

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

City of Eastpointe, MI



# **City of Eastpointe, Michigan**

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## **Comprehensive Annual Financial Report June 30, 2017**

# City of Eastpointe, Michigan

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# City of Eastpointe, Michigan

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# City of Eastpointe, Michigan

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November 27, 2017

To the Honorable Mayor, City Council, and Citizens  
of the City of Eastpointe, Michigan  
23200 Gratiot Avenue  
Eastpointe, MI 48021

The financial report of the City of Eastpointe, Michigan (Eastpointe or the “City”) for the year ended June 30, 2017 is hereby submitted as mandated by the City Charter, Chapter XII, Section 4 and State Statute, Public Act 2 of 1968. As required by City Charter and state laws, the basic financial statements, as defined in the table of contents, were 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 the City’s 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 for the fiscal year ended June 30, 2017. All disclosures necessary to enable the reader to gain an understanding of the City of Eastpointe, Michigan’s activities have been included.

Accounting principles generally accepted in the United States of America 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). The MD&A complements this letter of transmittal and should be read in conjunction with it. The City of Eastpointe, Michigan’s MD&A can be found immediately following the report of the independent auditor.

The independent auditor's report is located at the front of the financial section of this report. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects and have issued an unmodified opinion for the year ended June 30, 2017.

### ***Profile of the Government***

Eastpointe incorporated in 1929 as a Michigan Home-Rule Charter City with a Council-Manager form of government. Policy-making and legislative authority are vested in a government council (Council) consisting of the mayor and four other members, all elected on a nonpartisan basis. The City's mayor and four council members are elected at large to four-year staggered terms.

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 including payments on outstanding debt.

Eastpointe also is financially accountable for legally separate component units. The Eastpointe Building Authority, the Downtown Development Authority, and the Economic Development Corporation are reported separately within the City's financial statements. Additional information on these legally separate entities can be found in the notes to the financial statements (see Note 1).

### ***Local Economy***

Eastpointe has grown and prospered significantly as one of southeastern Michigan's earliest and strongest suburban communities. The City 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." Macomb County continues to rank high in per capita income, employment opportunities, and overall quality of life.

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.



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.” City services are provided to 12,699 households and more than 800 commercial and industrial businesses and service enterprises within the City's 5.1 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, Walgreens, Family Dollar, and Olive Garden.

As a full-service community, Eastpointe 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 building stock is single-family homes or condominiums.

### ***Tax Base Composition***

The principal source of revenue to fund the City's operations is property tax (38.7 percent of total 2016-2017 General Fund revenue). Property tax revenue is a result of applying the millage rate set by City Council within the restrictions of state law to the taxable value of real and personal property located within the City. The table below illustrates the diversity of the City's tax base, which was the basis for property tax revenue for the fiscal year 2016-2017 budget.

<b>Tax Base</b>		
By Class:	Taxable Value	Percent
Real property	\$ 402,205,730	91.2%
Utility/Personal property	38,871,090	8.8%
Total	<u>\$ 441,076,820</u>	
By Use:		
Residential	\$ 322,283,500	73.1%
Commercial	78,038,230	17.7%
Industrial	1,884,000	0.4%
Utility/Personal property	38,871,090	8.8%
Total	<u>\$ 441,076,820</u>	

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

Unassigned fund balance in the General Fund is 9.6 percent of total General Fund expenditures. The City's strategic plan incorporates an unassigned fund balance target between 10.0 and 15.0 percent of total General Fund expenditures so as to reduce the amount that will need to be borrowed to finance future construction.



The City Council re-adopted the financial management plan and the 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.

### ***Financial Policies and Internal Controls***

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are 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. 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.

### ***Budgeting***

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, revenue is recorded when it is 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 Fund, internal service funds, and Pension Trust Fund are reported on the full accrual basis, under which revenue is 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.

