 2.0 percent. Of the charges for service revenue of \$4.5 million, \$2.5 million is associated with court fines and fees, and \$0.8 million for building department activity. Of the grants and contributions revenue of \$2.4 million, the majority is associated with the governmental activity related to road system improvements in the amount of \$2.3 million. Investment earnings decreased slightly. This is due to the exceptionally low interest rate environment experienced in 2015.

The majority of governmental expense is associated with the public safety function, which is \$10.7 million, or 45.6 percent of governmental activities. Public safety includes police, fire, and building inspection services. Public works expenses were \$6.7 million, or 28.5 percent, which includes road improvements. Recreation and cultural expenses totaled \$1.7 million, or 7.4 percent, which is related to park operations, recreation programs, and library operations. General government expenses totaled \$4.2 million, or 17.9 percent.

**Business-type Activities** - The City's business-type activities are recorded in the Water and Sewer Fund and Garbage and Rubbish Collection Fund. The City provides water service and sewage disposal and treatment, purchased from the City of Detroit, to residents and businesses. Of the City's charges for service revenue, the majority is generated from charges passed on to residents, which is \$11.1 million. Charges for service are offset by water and sewer expenses of \$11.7 million, or 31.6 percent of the City's total expenses.

The City also provides garbage collection services to residents and businesses. Of the City's charges for service revenue, the majority is generated from charges passed on to residents, which is \$1.7 million. Charges for service are offset by garbage collection expenses of \$1.8 million, or 4.8 percent of the City's total expenses. After capital contributions, the business-type activities experienced a decrease in net position of \$0.5 million.

### **Financial Analysis of the City's Funds**

An analysis of the City's major funds follows the government-wide financial statements. The fund-level financial statements provide detailed information on the most significant funds, not the City as a whole. In addition to state legislative requirements to maintain separate funds for Act 51 major and local road money, the City creates funds to administer certain dedicated dollars and demonstrate accountability to the citizens for special tax millages voted by citizens or earmarked bond proceeds. The City's major funds for fiscal year 2015 include the General Fund, the Major Streets Fund, and the Local Streets Fund.

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

The General Fund accounts for most of the City's governmental services. In fiscal year 2012, the Public Safety Fund was combined with the General Fund. The most significant expenditures in this fund relate to public safety which totaled \$11.9 million in 2015, consistent with 2014. Police and fire services are supported by General Fund contributions and a special public safety millage, all of which are recorded in the General Fund. The Major Streets Fund and Local Streets Fund are supported by state-shared gas and weight taxes. State funding of approximately \$1.7 million and \$0.6 million was reported in 2015 for the Major Streets Fund and Local Streets Fund, respectively.

**General Fund/Public Safety Fund (Operations) Budgetary Highlights** - Actual operations revenue came in \$0.7 million higher than the amended budget. Revenues were over budget due to higher than anticipated licenses and permits, state-shared revenue, and district court fines. Actual operations expenditures came in \$1.0 million below budget. Expenditures were under budget due to delays in filling personnel vacancies from retirements and attrition. In addition, administration continued tighter controls on spending, assessing purchases and exercising cost savings measures which provided positive results. The fund balance for city operations was reduced by \$1.5 million, which was \$1.7 million less than budget. The fund balance for city operations was reduced from \$8.1 million a year ago to \$6.6 million at June 30, 2015.

**Capital Asset and Debt Administration** - At the end of 2015, the City of Eastpointe had \$73.2 million invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, and water and sewer lines. The largest asset is infrastructure, which consists of sidewalks, roads within the major and local street system, and water and sewer lines. The value of infrastructure assets, net of depreciation contained in this report, is \$63.3 million for fiscal year 2015.

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and buildings and is reported as a liability on the statement of net position (see Note 8 for additional information).

**Economic Factors and Next Year's Budgets and Rates** - The City of Eastpointe's budget for next year reflects a slight increase in the City's taxable value of approximately \$9.2 million, or 2.1 percent. This will produce an increase in tax collections for the City's general and public safety operations of \$0.2 million. While downward pressure on taxable values is subsiding, state restrictions prevent the ability for recovery solely on existing tax collections.

Through sound fiscal management by city administration, supported by the City Council, the City was able to maintain a sufficient fund balance that allowed a short time frame for necessary structural changes. The City negotiated multiple rounds of employee concessions, including pension and retiree healthcare reforms, migrated from property tax revenue to a user fee for rubbish services, and implemented a street lighting special assessment which relieved expenditures from the General Fund.

# City of Eastpointe, Michigan

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## Management's Discussion and Analysis (Continued)

During fiscal year 2015, the biggest structural change was accomplished. An emergency services authority was created with Hazel Park, Michigan and a 20-year millage was passed by the residents. The South Macomb Oakland Regional Services Authority (SMORSA) millage is effective July 1, 2015 and will provide Eastpointe with \$6.0 million for fiscal year 2016. This will eliminate the City's General Fund funding shortfall and provide a small cushion for future years.

The City's pension system is 58.7 percent funded based on an actuarial valuation performed as of June 30, 2014, with required actuarial determined contributions made by the City on an annual basis.

The City purchases its water service and disposal and treatment of sewage from the City of Detroit. The City's water and sewer rates are based on anticipated costs of the system in the current fiscal year and system improvements in current and future fiscal years. The Water/Sewer Fund has strong retained earnings and liquid assets. There are major water main and sewer projects scheduled over the next three years which can be sustained with current unrestricted funds. An annual evaluation process is undertaken to determine the amount of increase, if any, that is needed to continue providing water and sewer service to all users in the City.

**Contacting the City of Eastpointe's Management** - This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City of Eastpointe's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the administration offices at the City of Eastpointe, 23200 Gratiot Avenue, Eastpointe, Michigan 48021.

# City of Eastpointe, Michigan

## Statement of Net Position June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 4)	\$ 5,148,548	\$ 490,081	\$ 5,638,629	\$ 332,820
Investments (Note 4)	5,358,074	5,536,446	10,894,520	-
Receivables:				
Property taxes	60,933	-	60,933	-
Accounts	188,907	2,839,298	3,028,205	-
Accrued interest	54	-	54	-
Other receivables	1,000	-	1,000	-
Due from other governmental units	1,518,095	141,077	1,659,172	-
Special assessments	3,837	-	3,837	-
Internal balances	(132,413)	132,413	-	-
Prepaid expenses	4,621	4,700	9,321	-
Restricted assets (Note 6)	188,548	19,913	208,461	-
Investment in joint ventures (Note 18)	275,947	6,035,804	6,311,751	-
Capital assets (Note 5):				
Assets not subject to depreciation	1,171,985	-	1,171,985	-
Assets subject to depreciation	24,450,467	47,557,283	72,007,750	-
Assets held for sale	513,994	-	513,994	-
Other assets	988,820	-	988,820	-
<b>Total assets</b>	<b>39,741,417</b>	<b>62,757,015</b>	<b>102,498,432</b>	<b>332,820</b>
<b>Deferred Outflows of Resources -</b>				
Deferred outflows related to pension (Note 13)	2,842,431	204,268	3,046,699	-
<b>Liabilities</b>				
Accounts payable	2,079,982	2,620,407	4,700,389	21,154
Accrued liabilities and other	475,238	134,157	609,395	2,344
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	75,000	-	75,000	-
Current portion of long-term debt (Note 8)	141,523	906,294	1,047,817	-
Due in more than one year:				
Compensated absences (Note 8)	388,052	19,644	407,696	-
Other long-term liabilities	672,168	-	672,168	-
Net retiree healthcare obligation (Note 15)	100,952	8,047	108,999	-
Net pension liability (Note 13)	29,417,217	2,114,035	31,531,252	-
Long-term debt - Net of current portion (Note 8)	4,174,746	11,793,977	15,968,723	-
<b>Total liabilities</b>	<b>37,524,878</b>	<b>17,596,561</b>	<b>55,121,439</b>	<b>23,498</b>
<b>Deferred Inflows of Resources -</b>				
Deferred inflows related to pension	2,333,514	167,695	2,501,209	-
<b>Net Position</b>				
Net investment in capital assets	21,490,547	34,857,012	56,347,559	-
Restricted for:				
Roads	2,181,476	-	2,181,476	-
Debt service	549,167	19,913	569,080	-
Library	359,720	-	359,720	-
Drug law enforcement	248,635	-	248,635	-
Capital projects	310,728	-	310,728	-
Street lighting	60,959	-	60,959	-
Unrestricted	(22,475,776)	10,320,102	(12,155,674)	309,322
<b>Total net position</b>	<b>\$ 2,725,456</b>	<b>\$ 45,197,027</b>	<b>\$ 47,922,483</b>	<b>\$ 309,322</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Eastpointe, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,223,289	\$ 3,039,394	\$ 24,278	\$ -
Public safety	10,768,618	842,678	35,745	-
Public works	6,726,880	334,141	2,309,661	21,712
Recreation and culture	1,741,330	236,219	29,325	-
Interest on long-term debt	158,673	-	-	-
Total governmental activities	23,618,790	4,452,432	2,399,009	21,712
Business-type activities:				
Water and Sewer	11,735,472	11,054,530	-	14,613
Garbage and Rubbish Collection	1,776,981	1,741,867	-	51,745
Total business-type activities	13,512,453	12,796,397	-	66,358
Total primary government	<u>\$ 37,131,243</u>	<u>\$ 17,248,829</u>	<u>\$ 2,399,009</u>	<u>\$ 88,070</u>
Component units:				
DDA	\$ 155,381	\$ -	\$ 100	\$ -
Economic Development Authority	52,975	-	-	-
Total component units	<u>\$ 208,356</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>

General revenue:  
 Property taxes  
 State-shared revenue  
 Investment income  
 Cable franchise fees  
 Other miscellaneous income

Total general revenue

## Transfers

## Change in Net Position

**Net Position** - Beginning of year - As restated (Note 2)

**Net Position** - End of year

## Statement of Activities Year Ended June 30, 2015

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,159,617)	\$ -	\$ (1,159,617)	\$ -
(9,890,195)	-	(9,890,195)	-
(4,061,366)	-	(4,061,366)	-
(1,475,786)	-	(1,475,786)	-
(158,673)	-	(158,673)	-
(16,745,637)	-	(16,745,637)	-
-	(666,329)	(666,329)	-
-	16,631	16,631	-
-	(649,698)	(649,698)	-
(16,745,637)	(649,698)	(17,395,335)	-
-	-	-	(155,281)
-	-	-	(52,975)
-	-	-	(208,256)
11,364,098	-	11,364,098	86,025
3,299,801	-	3,299,801	-
57,076	81,733	138,809	1,280
532,279	-	532,279	-
590,242	2,625	592,867	-
15,843,496	84,358	15,927,854	87,305
(809,130)	809,130	-	-
(1,711,271)	243,790	(1,467,481)	(120,951)
4,436,727	44,953,237	49,389,964	430,273
<b>\$ 2,725,456</b>	<b>\$ 45,197,027</b>	<b>\$ 47,922,483</b>	<b>\$ 309,322</b>

# City of Eastpointe, Michigan

## Governmental Funds Balance Sheet June 30, 2015

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (Note 4)	\$ 436,217	\$ 1,622,963	\$ 857,985	\$ 2,161,069	\$ 5,078,234
Investments (Note 4)	4,358,074	1,000,000	-	-	5,358,074
Receivables:					
Property taxes	60,933	-	-	-	60,933
Special assessments	-	-	-	3,837	3,837
Customer	188,907	-	-	-	188,907
Accrued interest	-	54	-	-	54
Other receivables	-	-	-	1,000	1,000
Due from other governmental units	1,086,021	324,101	98,330	9,643	1,518,095
Advances to other funds (Note 7)	275,000	-	-	-	275,000
Prepaid expenses	4,621	-	-	-	4,621
Restricted assets (Note 6)	-	-	-	188,548	188,548
Assets held for sale	513,994	-	-	-	513,994
Noncurrent receivable	-	-	-	620,816	620,816
<b>Total assets</b>	<b>\$ 6,923,767</b>	<b>\$ 2,947,118</b>	<b>\$ 956,315</b>	<b>\$ 2,984,913</b>	<b>\$ 13,812,113</b>
<b>Liabilities</b>					
Accounts payable	\$ 254,200	\$ 1,495,695	\$ 213,137	\$ 82,920	\$ 2,045,952
Accrued liabilities and other	400,288	9,365	3,760	19,157	432,570
<b>Total liabilities</b>	<b>654,488</b>	<b>1,505,060</b>	<b>216,897</b>	<b>102,077</b>	<b>2,478,522</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - Property taxes	54,115	-	-	-	54,115
Unavailable revenue - Special assessments	-	-	-	2,558	2,558
Unavailable revenue - Miscellaneous	116,591	-	-	-	116,591
<b>Total deferred inflows of resources</b>	<b>170,706</b>	<b>-</b>	<b>-</b>	<b>2,558</b>	<b>173,264</b>
<b>Fund Balances</b>					
Nonspendable:					
Assets held for resale	513,994	-	-	-	513,994
Prepays	4,621	-	-	-	4,621
Long-term receivable	275,000	-	-	620,816	895,816
Restricted:					
Roads	-	1,442,058	739,418	-	2,181,476
Debt service	-	-	-	549,167	549,167
Library	-	-	-	359,720	359,720
Drug law enforcement	-	-	-	248,635	248,635
Capital projects	-	-	-	310,728	310,728
Street lighting	-	-	-	60,959	60,959
Committed:					
Compensated absences	463,052	-	-	-	463,052
Budget stabilization	1,897,875	-	-	-	1,897,875
Operating reserve	835,065	-	-	-	835,065
Emergency reserve	189,787	-	-	-	189,787
Assigned:					
Capital projects	-	-	-	728,756	728,756
Debt service	-	-	-	1,497	1,497
Unassigned	1,919,179	-	-	-	1,919,179
<b>Total fund balances</b>	<b>6,098,573</b>	<b>1,442,058</b>	<b>739,418</b>	<b>2,880,278</b>	<b>11,160,327</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,923,767</b>	<b>\$ 2,947,118</b>	<b>\$ 956,315</b>	<b>\$ 2,984,913</b>	<b>\$ 13,812,113</b>

# City of Eastpointe, Michigan

## **Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015**

**Fund Balance Reported in Governmental Funds** \$ 11,160,327

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 24,527,582

Amounts on deposit with the Insurance Authority (MMRMA) and other  
noncurrent assets are not reported as fund assets 368,004

Investments in joint ventures are not financial resources and are not  
reported in the funds 275,947

Special assessment, personal property tax, and other receivables are  
expected to be collected over several years and are not available to pay  
for current year expenditures 173,264

Bonds payable obligations are not due and payable in the current period  
and are not reported in the funds (4,316,269)

Long-term portion of uninsured losses is not reported in the funds (672,168)

Accrued interest is not due and payable in the current period and is not  
reported in the funds (38,675)

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 (463,052)

Other postemployment benefit obligation in governmental activities is not  
reported in the funds (100,952)

Net pension liability in governmental activities is not reported in the funds (29,417,217)

Certain changes in pension plan net position are reported as deferred  
inflows and deferred outflows of resources in the statement of net  
position, but are reported as expenditures in the governmental funds 508,917

Internal service funds are included as part of governmental activities 719,748

**Net Position of Governmental Activities** \$ 2,725,456

# City of Eastpointe, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 8,387,876	\$ -	\$ -	\$ 2,976,222	\$ 11,364,098
Licenses and permits	1,327,939	-	-	-	1,327,939
Federal grants	21,984	-	-	18,952	40,936
State-shared revenue and grants	3,323,729	1,721,626	582,844	28,750	5,656,949
Charges for services	490,187	-	-	1,478	491,665
Fines and forfeitures	2,465,414	-	-	124,926	2,590,340
Investment income	34,316	12,380	2,033	8,347	57,076
Rental income	54,205	-	-	137,343	191,548
Other:					
Special assessments	-	-	-	472,427	472,427
Local donations	350	-	-	575	925
Other miscellaneous income	392,933	-	67	247,231	640,231
<b>Total revenue</b>	<b>16,498,933</b>	<b>1,734,006</b>	<b>584,944</b>	<b>4,016,251</b>	<b>22,834,134</b>
<b>Expenditures</b>					
Current:					
General government	4,963,688	-	-	-	4,963,688
District court	-	-	-	54,523	54,523
Public safety	11,852,807	-	-	244,640	12,097,447
Public works	28,093	4,480,245	956,370	1,220,992	6,685,700
Recreation and culture	640,141	-	-	826,937	1,467,078
Capital outlay	-	-	-	182,720	182,720
Debt service:					
Principal	-	-	-	135,000	135,000
Interest on long-term debt	-	-	-	160,544	160,544
<b>Total expenditures</b>	<b>17,484,729</b>	<b>4,480,245</b>	<b>956,370</b>	<b>2,825,356</b>	<b>25,746,700</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(985,796)</b>	<b>(2,746,239)</b>	<b>(371,426)</b>	<b>1,190,895</b>	<b>(2,912,566)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	250,000	297,000	547,000
Transfers out	(297,000)	(250,000)	-	(986,861)	(1,533,861)
<b>Total other financing (uses) sources</b>	<b>(297,000)</b>	<b>(250,000)</b>	<b>250,000</b>	<b>(689,861)</b>	<b>(986,861)</b>
<b>Net Change in Fund Balances</b>	<b>(1,282,796)</b>	<b>(2,996,239)</b>	<b>(121,426)</b>	<b>501,034</b>	<b>(3,899,427)</b>
<b>Fund Balances - Beginning of year</b>	<b>7,381,369</b>	<b>4,438,297</b>	<b>860,844</b>	<b>2,379,244</b>	<b>15,059,754</b>
<b>Fund Balances - End of year</b>	<b>\$ 6,098,573</b>	<b>\$ 1,442,058</b>	<b>\$ 739,418</b>	<b>\$ 2,880,278</b>	<b>\$ 11,160,327</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Eastpointe, Michigan

## **Governmental Funds** **Reconciliation of the Statement of Revenue, Expenditures,** **and Changes in Fund Balances of Governmental Funds** **to the Statement of Activities** **Year Ended June 30, 2015**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (3,899,427)**

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	4,462,305
Depreciation expense	(1,868,866)
Net book value of assets disposed of	(42,078)

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(116,574)
---	-----------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	135,000
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Interest expense is reported in the statement of activities when a liability is incurred; it is reported in the governmental funds only when payment is due	1,871
---	-------

Residual equity transfer from the Garbage and Rubbish Collection Fund is not recorded in the governmental fund	(722,982)
--	-----------

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	13,234
--	--------

Change in estimated general liability and workers' compensation claims are recorded when incurred in the statement of activities	(444,530)
--	-----------

Change in investment in joint ventures is not recorded in the governmental funds	852,406
--	---------

Change in other postemployment benefit obligation is recorded when incurred in the statement of activities	456,212
--	---------

Change in net pension obligation is recorded when incurred in the statement of activities	(494,460)
---	-----------

Internal service funds are included as part of governmental activities	(43,382)
--	----------