### ***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 required to have a single audit in any fiscal year to test these controls because when it receives more than \$750,000 in federal assistance as required by the Uniform Grant Guidance. For the fiscal year ended June 30, 2017, the City received \$160,325 in federal funds.

### ***Major Initiatives***

In spite of the past economic challenges, there are plenty of reasons that Eastpointe is still here. The City weathered more than its share of adversity in the past 10 years or more. Presently, we have entered a time where progress is being made on all fronts. The City continues to operate effectively, and with an improving economy and additional resources approved by the voters in 2015, there are many things happening now and in the future.

The City staff's cooperation, creativity, and focus on cost-saving initiatives will allow departments to maximize resources, use new strategies, and develop more new projects to continue to move Eastpointe in the desired direction. Eastpointe city government is a model of employees, including executives and administrators performing several jobs and helping each other to help our residents. Facilities are well maintained and energy efficient. Infrastructure is continuously addressed and technology using state-of-the-art financial systems are implemented wherever possible.

### ***Public Reinvestment in Streets, Sidewalks, and Water and Sewer System***

Significant investment in public infrastructure projects were completed in fiscal year 2017. Since 2010, the City has invested approximately \$42.7 million in roads, sidewalks, and the water and sewer systems, both by the City and the county jointly. The City's major accomplishments for the current fiscal year included:

- Invested \$1.14 million in major and local streets improvements:  
Completed Southbound Kelly Road reconstruction/resurfacing from 10 Mile to Kelly Road  
Completed Northbound Kelly Road reconstruction from Stephens to 10 Mile  
Began Raven reconstruction 450' North of Spindler  
Began Toepher reconstruction from Gratiot Avenue to Bolder
- Invested \$4.16 million in water main and sewer line improvement projects:  
Continued sewer camera inspection program throughout the City for mapping and failure identification  
Continued sewer repair projects throughout the City using open-cut, pipe bursting, and cured in place methods as appropriate
- Invested \$640 thousand in sidewalk improvement projects throughout the City, to eliminate trip hazards and replace ADA compliant ramps

In addition, the City completed the conversion of the City's remaining 799 streetlights to LED.

### ***Awards***

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to cities that meet specific requirements. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. We believe this current CAFR conforms to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

## ***Acknowledgments***

The preparation of this Comprehensive Annual Financial Report would not have been possible without the efficient and dedicated service of the entire staff of the departments of finance and City management. We wish to express our sincere appreciation to all members of the departments, and various other employees from other City departments for their cooperation and assistance, in contributing to the preparation of this report. Credit must also be given to the mayor and the governing council for their support and for maintaining their professionalism in the management of the financial affairs of the City of Eastpointe, Michigan.

Respectfully submitted,

A handwritten signature in cursive script, reading "Joseph Merucci".