**Change in Net Position of Governmental Activities** **\$ (1,711,271)**

# City of Eastpointe, Michigan

## Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Funds			Governmental Activities
	Water and Sewer	Garbage and Rubbish Collection		Internal Service
	Fund	Fund	Total	Fund
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 4)	\$ 351,058	\$ 139,023	\$ 490,081	\$ 70,314
Investments (Note 4)	4,536,446	1,000,000	5,536,446	-
Receivables:				
Customer receivables	2,665,783	173,515	2,839,298	-
Due from other governmental units	141,077	-	141,077	-
Prepaid expenses	4,700	-	4,700	-
Total current assets	7,699,064	1,312,538	9,011,602	70,314
Noncurrent assets:				
Restricted assets (Note 6)	19,913	-	19,913	-
Advances to other funds (Note 7)	132,413	-	132,413	-
Investment in Southeast Macomb Sanitary District (Note 18)	7,282,748	-	7,282,748	-
Investment in South Macomb Disposal Authority (Note 18)	-	(1,246,944)	(1,246,944)	-
Capital assets - Net (Note 5)	47,557,283	-	47,557,283	1,094,870
Total noncurrent assets	54,992,357	(1,246,944)	53,745,413	1,094,870
Total assets	62,691,421	65,594	62,757,015	1,165,184
<b>Deferred Outflows of Resources -</b>				
Deferred outflows related to pension (Note 13)	204,268	-	204,268	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	2,397,361	223,046	2,620,407	34,030
Accrued liabilities and other	132,562	1,595	134,157	3,993
Current portion of long-term debt (Note 8)	906,294	-	906,294	-
Total current liabilities	3,436,217	224,641	3,660,858	38,023
Noncurrent liabilities:				
Advances from other funds (Note 7)	-	-	-	407,413
Compensated absences (Note 8)	19,644	-	19,644	-
Net OPEB obligation (Note 15)	8,047	-	8,047	-
Net pension liability (Note 13)	2,114,035	-	2,114,035	-
Long-term debt - Net of current portion (Note 8)	11,793,977	-	11,793,977	-
Total noncurrent liabilities	13,935,703	-	13,935,703	407,413
Total liabilities	17,371,920	224,641	17,596,561	445,436
<b>Deferred Inflows of Resources -</b>				
Deferred inflows related to pension (Note 13)	167,695	-	167,695	-
<b>Net Position</b>				
Net investment in capital assets	34,857,012	-	34,857,012	1,094,870
Restricted for debt service	19,913	-	19,913	-
Unrestricted	10,479,149	(159,047)	10,320,102	(375,122)
Total net position	\$ 45,356,074	\$ (159,047)	45,197,027	\$ 719,748
<b>Net Position of Business-type Activities</b>			<u>\$ 45,197,027</u>	

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Eastpointe, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Garbage and Rubbish Collection Fund	Total	Internal Service Fund
<b>Operating Revenue</b>				
Water sales	\$ 2,371,664	\$ -	\$ 2,371,664	\$ -
Sewage disposal charges	5,612,430	-	5,612,430	-
Charges for services	2,723,287	1,708,151	4,431,438	710,205
Interest and penalty charges	347,149	33,716	380,865	-
Total operating revenue	11,054,530	1,741,867	12,796,397	710,205
<b>Operating Expenses</b>				
Water purchases	1,441,483	-	1,441,483	-
Sewage treatment	5,501,397	-	5,501,397	-
Operation and maintenance	2,071,276	1,407,471	3,478,747	307,127
General and administration	1,227,546	23,279	1,250,825	260,852
Depreciation	1,592,127	-	1,592,127	138,120
Total operating expenses	11,833,829	1,430,750	13,264,579	706,099
<b>Operating (Loss) Income</b>	(779,299)	311,117	(468,182)	4,106
<b>Nonoperating Revenue (Expense)</b>				
Investment income	79,680	2,053	81,733	-
Income (loss) from joint venture	453,321	(346,231)	107,090	-
Interest expense	(354,964)	-	(354,964)	-
Loss on sale of assets	-	-	-	(47,488)
Other nonoperating revenue	2,625	-	2,625	-
Total nonoperating revenue (expense)	180,662	(344,178)	(163,516)	(47,488)
<b>Loss - Before contributions and transfers</b>	(598,637)	(33,061)	(631,698)	(43,382)
<b>Capital Contributions - Grants</b>	14,613	51,745	66,358	-
<b>Transfers from Other Funds</b>	986,861	(900,713)	86,148	-
<b>Change in Net Position</b>	402,837	(882,029)	(479,192)	(43,382)
<b>Net Position - Beginning of year - As restated (Note 2)</b>	44,953,237	722,982	45,676,219	763,130
<b>Net Position - End of year</b>	<u>\$ 45,356,074</u>	<u>\$ (159,047)</u>	<u>\$ 45,197,027</u>	<u>\$ 719,748</u>

# City of Eastpointe, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Enterprise Funds		Governmental Activities
	Water and Sewer Fund	Garbage and Rubbish Collection Fund	Internal Service Fund
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 11,120,241	\$ 1,873,838	\$ 710,205
Payments to suppliers	(10,248,592)	(1,299,154)	(364,926)
Payments to employees	(1,228,705)	(22,679)	(209,654)
Other payments	(141,077)	-	-
Net cash (used in) provided by operating activities	(498,133)	552,005	135,625
<b>Cash Flows from Noncapital Financing Activities - Scrap metal sales</b>	2,625	-	-
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from issuance of debt	252,056	-	-
Receipt of capital grants	14,613	51,745	-
Repayments of loans made from other funds	-	-	(82,616)
Proceeds from sales of capital assets	-	-	17,305
Purchase of capital assets	(6,643,279)	-	-
Principal and interest paid on capital debt	(1,230,598)	-	-
Repayments of loans made to other funds	33,103	-	-
Transfers from other funds	986,861	-	-
Net cash (used in) provided by capital and related financing activities	(6,587,244)	51,745	(65,311)
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	79,680	2,053	-
Sale (purchase) of investments	2,468,901	(1,000,000)	-
Net cash provided by (used in) investing activities	2,548,581	(997,947)	-
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(4,534,171)	(394,197)	70,314
<b>Cash and Cash Equivalents - Beginning of year</b>	4,885,229	533,220	-
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 351,058</b>	<b>\$ 139,023</b>	<b>\$ 70,314</b>

# City of Eastpointe, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2015

	Water and Sewer Fund	Garbage and Rubbish Collection Fund	Internal Service Fund
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (779,299)	\$ 311,117	\$ 4,106
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation	1,592,127	-	138,120
Changes in assets and liabilities:			
Receivables	(75,366)	131,971	-
Prepaid and other assets	(28)	-	-
Accounts payable and other liabilities	(600,886)	108,317	(4,771)
Accrued and other liabilities	(634,681)	600	(1,830)
Net cash (used in) provided by operating activities	<u>\$ (498,133)</u>	<u>\$ 552,005</u>	<u>\$ 135,625</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2015, the City determined that the Garbage and Rubbish Collection Fund should be accounted for as a proprietary fund (rather than governmental fund). Therefore, the equity interest in the South Macomb Disposal Authority in the amount of \$143,067 was transferred from the governmental activities to the Garbage and Rubbish Collection Fund. The governmental activities also transferred to the Garbage and Rubbish Collection Fund the estimated portion of future postclosure care costs that the City is obligated to pay in connection with certain closed landfills owned by the Authority in the amount of \$1,043,780.

# City of Eastpointe, Michigan

## Fiduciary Funds Statement of Net Position June 30, 2015

	Pension and Other Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 4)	\$ 861,265	\$ 211,382
Investments (Note 4):		
Equity securities	1,348,273	-
Mutual funds	5,751,098	-
Total assets	7,960,636	<u>\$ 211,382</u>
<b>Liabilities</b>		
Accounts payable	682	\$ 63,017
Due to other governmental units	-	6,849
Accrued liabilities and other	-	141,516
Total liabilities	682	<u>\$ 211,382</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 7,959,954</u>	

# City of Eastpointe, Michigan

## Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2015

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 113,288
Net increase in fair value of investments	720,426
Investment-related expenses	<u>(37,767)</u>
Net investment income	795,947
Contributions:	
Employer	6,134,855
Employee	<u>115,464</u>
Total contributions	<u>6,250,319</u>
Total additions	7,046,266
<b>Deductions</b>	
Benefit payments	6,350,069
Transfer to MERS (Note 10)	41,903,915
Health insurance premiums	<u>2,455,332</u>
Total deductions	<u>50,709,316</u>
<b>Net Decrease in Net Position Held in Trust</b>	(43,663,050)
<b>Net Position</b> - Beginning of year	<u>51,623,004</u>
<b>Net Position</b> - End of year	<u><u>\$ 7,959,954</u></u>

## City of Eastpointe, Michigan

### Component Units Statement of Net Position June 30, 2015

	Downtown Development Authority	Economic Development Authority	Total
<b>Assets</b> - Cash and cash equivalents (Note 4)	\$ 37,924	\$ 294,896	\$ 332,820
<b>Liabilities</b>			
Accounts payable	20,808	346	21,154
Accrued liabilities and other	480	1,864	2,344
Total liabilities	21,288	2,210	23,498
<b>Net Position</b> - Unrestricted	<u>\$ 16,636</u>	<u>\$ 292,686</u>	<u>\$ 309,322</u>

# City of Eastpointe, Michigan

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Downtown Development Authority - Community enrichment/development and interest on long-term debt	\$ 155,381	\$ -	\$ 100
Economic Development Authority	52,975	-	-
Total governmental activities	<u>\$ 139,282</u>	<u>\$ -</u>	<u>\$ 2,400</u>
General revenue:			
Property taxes			
Interest and other investment earnings			
Total general revenue			
<b>Change in Net Position</b>			
<b>Net Position - Beginning of year</b>			
<b>Net Position - End of year</b>			

**Component Units  
Statement of Activities  
Year Ended June 30, 2015**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Downtown Development Authority</u>	<u>Economic Development Authority</u>	<u>Total</u>
\$ (155,281)	\$ -	\$ (155,281)
<u>-</u>	<u>(52,975)</u>	<u>(52,975)</u>
(155,281)	(52,975)	(208,256)
86,025	-	86,025
<u>308</u>	<u>972</u>	<u>1,280</u>
86,333	972	87,305
(68,948)	(52,003)	(120,951)
<u>85,584</u>	<u>344,689</u>	<u>430,273</u>
<u><b>\$ 16,636</b></u>	<u><b>\$ 292,686</b></u>	<u><b>\$ 309,322</b></u>

# City of Eastpointe, Michigan

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## Notes to Financial Statements June 30, 2015

### **Note I - Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies used by the City of Eastpointe, Michigan (the "City"):

#### **Reporting Entity**

The City of Eastpointe, Michigan operates with the council-manager form of government. It is governed by a city council consisting of a mayor and four council members who are elected at large to overlapping four-year terms. In accordance with the provisions of the City Charter, the City Council appoints, among others, the city manager, who reports directly to the City Council. The city manager is responsible for the administration of the affairs of the City, except those affairs that are the responsibility of other appointed officials. The finance director is appointed by the city manager and is responsible for the administration of the financial affairs of the City, including keeping the supervision of accounts, collections of taxes, and the custody and disbursement of City funds.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

#### **Blended Component Units**

The City of Eastpointe Building Authority (the "Building Authority"), an entity legally separate from the City, is governed by a three-member board appointed by the City Council. For financial reporting purposes, the Building Authority is reported as if it were a part of the City's operations because its purpose is to finance and construct buildings for the City. The operations of the Building Authority are reported as nonmajor debt service and capital projects funds.

**Discretely Presented Component Units** - The City of Eastpointe Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the city manager and approved by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

### **Note I - Summary of Significant Accounting Policies (Continued)**

The City of Eastpointe Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC's governing body, which consists of nine individuals, is selected by the city manager and approved by the City Council.

The City has excluded the Housing Commission from this report since the City does not have the ability to impose its will.

**Jointly Governed Organization** - Jointly governed organizations are discussed in Note 18.

#### **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 revenue 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 revenue are reported instead as general revenue.

### **Note I - Summary of Significant Accounting Policies (Continued)**

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 revenue reported for the various functions concerned.

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.

#### **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 healthcare-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.

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, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments, certain property tax receivables, and miscellaneous revenue related to fines and fees will be collected after the period of availability; receivables have been recorded for these, along with deferred inflows of resources.

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.

#### **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 for which specific revenues were used. The various funds are aggregated into three broad fund types:

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**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, and capital project funds. The City reports the following funds as “major” governmental funds:

- **General Fund** - The General Fund is the primary operating fund. It accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- **Major Streets Fund** - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through state-shared gas and weight taxes.
- **Local Streets Fund** - The Local Streets Fund accounts for maintenance and improvement activities from streets designated as "local" within the City. Funding is provided primarily through state-shared gas and weight taxes.

**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 funds as “major” enterprise funds:

- **Water and Sewer Fund** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage and storm water collection system. Funding is provided primarily through user charges.
- **Garbage and Rubbish Collection Fund** - The Garbage and Rubbish Collection Fund accounts for waste collection services provided to residents. Funding is provided primarily through user charges.
- **Internal Service Fund** - The Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

**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:

- **Pension and Other Employee Benefit Trust Funds** - The pension and other employee benefit trust funds account for the activities of the employee benefit plans, which accumulate resources for pension and other postemployment benefit payments to qualified employees.
- **Agency Funds** - The agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

### **Note I - Summary of Significant Accounting Policies (Continued)**

Interfund activity: During the course of operations, the government 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 the 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.

#### **Specific Balances and Transactions**

**Cash, Cash Equivalents, and Investments** - Cash and cash equivalents include cash on hand and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund and special revenue funds, debt service funds, and capital projects funds is generally allocated to each fund using a weighted average.

**Receivables** - All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - 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.

**Restricted Assets** - The City has amounts on deposit with the Macomb County Drain Commission for use in the Lake St. Clair Clean Water Initiative that have been classified as restricted assets. In addition, the City's governmental activities have unspent bond and loan proceeds which are restricted for construction.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note I - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, equipment, 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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

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

Capital Asset Class	Lives
Infrastructure	25 years
Water and sewer distribution systems	40 years
Building and building improvements	20 years
Machinery and equipment	5 to 7 years

**Assets Held for Sale** - The assets held for sale in the General Fund consist of real property purchased for resale. The City purchases the property through the tax reversion process in Macomb County and resells the property for commercial or residential development.

**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 premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The debt service funds and Water and Sewer Fund are generally used to liquidate the long-term obligations.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net 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 has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources result from two transactions: contributions to the defined benefit pension plan subsequent to June 30, 2014 and differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability are reported in the statement of net position. This amount is deferred and amortized over the expected remaining service lives of all active and inactive employees who are provided with pensions.

In addition to liabilities, the statement of net 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 two items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue is only reported in the governmental fund balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and miscellaneous revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item reported as deferred inflows of resources in the government-wide statement of net position is the difference between projected and actual earnings on pension plan investments. This amount is deferred and amortized over five years.

#### **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.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Fund Balance Flow Assumption**

The government will sometimes 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 a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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 by resolution authorized the finance director to assign fund balance. The City Council may also 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.

# City of Eastpointe, Michigan

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## Notes to Financial Statements June 30, 2015

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The City has adopted a fiscal management plan which contains fund balance requirements for the General Fund. The requirements are based on average revenue for the preceding five years and create a budget stabilization reserve of 10 percent, an operating reserve of 4.4 percent, and an emergency reserve of 1 percent. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year. Any use of reserve funds must be approved by the City Council and include a repayment plan.

#### **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. These taxes are due without penalty during the period from July 1 through September 1, with the final collection date of February 28, before they are added to the county tax rolls and penalties and interest are assessed.

The City's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the City totaled \$421 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 12.1754 mills for operating purposes, 2.0000 mills for library services, 7.0000 mills for public safety, and 4.9829 mills for debt service. This resulted in \$5.1 million for operating, \$841,000 for library services, \$2.9 million for public safety, and \$2.1 million for debt service. These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue.

**Pension and Other Postemployment Benefit Costs** - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Note I - Summary of Significant Accounting Policies (Continued)**

The City also offers retiree healthcare 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, 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. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end. In prior years, the General Fund and Water and Sewer Fund have generally been used to liquidate the liability for compensated absences.

**Proprietary Funds Operating Classification** - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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, Garbage and Rubbish Collection 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 revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**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.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 2 - Reporting Change (Prior Period Adjustments)

In the current year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

As a result of implementing this statement, the beginning net position of governmental activities, business-type activities, and Water and Sewer Fund was restated.

The effects of these changes are as follows:

	Governmental Activities	Business-type Activities	Water and Sewer Fund
Net position - June 30, 2014 - As previously reported	\$ 32,416,805	\$ 47,618,159	\$ 47,618,159
Adjustment for implementation of GASB Statement No. 68	<u>(27,980,078)</u>	<u>(2,664,922)</u>	<u>(2,664,922)</u>
Net position - June 30, 2014 - As restated	<u>\$ 4,436,727</u>	<u>\$ 44,953,237</u>	<u>\$ 44,953,237</u>

### Note 3 - Stewardship, Compliance, and Accountability

**State Construction Code Act** - 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. Beginning January 1, 2000, 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 January 1, 2000 is as follows:

Cumulative shortfall - July 1, 2014		\$ (3,925,514)
Building permit revenue		285,618
Related expenses:		
Direct costs	\$ 81,543	
Estimated indirect costs	<u>345,179</u>	<u>426,722</u>
Current year shortfall		<u>(141,103)</u>
Cumulative shortfall - June 30, 2015		<u>\$ (4,066,617)</u>

# City of Eastpointe, Michigan

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## Notes to Financial Statements June 30, 2015

### Note 3 - Stewardship, Compliance, and Accountability (Continued)

**Fund Deficits** - The City has accumulated unrestricted deficits in the Internal Service and Garbage and Rubbish Collection funds in the amounts of \$375,122 and \$159,047, respectively. These are not true deficits according to the Numbered Letter 2014-1 from the State of Michigan because in each fund, the current asset balances are greater than the current liability balances.

### 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 City 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 Employees' Retirement System, Employees' Death Benefit Fund, and the Retiree Health Care 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'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 had \$4,117,476 of bank deposits (certificates of deposit and 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. The City held deposits in three financial institutions as of June 30, 2015.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Deposits and Investments (Continued)

**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 average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (Years)
<b>Primary Government</b>		
U.S. Treasury securities	\$ 1,788,297	.68
U.S. government agency securities	2,525,196	1.16
Municipal bonds	5,087,193	0.73
Total	<u>\$ 9,400,686</u>	

**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 are as follows:

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
U.S. Treasury securities	\$ 1,788,297	AA+	Standard & Poor's
U.S. government agency securities	2,525,196	AA+	Standard & Poor's
Municipal bonds	404,300	AAA	Standard & Poor's
Municipal bonds	387,464	AA+	Standard & Poor's
Municipal bonds	592,461	AA	Standard & Poor's
Municipal bonds	1,610,267	AA-	Standard & Poor's
Municipal bonds	264,503	A+	Standard & Poor's
Municipal bonds	980,674	SP-1	Standard & Poor's
Municipal bonds	149,911	Aaa	Moody's
Municipal bonds	102,633	Aa1	Standard & Poor's
Municipal bonds	539,400	Aa2	Moody's
Municipal bonds	55,580	Aa3	Moody's
Total	<u>\$ 9,400,686</u>		

**Concentration of Credit Risk** - The City places no limit on the amount it may invest in any one issuer. The City has not invested more than 5 percent of its portfolio with any one issuer.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Deposits and Investments (Continued)

The City's fiduciary funds are authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. As of year end, the Retiree Healthcare System had two investments that exceeded 5 percent of the total portfolio. The System had 7.5 percent invested in iShares Barclays Aggregate Bond Fund and 5.2 percent invested in SPDR Trust Series I.

### Note 5 - Capital Assets

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

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,187,835	\$ -	\$ -	\$ (27,833)	\$ 1,160,002
Construction in progress	-	-	11,983	-	11,983
Subtotal	1,187,835	-	11,983	(27,833)	1,171,985
Capital assets being depreciated:					
Infrastructure:					
Roads	22,104,172	-	3,864,478	-	25,968,650
Sidewalks	7,388,670	-	159,559	-	7,548,229
Buildings and improvements	16,121,364	-	259,963	(341,101)	16,040,226
Machinery and equipment	8,211,810	-	166,322	(824,569)	7,553,563
Subtotal	53,826,016	-	4,450,322	(1,165,670)	57,110,668
Accumulated depreciation:					
Infrastructure:					
Roads	11,363,295	-	1,106,995	-	12,470,290
Sidewalks	4,361,521	-	6,382	-	4,367,903
Buildings and improvements	9,582,516	-	573,587	(287,687)	9,868,416
Machinery and equipment	6,432,515	-	320,022	(798,945)	5,953,592
Subtotal	31,739,847	-	2,006,986	(1,086,632)	32,660,201
Net capital assets being depreciated	22,086,169	-	2,443,336	(79,038)	24,450,467
Net capital assets	\$ 23,274,004	\$ -	\$ 2,455,319	\$ (106,871)	\$ 25,622,452

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Capital assets not being depreciated - Construction in progress	\$ 616,575	\$ (616,575)	\$ -	\$ -	\$ -
Capital assets being depreciated:					
Utility system	60,649,434	-	6,402,418	-	67,051,852
Buildings and improvements	373,978	616,575	240,861	-	1,231,414
Machinery and equipment	441,664	-	-	(10,928)	430,736
Subtotal	61,465,076	616,575	6,643,279	(10,928)	68,714,002
Accumulated depreciation:					
Utility system	18,859,835	-	1,535,315	-	20,395,150
Buildings and improvements	319,229	-	46,245	-	365,474
Machinery and equipment	396,456	-	10,567	(10,928)	396,095
Subtotal	19,575,520	-	1,592,127	(10,928)	21,156,719
Net capital assets being depreciated	41,889,556	616,575	5,051,152	-	47,557,283
Net capital assets	\$ 42,506,131	\$ -	\$ 5,051,152	\$ -	\$ 47,557,283

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

Governmental activities:

General government	\$ 1,365,798
Public safety	178,359
Public works	14,407
Judicial	135,509
Recreation and culture	174,793
Internal Service Fund	138,120

Total governmental activities \$ 2,006,986

Business-type activities - Water and sewer \$ 1,592,127

**Construction Commitments** - The City has active construction projects at year end as follows:

	Spent to Date	Remaining Commitment
2012 State Revolving Fund program	\$ 2,774,551	\$ 347,001
Water main replacement	4,450,780	264,725
Sewer rehabilitation	1,632,654	1,987,892
Miscellaneous major and local street repair projects	509,896	990,030
Total	<u>\$ 9,367,881</u>	<u>\$ 3,589,648</u>

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 6 - Restricted Assets

The City's business-type activities have \$19,913 in funds held by the Macomb County Drain Commission on behalf of the City to be used for the Lake St. Clair Clean Water Initiative, including related debt service. The City's nonmajor governmental funds have unspent bond proceeds of \$184,364, which are restricted for construction. In addition, the City's nonmajor governmental funds have \$4,184 in funds restricted for use on an Eastpointe Brownfield Redevelopment project.

### Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Advances from/to Other Funds</b>		
General Fund	Internal Service Fund	\$ 275,000
Water and Sewer Fund	Internal Service Fund	\$ 132,413
Fund Transferred From	Fund Transferred To	Amount
General Fund	Nonmajor governmental funds	\$ 297,000
Major Streets Fund	Local Streets Fund	250,000
Nonmajor governmental funds	Water and Sewer Fund	986,861
Governmental activities	Garbage and Rubbish Collection Fund	900,713
Total		\$ 2,434,574

The transfer from the nonmajor governmental funds into the Water and Sewer Fund represents the transfer of property tax revenue restricted for debt service expense incurred by the Water and Sewer Fund. The transfer from the governmental activities to the Garbage and Rubbish Collection Fund represents the transfer of the City's equity interest in the South Macomb Disposal Authority and the transfer of the liability for the estimated future postclosure care costs associated with landfills owned by the Authority. See Note 18 for more details on the transfer. All other transfers provided funding for capital projects, capital acquisitions, and debt service.

### Note 8 - 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. County contractual agreements and installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences and certain risk liabilities.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bond:							
Building Authority	4.25% -	\$140,000 -					
Maturing through 2033	4.375%	\$280,000	\$ 3,800,000	\$ -	\$ (135,000)	\$ 3,665,000	\$ 140,000
Unamortized premium on issuance			27,792	-	(1,523)	26,269	1,523
MDEQ Brownfield Redevelopment Loan		\$58,396 -					
Maturing through 2028	1.50%	\$66,770	625,000	-	-	625,000	-
Total bonds payable			4,452,792	-	(136,523)	4,316,269	141,523
Accumulated compensated absences			476,288	-	(13,236)	463,052	75,000
Uninsured losses (Note 9)			266,856	157,343	-	424,199	-
Total governmental activities			\$ 5,195,936	\$ 157,343	\$ (149,759)	\$ 5,203,520	\$ 216,523
<b>Business-type Activities</b>							
County Drain Contract:							
Lake St. Clair Clean Water Initiative:							
Amount of issue - \$12,503,481		\$177,406 -					
Maturing through 2030	Various	\$727,665	\$ 7,170,974	\$ -	\$ (582,991)	\$ 6,587,983	\$ 592,350
Unamortized premium on issuance			35,840	-	(2,240)	33,600	2,240
8 1/2 Mile Relief Drain:							
Amount of issue - \$3,091,679		\$146,704 -					
Maturing through 2030	2.50%	\$179,289	2,626,084	25,890	(130,403)	2,521,571	146,704
Revenue bonds:							
2013 Clean Water Revolving Fund:							
Amount of issue - \$4,020,000		\$165,000 -	-	-	-	-	-
Maturing through 2033	2.50%	\$250,000	3,490,951	226,166	(160,000)	3,557,117	165,000
Total bonds payable			13,323,849	252,056	(875,634)	12,700,271	906,294
Accumulated compensated absences			19,071	573	-	19,644	-
Total business-type activities			\$ 13,342,920	\$ 252,629	\$ (875,634)	\$ 12,719,915	\$ 906,294

Annual debt service requirements to maturity for the above bond obligations and contracts are as follows (other than unamortized premium/discount on issuance and compensated absences):

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 140,000	\$ 154,700	\$ 294,700	\$ 904,054	\$ 351,914	\$ 1,255,968
2017	145,000	148,644	293,644	930,107	328,096	1,258,203
2018	155,000	142,269	297,269	951,232	303,583	1,254,815
2019	226,770	135,575	362,345	965,157	277,935	1,243,092
2020	223,396	137,042	360,438	997,196	251,046	1,248,242
2021-2025	1,245,387	557,587	1,802,974	4,240,022	845,548	5,085,570
2026-2030	1,344,447	312,662	1,657,109	3,027,844	350,439	3,378,283
2031-2035	810,000	54,031	864,031	793,942	37,961	831,903
Total	\$ 4,290,000	\$ 1,642,510	\$ 5,932,510	\$ 12,809,554	\$ 2,746,522	\$ 15,556,076

### **Note 8 - Long-term Debt (Continued)**

**Commitments** - The City received a Clean Water State Revolving Fund loan from the State of Michigan during fiscal year 2013. The scheduled payments related to the 2013 Clean Water Revolving Fund are included in the annual debt service requirements table above. However, as of June 30, 2015, the City had only drawn down \$3,877,117 of the \$4,020,000 approved loan amount, which is recorded as debt at year end. The difference in the principal outstanding between the debt service requirements table and the debt recorded in the business-type activities is \$142,883.

**County Contractual Obligations** - The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf and other communities involved in the Lake St. Clair Clean Water Initiative Project and the 8 1/2 Mile Drain Relief Project. The City has pledged to raise property taxes, to the extent permitted by law, as necessary to fund the obligations to repay the County. The remaining principal and interest to be paid on the bonds total \$11,132,375. During the current year, total property taxes levied to fund debt obligations of the City were \$2,094,203. Total principal and interest paid by the City for county-issued debt totaled \$986,727.

### **Note 9 - 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 benefits and workers' compensation; settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The City participates in the Michigan Municipal Risk Management Authority risk pool for claims other than medical benefits.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims-servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City is self-funded for claims up to a retention amount, at which time the City's reinsurance coverage begins. The City estimates the liability for claims that have been incurred through the end of the year, including both those claims that have been reported as well as those that have not been reported.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 9 - Risk Management (Continued)

Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability, Auto, and Property	
	2015	2014
Estimated liability - Beginning of year	\$ 266,856	\$ 90,851
Estimated claims incurred, including changes in estimates	526,008	261,728
Claim payments	(120,696)	(85,723)
Estimated liability - End of year	<u>\$ 672,168</u>	<u>\$ 266,856</u>

### Note 10 - Pension Plan Description

**Plan Administration** - The City of Eastpointe Employees' Retirement System Board of Trustees administers the Employees' Retirement System (the "Retirement System") - a single-employer defined benefit pension plan that provides pensions for eligible full-time general and public safety employees of the City. On January 28, 2014, the board of trustees approved the transfer of the Retirement System to the Municipal Employees' Retirement System of Michigan. Effective February 18, 2014, the Retirement System was administered by the city manager upon the change in ordinance. The transfer was completed in the City's fiscal year 2015. 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 board of trustees, which consists of five members - the mayor, a member of the City Council to be selected by the City Council, a citizen who is a taxpayer and resident of the City, to be appointed by the board of trustees, by and with the consent of the City Council, a policeman or fireman to be elected by the policemen and firemen members, and a general member to be elected by the general members.

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

Inactive plan members or beneficiaries currently receiving benefits	205
Inactive plan members entitled to but not yet receiving benefits	15
Active plan members	98

**Benefits Provided** - The pension plan provides retirement, disability, and death benefits. Benefit terms are established by ordinances and negotiations with the City's collective bargaining units and may be amended through negotiations with the City's collective bargaining units.

### Note 10 - Pension Plan Description (Continued)

**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 the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2015, the average active member contribution rate was 5 percent of annual pay, and the City's average contribution rate was 43 percent of annual payroll.

### Note 11 - Pension Plan Reserves

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. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, 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, the City's measurement date, are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 75,984,239	\$ 44,452,986
Employee reserve	386,526	386,526
Employer reserve	N/A	-

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 12 - Pension Plan Investments - Policy and Rate of Return

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the board of trustees by a majority vote of its members. It is the policy of the pension 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 board's adopted asset allocation policy as of June 30, 2014:

Asset Class	Target Allocation
Domestic equities	35 %
International equities	10
Emerging markets equities	5
Investment grade U.S. fixed income	20
High yield fixed income	10
International fixed income	10
Hedge funds	10
Cash or cash equivalents	-

**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 12.92 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Note 13 - Net Pension Liability

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

Total pension liability	\$ 76,370,764
Plan fiduciary net position	<u>(44,839,512)</u>
City's net pension liability	<u>\$ 31,531,252</u>

Plan fiduciary net position as a percentage of the total pension liability 58.7 %

The City has chosen to use June 30, 2014 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2014. The June 30, 2014 total pension liability was determined by an actuarial valuation performed as of June 30, 2013, which used update procedures to roll forward the estimated liability to June 30, 2014.

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

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 13 - Net Pension Liability (Continued)

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at June 30, 2013</b>	\$ 75,848,024	\$ 41,976,950	\$ 33,871,074
Service cost	686,354	-	686,354
Interest	5,678,262	-	5,678,262
Differences between expected and actual experience	367,337	-	367,337
Contributions - Employer	-	2,762,592	(2,762,592)
Contributions - Employee	-	218,791	(218,791)
Net investment income	-	6,345,355	(6,345,355)
Benefit payments, including refunds	(6,209,213)	(6,209,213)	-
Administrative expenses	-	(254,963)	254,963
Net changes	522,740	2,862,562	(2,339,822)
<b>Balance at June 30, 2014</b>	<u>\$ 76,370,764</u>	<u>\$ 44,839,512</u>	<u>\$ 31,531,252</u>

**Changes Since the Measurement Date** - Subsequent to the measurement date of June 30, 2014 and prior to the City's fiscal year-end date of June 30, 2015, the City transferred substantially all assets of the Employees' Retirement System to the Municipal Employees' Retirement System of Michigan (MERS). MERS is an agent multiple-employer defined benefit pension plan that was established as a statewide public employee pension plan by the Michigan legislature under PA 135 of 1945 and is administered by a nine-member retirement board. Since the Employees' Retirement System was a single employer defined benefit pension plan at the measurement date of June 30, 2014, all related disclosures in the City's 2015 financial statements will be for the single employer defined benefit pension plan using plan net position and net pension liability figures as of June 30, 2014.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 13 - Net Pension Liability (Continued)

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$2,655,922. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 268,057	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,501,209
Employer contributions to the plan subsequent to the measurement date	2,778,642	-
Total	<u>\$ 3,046,699</u>	<u>\$ 2,501,209</u>

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

Years Ending June 30	Amount
2016	\$ (526,022)
2017	(526,022)
2018	(555,806)
2019	(625,302)

**Actuarial Assumptions** - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 %	
Salary increases	3.5-6.5 %	Average, including inflation
Investment rate of return	8.0 %	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP 2000 Mortality Table set forward three years for males and one year for females.

### Note 13 - Net Pension Liability (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 7.68 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 not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 3.66 percent. The source of that bond rate was the S&P Municipal Bond 20 Year High Grade Index as of June 30, 2014. The long-term expected rate of return was applied to projected benefit payments from 2015 through 2054 and the municipal bond rate was applied to the remaining periods.

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 equities	7.3 %
International equities	7.2 %
Emerging market equities	7.4 %
Investment grade U.S. fixed income	1.8 %
High yield fixed income	5.3 %
International fixed income	2.0 %
Hedge funds	4.8 %

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 13 - Net Pension Liability (Continued)

**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 7.68 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.68 percent) or 1 percentage point higher (8.68 percent) than the current rate:

	1% Decrease (6.68%)	Current Discount Rate (7.68%)	1% Increase (8.68%)
Net pension liability of the City	\$ 38,822,184	\$ 31,531,252	\$ 25,260,734

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position at June 30, 2014 is available in a separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### Note 14 - Defined Contribution Pension Plan

The City provides pension benefits to eligible employees through a defined contribution plan. The plan is administered by the International City/County Management Association (ICMA) and covers police and fire employees hired after July 1, 2010. General employees had the option of entering into the plan effective January 1, 2013. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Certain police and fire employees are eligible to participate from the date of employment and general employees are eligible to participate beginning January 1, 2013. As established by city ordinance and collective bargaining agreements, the City contributes 4 percent of the employees' base wages. Employee contributions into the plan are not required. All contributions plus interest allocated to the employee's account are fully vested after five years of service.

The current year contribution was calculated based on covered payroll of \$3,122,291, resulting in an employer contribution of \$141,815 and employee contributions of \$111,248.

### Note 15 - Other Postemployment Benefits

**Plan Description** - The City provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to police, fire, and general employee groups. As of July 1, 2014, the date of the most recent actuarial valuation, the plan had 290 members including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits.

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

**Funding Policy** - The collective bargaining agreements currently do not require a contribution from employees. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

**Funding Status and Funding Progress** - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through the postretirement healthcare plan through actuarial valuations as of July 1, 2014. 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:

	Postretirement Healthcare Plan
Annual required contribution (recommended)*	\$ 2,852,737
Interest on the prior year's net OPEB obligation	47,726
Less adjustment to the annual required contribution	<u>(31,827)</u>
Annual OPEB cost	2,868,636
Amounts contributed - Payments of current premiums and advance funding	<u>(3,356,213)</u>
Decrease in net OPEB obligation	(487,577)
OPEB obligation - Beginning of year	<u>596,576</u>
OPEB obligation - End of year	<u>\$ 108,999</u>

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

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 15 - Other Postemployment Benefits (Continued)

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the plan for the current year and the previous two years are as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/13	\$ 3,134,099	110.0	\$ (906,628)
6/30/14	3,125,189	110.0	(596,576)
6/30/15	2,868,636	117.0	(108,999)

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
7/1/10	\$ 3,024,566	\$ 40,611,638	\$ 37,587,072	7.4	\$ 9,095,795	413.2
7/1/12	4,044,508	46,053,879	42,009,371	8.8	7,633,276	550.3
7/1/14	5,642,522	48,648,509	43,005,987	11.6	6,088,182	706.4

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

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 Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 15 - Other Postemployment Benefits (Continued)

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, grading down to 4 percent over the next 10 years. Both rates included a 4 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014 was 30 years.

### Note 16 - Employees' Death Benefit Fund

The Employees' Death Benefit Fund was established by City Ordinance on October 13, 1958 for the purpose of providing death benefits for employees who elect to participate in the plan. Prior year contributions from the City and plan members have been determined to be sufficient to fully fund the plan at June 30, 2015. Benefits at date of death are payable to designated beneficiaries in varying amounts. The obligation to contribute and maintain the plan was established by negotiation with the City's collective bargaining units.

### Note 17 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

	Employees' Retirement System	Employees' Death Benefit	Retiree Health Care	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 272,162	\$ 43,843	\$ 545,260	\$ 861,265
Investments:				
Equity securities	-	-	1,348,273	1,348,273
Mutual funds	-	1,100,634	4,650,464	5,751,098
Total assets	272,162	1,144,477	6,543,997	7,960,636
<b>Liabilities</b> - Accounts payable	-	-	682	682
<b>Net Position</b> - Held in trust for pension and other employee benefits	\$ 272,162	\$ 1,144,477	\$ 6,543,315	\$ 7,959,954

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2015

### Note 17 - Pension and Other Employee Benefit Trust Funds (Continued)

	Employees' Retirement System	Employees' Death Benefit	Retiree Health Care	Total
<b>Additions</b>				
Investment income (loss):				
Interest and dividends	\$ 67,874	\$ -	\$ 45,414	\$ 113,288
Net adjustment to fair value of investments	713,863	7,718	(1,155)	720,426
Less investment expenses	(17,209)	-	(20,558)	(37,767)
Net investment income	764,528	7,718	23,701	795,947
Employer contributions	2,778,642	-	3,356,213	6,134,855
Employee contributions	115,464	-	-	115,464
Total additions	3,658,634	7,718	3,379,914	7,046,266
<b>Deductions</b>				
Benefit payments	6,322,069	28,000	-	6,350,069
Health insurance premiums	-	-	2,455,332	2,455,332
Transfer to MERS	41,903,915	-	-	41,903,915
Total deductions	48,225,984	28,000	2,455,332	50,709,316
<b>Change in Net Position</b>	(44,567,350)	(20,282)	924,582	(43,663,050)
<b>Net Position - Beginning of year</b>	44,839,512	1,164,759	5,618,733	51,623,004
<b>Net Position - End of year</b>	\$ 272,162	\$ 1,144,477	\$ 6,543,315	\$ 7,959,954

### Note 18 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District, which provides sewage to participating municipalities in Macomb County, Michigan. Other members include the cities of Roseville and St. Clair Shores, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budgets. The City's equity interest of \$7,282,748 is recorded in the Water and Sewer Fund financial statements and within the business-type activities column in the statement of net position.

Complete financial statements for the Southeast Macomb Sanitary District can be obtained from the administrative offices at 20001 Pleasant Avenue, Box 286, St. Clair Shores, Michigan 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

# City of Eastpointe, Michigan

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## Notes to Financial Statements June 30, 2015

### Note 18 - Joint Ventures (Continued)

The City is a member of the South Macomb Disposal Authority (the "Authority"), which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Center Line, Roseville, St. Clair Shores, and Warren, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budgets. The City's equity interest in the Authority's operating reserve of \$136,972 is recorded in the Garbage and Rubbish Collection Fund and within the business-type activities column on the statement of net position. The City has also recorded a payable due to the Authority in the amount of \$1,383,916, which represents the estimated portion of future postclosure care costs that the City is obligated to pay in connection with certain closed landfills owned by the Authority. The payable is recorded as an adjustment to the equity interest in the Authority in the Garbage and Rubbish Collection Fund and within the business-type activities column on the statement of net position. The equity interest and liability were formerly recorded in the governmental activities column in the statement of net position, but during fiscal year 2015, the City determined that the Garbage and Rubbish Collection Fund should be accounted for as a proprietary fund (rather than a governmental fund). Therefore, the equity interest in the Authority was transferred from the governmental activities to the Garbage and Rubbish Collection Fund. At June 30, 2015, the City has a negative equity investment in the Authority in the amount of \$1,246,944.

Complete financial statements for the South Macomb Disposal Authority can be obtained from the administrative offices at 20001 Pleasant Avenue, Box 286, St. Clair Shores, Michigan 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The City is a member of the South East Regional Emergency Services Authority (SERESA), which provides dispatching services of emergency police, fire, and emergency medical services throughout member communities. Other members include the cities of Roseville and St. Clair Shores, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budgets. The City's equity interest in SERESA of \$275,947 is recorded within the governmental activities column on the statement of net position.

Complete financial statements for the South East Regional Emergency Services Authority can be obtained from the administrative offices at 18961 Common Road, Roseville, Michigan 48066. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

### **Note 18 - Joint Ventures (Continued)**

The City is a member of the Recreational Authority of Roseville and Eastpointe (RARE), which is responsible for administering recreation programs and senior activities in its respective communities. The other member is the City of Roseville. The City appoints two members to the joint venture's governing board, who then approves the annual budgets. In addition, the board selects one additional representative from either participating community for a two-year term position. The City does not record an equity interest in RARE, since upon withdrawal, the member is not entitled to the return of any credit for property or money that was transferred to or paid to RARE.

Complete financial statements for the Roseville Eastpointe Recreation Authority can be obtained from the administrative offices at 18185 Sycamore Street, Roseville, Michigan 48066. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

### **Note 19 - Upcoming Accounting Pronouncements**

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement 75 is effective one year later.

### **Note 19 - Upcoming Accounting Pronouncements (Continued)**

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the 2016-2017 fiscal year.

## **Required Supplemental Information**

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# City of Eastpointe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 8,312,263	\$ 8,326,263	\$ 8,387,876	\$ 61,613
Licenses and permits	1,067,000	1,157,000	1,327,939	170,939
Federal grants	-	-	21,984	21,984
State-shared revenue and grants	3,191,000	3,208,200	3,323,729	115,529
Charges for services	387,000	366,000	490,187	124,187
Fines and forfeitures	2,045,724	2,245,724	2,465,414	219,690
Investment income	11,000	11,000	34,316	23,316
Rental income	56,000	56,000	54,205	(1,795)
Other	72,940	78,440	57,439	(21,001)
Total revenue	15,142,927	15,448,627	16,163,089	714,462
<b>Expenditures - Current</b>				
General government:				
City Council	45,918	45,918	39,663	6,255
City manager	503,353	523,753	521,628	2,125
Finance	606,042	606,042	531,554	74,488
Assessing	283,598	292,198	290,375	1,823
City clerk and elections	243,688	289,751	276,613	13,138
Law	176,000	221,000	244,094	(23,094)
General operating	1,649,712	1,647,662	1,597,088	50,574
Judicial	1,346,214	1,346,214	1,349,683	(3,469)
Total general government	4,854,525	4,972,538	4,850,698	121,840
Public safety	13,196,676	12,708,718	11,852,807	855,911
Public works	29,974	29,974	28,093	1,881
Recreation and culture	616,356	677,351	640,141	37,210
Total expenditures	18,697,531	18,388,581	17,371,739	1,016,842
<b>Excess of Expenditures Over Revenue</b>	(3,554,604)	(2,939,954)	(1,208,650)	1,731,304
<b>Other Financing Uses - Transfers out</b>	(296,500)	(296,500)	(297,000)	(500)
<b>Net Change in Fund Balance</b>	(3,851,104)	(3,236,454)	(1,505,650)	1,730,804
<b>Fund Balance - Beginning of year</b>	8,091,106	8,091,106	8,091,106	-
<b>Fund Balance - End of year</b>	<u>\$ 4,240,002</u>	<u>\$ 4,854,652</u>	<u>\$ 6,585,456</u>	<u>\$ 1,730,804</u>

# City of Eastpointe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 1,505,000	\$ 1,702,400	\$ 1,721,626	\$ 19,226
Investment income	1,500	1,500	12,380	10,880
Total revenue	1,506,500	1,703,900	1,734,006	30,106
<b>Expenditures - Current - Public works</b>	3,338,279	4,288,279	4,480,245	(191,966)
<b>Excess of Expenditures Over Revenue</b>	(1,831,779)	(2,584,379)	(2,746,239)	(161,860)
<b>Other Financing Uses - Transfers out</b>	-	(250,000)	(250,000)	-
<b>Net Change in Fund Balance</b>	(1,831,779)	(2,834,379)	(2,996,239)	(161,860)
<b>Fund Balance - Beginning of year</b>	4,438,297	4,438,297	4,438,297	-
<b>Fund Balance - End of year</b>	<u>\$ 2,606,518</u>	<u>\$ 1,603,918</u>	<u>\$ 1,442,058</u>	<u>\$ (161,860)</u>

# City of Eastpointe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 515,000	\$ 550,185	\$ 582,844	\$ 32,659
Investment income	500	500	2,033	1,533
Other revenue	-	-	67	67
Total revenue	515,500	550,685	584,944	34,259
<b>Expenditures</b> - Current - Public works	668,003	1,276,151	956,370	319,781
<b>Other Financing Sources</b> - Transfers in	-	250,000	250,000	-
<b>Net Change in Fund Balance</b>	(152,503)	(475,466)	(121,426)	354,040
<b>Fund Balance</b> - Beginning of year	860,844	860,844	860,844	-
<b>Fund Balance</b> - End of year	<u>\$ 708,341</u>	<u>\$ 385,378</u>	<u>\$ 739,418</u>	<u>\$ 354,040</u>

# City of Eastpointe, Michigan

## Required Supplemental Information 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	12.9 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

\* GASB Statement No. 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

# City of Eastpointe, Michigan

## Required Supplemental Information

### 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**
<b>Total Pension Liability</b>										
Service cost	\$ 686,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	5,678,262	-	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	367,337	-	-	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(6,209,213)	-	-	-	-	-	-	-	-	-
Net change in total pension liability	522,740	-	-	-	-	-	-	-	-	-
Total pension liability - Beginning of year	75,848,024	-	-	-	-	-	-	-	-	-
Total pension liability - End of year	<u>\$ 76,370,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 2,762,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	218,791	-	-	-	-	-	-	-	-	-
Net investment income	6,345,355	-	-	-	-	-	-	-	-	-
Administrative expenses	(254,963)	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(6,209,213)	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	2,862,562	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - Beginning of year	41,976,950	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - End of year	<u>\$ 44,839,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>City's Net Pension Liability</b>	<u>\$ 31,531,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	58.71 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
<b>Covered Employee Payroll</b>	\$ 6,602,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	477.6 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %

\* The current valuation uses a discount rate that is 100 percent of the anticipated investment rate of return. The appropriateness of using a blended discount rate is currently being evaluated, given the City's current funding level and contribution methodology. If a revised valuation were issued to reflect the use of a blended discount rate, the total pension liability and therefore, the net pension liability would increase and that increase could be material. Note 13 discloses that the impact of a 1 percent decrease in the discount rate, which would likely be close to the change given a blended rate, would result in an increase of \$6,901,258 in the net pension liability of the City.

\*\* GASB Statement No. 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

# City of Eastpointe, Michigan

## Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 2,778,642	\$ 2,981,382	\$ 2,746,017	\$ 2,695,079	\$ 2,724,753	\$ 2,071,959	\$ 1,786,080	\$ 1,686,748	\$ 1,529,421	\$ 777,640
Contributions in relation to the actuarially determined contribution	2,778,642	2,981,382	2,746,017	2,695,079	2,724,753	2,071,959	1,786,080	1,686,748	1,529,421	-
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,640</u>
Covered employee payroll	\$ 6,453,723	\$ 6,602,528	\$ 6,817,694	\$ 7,633,276	\$ 8,694,192	\$ 9,095,795	\$ 10,218,230	\$ 10,294,149	\$ 9,392,368	\$ 9,429,156
Contributions as a percentage of covered employee payroll	43.1 %	45.2 %	40.3 %	35.3 %	31.3 %	22.8 %	17.5 %	16.4 %	16.3 %	- %

# City of Eastpointe, Michigan

## Required Supplemental Information Retiree Healthcare System Schedule of Funding Progress and Employer Contributions Year Ended June 30, 2015

The schedule of funding progress 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	\$ 2,250,959	\$ 44,937,892	\$ 42,686,933	5.0	\$ 9,733,198	438.6
7/1/10	3,024,566	40,611,638	37,587,072	7.4	9,095,795	413.2
7/1/12	4,044,508	46,053,879	42,009,371	8.8	7,633,276	550.3
7/1/14	5,642,522	48,648,509	43,005,987	11.6	6,088,182	706.4

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed
6/30/10	\$ 3,175,927	81.0 %
6/30/11	2,875,300	95.0
6/30/12	2,878,899	108.0
6/30/13	3,134,099	110.0
6/30/14	3,125,189	110.0
6/30/15	2,868,636	117.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of July 1, 2014, the latest actuarial valuation, is as follows:

Valuation date	July 1, 2014
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4%-7%
*Includes inflation at	4%
Cost of living adjustments	None
Valuation healthcare cost trend rate	9 percent, grading down to 4 percent over 10 years

# City of Eastpointe, Michigan

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## **Note to Required Supplemental Information Year Ended June 30, 2015**

**Budgetary Information** - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this act:

1. Budgets must be adopted for the General Fund and special revenue funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. A public hearing must be held before budget adoptions.

The City adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budget reflected in the financial statements:

1. The city manager, on or before 60 days prior to the commencement of the fiscal and budgetary year (July 1), shall prepare and submit to the City Council a complete itemized proposed budget before the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the City Council shall direct, and notice of the public hearing shall be published at least 10 days in advance thereof by the clerk.
3. The City Council shall, on or before 30 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

The annual budget is prepared by the city manager and adopted by the City Council; subsequent amendments are approved by the City Council. Budgeted amounts of the revenue and expenditures presented for the General Fund and special revenue funds are as amended by the City Council. Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2015 has not been calculated. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund and major special revenue funds is presented in the required supplemental information. A comparison of actual results of operations to the nonmajor special revenue funds' budgets as adopted by the City Council is available at the City offices for inspection. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

# City of Eastpointe, Michigan

## Note to Required Supplemental Information (Continued) Year Ended June 30, 2015

Reconciliations of the budgetary comparison schedules to the fund-based statement of changes in fund balance are as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Other Financing Uses</u>	<u>Change in Fund Balance</u>
General Fund:				
Amounts per operating statement	\$ 16,498,933	\$ 17,484,729	\$ 297,000	\$ (1,282,796)
Tax Reversion Fund budgeted separate from the General Fund	<u>(335,844)</u>	<u>(112,990)</u>	<u>-</u>	<u>(222,854)</u>
Amounts per budget statement	<u>\$ 16,163,089</u>	<u>\$ 17,371,739</u>	<u>\$ 297,000</u>	<u>\$ (1,505,650)</u>

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City incurred the following expenditures that were in excess of the amounts budgeted:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government - Law	\$ 221,000	\$ 244,094	\$ (23,094)
General government - Judicial	1,346,214	1,349,683	(3,469)
Other financing uses - Transfers out	296,500	297,000	(500)
Major Streets Fund - Public Works	4,288,279	4,480,245	(191,966)

## **Other Supplemental Information**

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# City of Eastpointe, Michigan

	Special Revenue Funds					Debt Service Funds
	Library	Drug Law Enforcement	Street Lighting SAD	Library - J Tinor Reading	Memorial Library Trust Fund	Building Authority
<b>Assets</b>						
Cash and cash equivalents	\$ 391,968	\$ 284,401	\$ 60,959	\$ 703	\$ 8,844	\$ 1,497
Receivables:						
Special assessments	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Due from other governmental units	9,643	-	-	-	-	-
Restricted assets	-	-	-	-	-	-
Noncurrent receivable	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 401,611</b>	<b>\$ 284,401</b>	<b>\$ 60,959</b>	<b>\$ 703</b>	<b>\$ 8,844</b>	<b>\$ 1,497</b>
<b>Liabilities</b>						
Accounts payable	\$ 32,281	\$ 35,766	\$ -	\$ -	\$ -	\$ -
Accrued liabilities and other	19,157	-	-	-	-	-
<b>Total liabilities</b>	<b>51,438</b>	<b>35,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue - Special assessments	-	-	-	-	-	-
<b>Fund Balances</b>						
Nonspendable -						
Long-term receivable	-	-	-	-	-	-
Restricted:						
Debt service	-	-	-	-	-	-
Library	350,173	-	-	703	8,844	-
Drug law enforcement	-	248,635	-	-	-	-
Capital projects	-	-	-	-	-	-
Street lighting	-	-	60,959	-	-	-
Assigned:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	1,497
<b>Total fund balances</b>	<b>350,173</b>	<b>248,635</b>	<b>60,959</b>	<b>703</b>	<b>8,844</b>	<b>1,497</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 401,611</b>	<b>\$ 284,401</b>	<b>\$ 60,959</b>	<b>\$ 703</b>	<b>\$ 8,844</b>	<b>\$ 1,497</b>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

Debt Service Funds	Capital Projects Funds					Total Nonmajor Governmental Funds
Chapter 20 Drain Debt	Capital Improvement	Equipment Replacement	Building Authority Construction	District Court Building	Brownfield Capital Project	
\$ 551,223	\$ 538,646	\$ 200,648	\$ -	\$ 122,180	\$ -	\$ 2,161,069
-	3,837	-	-	-	-	3,837
-	-	1,000	-	-	-	1,000
-	-	-	-	-	-	9,643
-	-	-	184,364	-	4,184	188,548
-	-	-	-	-	620,816	620,816
<b>\$ 551,223</b>	<b>\$ 542,483</b>	<b>\$ 201,648</b>	<b>\$ 184,364</b>	<b>\$ 122,180</b>	<b>\$ 625,000</b>	<b>\$ 2,984,913</b>
\$ 2,056	\$ -	\$ 12,817	\$ -	\$ -	\$ -	\$ 82,920
-	-	-	-	-	-	19,157
2,056	-	12,817	-	-	-	102,077
-	2,558	-	-	-	-	2,558
-	-	-	-	-	620,816	620,816
549,167	-	-	-	-	-	549,167
-	-	-	-	-	-	359,720
-	-	-	-	-	-	248,635
-	-	-	184,364	122,180	4,184	310,728
-	-	-	-	-	-	60,959
-	539,925	188,831	-	-	-	728,756
-	-	-	-	-	-	1,497
549,167	539,925	188,831	184,364	122,180	625,000	2,880,278
<b>\$ 551,223</b>	<b>\$ 542,483</b>	<b>\$ 201,648</b>	<b>\$ 184,364</b>	<b>\$ 122,180</b>	<b>\$ 625,000</b>	<b>\$ 2,984,913</b>

# City of Eastpointe, Michigan

	Special Revenue Funds					Debt Service Funds
	Library	Drug Law Enforcement	Street Lighting SAD	Library - J Tinor Reading	Memorial Library Trust	Building Authority
<b>Revenue</b>						
Property taxes	\$ 845,774	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	18,952	-	-	-	-
State-shared revenue and grants	28,750	-	-	-	-	-
Charges for services	1,478	-	-	-	-	-
Fines and forfeitures	43,193	81,733	-	-	-	-
Investment income	1,528	1,018	-	2	25	-
Rental income	-	-	-	-	-	-
Other:						
Special assessments	-	-	454,639	-	-	-
Contributions	-	-	-	-	575	-
Other miscellaneous income	-	29	-	-	-	-
Total revenue	920,723	101,732	454,639	2	600	-
<b>Expenditures</b>						
Current:						
District court	-	-	-	-	-	-
Public safety	-	244,640	-	-	-	-
Public works	-	-	449,880	-	-	750
Recreation and culture	826,937	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	295,544
Total expenditures	826,937	244,640	449,880	-	-	296,294
<b>Excess of Revenue Over (Under) Expenditures</b>	93,786	(142,908)	4,759	2	600	(296,294)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	297,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	297,000
<b>Net Change in Fund Balances</b>	93,786	(142,908)	4,759	2	600	706
<b>Fund Balances - Beginning of year</b>	256,387	391,543	56,200	701	8,244	791
<b>Fund Balances - End of year</b>	<u>\$ 350,173</u>	<u>\$ 248,635</u>	<u>\$ 60,959</u>	<u>\$ 703</u>	<u>\$ 8,844</u>	<u>\$ 1,497</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2015**

Debt Service Funds	Capital Projects Funds					Total Nonmajor Governmental Funds
Chapter 20 Drain Debt	Capital Improvement	Equipment Replacement	Building Authority Construction	District Court Building	Brownfield Capital Project	
\$ 2,130,448	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,976,222
-	-	-	-	-	-	18,952
-	-	-	-	-	-	28,750
-	-	-	-	-	-	1,478
-	-	-	-	-	-	124,926
2,215	2,515	187	535	322	-	8,347
-	-	137,343	-	-	-	137,343
-	17,788	-	-	-	-	472,427
-	-	-	-	-	-	575
-	-	170,300	-	76,902	-	247,231
2,132,663	20,303	307,830	535	77,224	-	4,016,251
-	-	-	-	54,523	-	54,523
-	-	-	-	-	-	244,640
770,362	-	-	-	-	-	1,220,992
-	-	-	-	-	-	826,937
-	1,795	180,727	198	-	-	182,720
-	-	-	-	-	-	295,544
770,362	1,795	180,727	198	54,523	-	2,825,356
1,362,301	18,508	127,103	337	22,701	-	1,190,895
-	-	-	-	-	-	297,000
(986,861)	-	-	-	-	-	(986,861)
(986,861)	-	-	-	-	-	(689,861)
375,440	18,508	127,103	337	22,701	-	501,034
173,727	521,417	61,728	184,027	99,479	625,000	2,379,244
<u>\$ 549,167</u>	<u>\$ 539,925</u>	<u>\$ 188,831</u>	<u>\$ 184,364</u>	<u>\$ 122,180</u>	<u>\$ 625,000</u>	<u>\$ 2,880,278</u>

# City of Eastpointe, Michigan

	Pension Trust Funds			
	Employees' Retirement System	Employees' Death Benefit	Retirement Healthcare	Total Pension Trust Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 272,162	\$ 43,843	\$ 545,260	\$ 861,265
Investments:				
Equity securities	-	-	1,348,273	1,348,273
Mutual funds	-	1,100,634	4,650,464	5,751,098
Total assets	272,162	1,144,477	6,543,997	7,960,636
<b>Liabilities</b>				
Accounts payable	-	-	682	682
Due to other governmental units	-	-	-	-
Accrued liabilities and other	-	-	-	-
Total liabilities	-	-	682	682
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 272,162</b>	<b>\$ 1,144,477</b>	<b>\$ 6,543,315</b>	<b>\$ 7,959,954</b>

**Other Supplemental Information**  
**Combining Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

Agency Funds			
Cash and Performance Bonds	Tax Collection	Imprest Payroll	Total Agency Funds
\$ 153,011	\$ 6,849	\$ 51,522	\$ 211,382
-	-	-	-
-	-	-	-
<b>\$ 153,011</b>	<b>\$ 6,849</b>	<b>\$ 51,522</b>	<b>\$ 211,382</b>
\$ 11,495	\$ -	\$ 51,522	\$ 63,017
-	6,849	-	6,849
141,516	-	-	141,516
<b>\$ 153,011</b>	<b>\$ 6,849</b>	<b>\$ 51,522</b>	<b>\$ 211,382</b>

# City of Eastpointe, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Position Fiduciary Funds Year Ended June 30, 2015

	Employees' Retirement System	Employees' Death Benefit	Retiree Health Care	Total
<b>Additions</b>				
Investment income (loss):				
Interest and dividends	\$ 67,874	\$ -	\$ 45,414	\$ 113,288
Net change in fair value of investments	713,863	7,718	(1,155)	720,426
Investment-related expenses	(17,209)	-	(20,558)	(37,767)
Net investment income	764,528	7,718	23,701	795,947
Contributions:				
Employer	2,778,642	-	3,356,213	6,134,855
Employee	115,464	-	-	115,464
Total contributions	2,894,106	-	3,356,213	6,250,319
Total additions	3,658,634	7,718	3,379,914	7,046,266
<b>Deductions</b>				
Benefit payments	6,322,069	28,000	-	6,350,069
Transfer to MERS	41,903,915	-	-	41,903,915
Health insurance premiums	-	-	2,455,332	2,455,332
Total deductions	48,225,984	28,000	2,455,332	50,709,316
<b>Net (Decrease) Increase in Net Position Held in Trust</b>	(44,567,350)	(20,282)	924,582	(43,663,050)
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	44,839,512	1,164,759	5,618,733	51,623,004
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u>\$ 272,162</u>	<u>\$ 1,144,477</u>	<u>\$ 6,543,315</u>	<u>\$ 7,959,954</u>