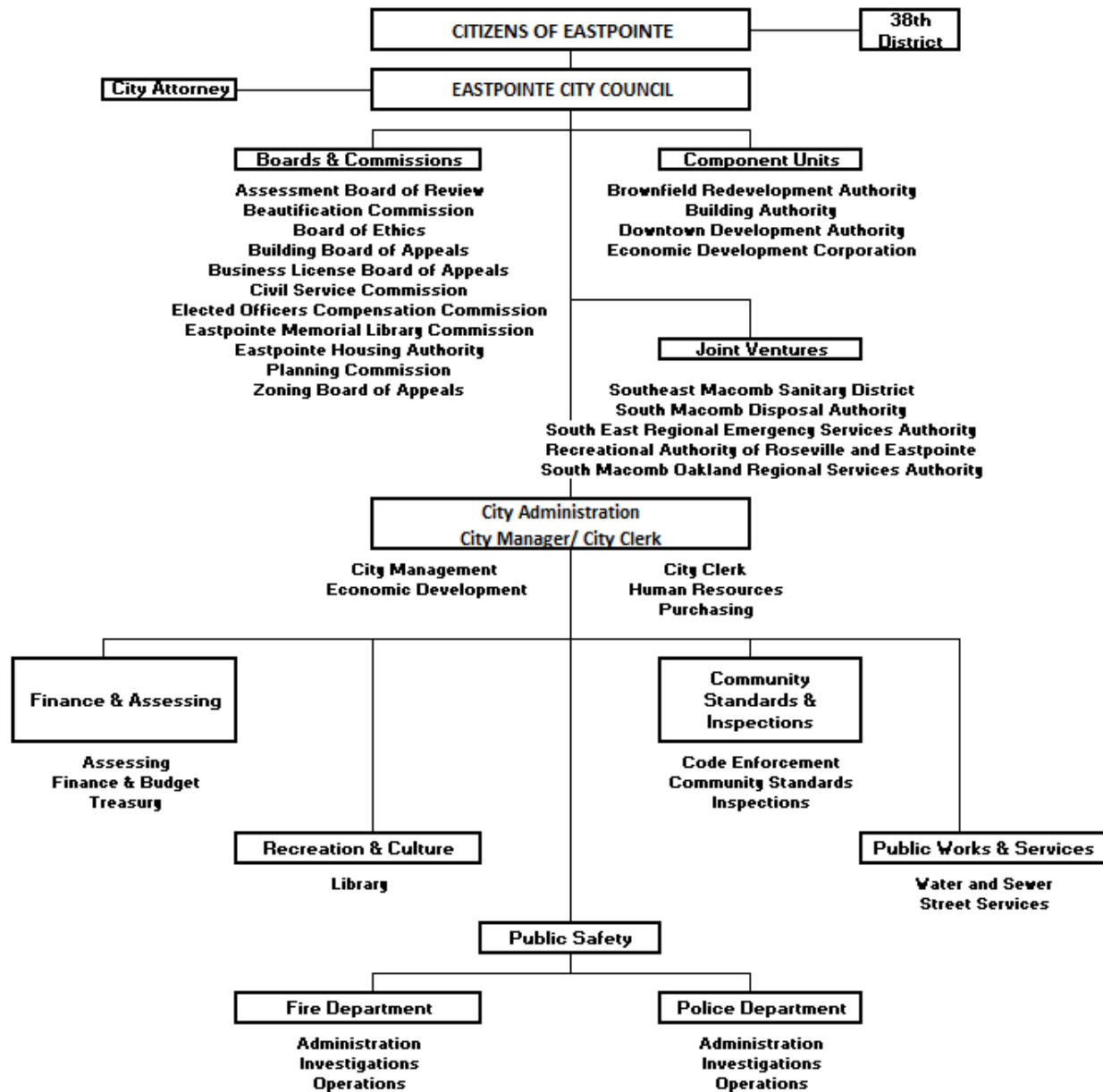
Joseph Merucci  
Acting City Manager

A handwritten signature in cursive script, reading "Randall Blum".

Randall Blum  
Director of Finance

# City of Eastpointe, Michigan

## Organization Chart June 30, 2017



# City of Eastpointe, Michigan

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## List of Principal Officials June 30, 2017

Title	Name
City Manager/City Clerk	Vacant
Acting City Manager	Joseph Merucci
Assistant City Manager/Deputy City Clerk	Randy D. Altimus
Finance Director/Treasurer	Randall Blum
City Assessor	Jeff Edwards
Public Safety Director	John Mc Neilance
Deputy Police Chief	Eric Keiser
Deputy Fire Chief/Fire Marshall	Larry Folkerts
Public Works and Services Superintendent	Tony Pry
Community Standards and Inspections Director	Mary Van Haaren
Library Director	Carol Sterling
City Attorney	Richard Albright
District Court Judge	Carl F. Gerds III

# City of Eastpointe, Michigan

## Fund Organization Chart June 30, 2017

Governmental Funds	
General *	Special Revenue
	Major Streets *
	Local Streets *
	Library
	Drug Law Enforcement
	Street Lighting SAD
	Community Development
	Library - J Tinor Reading
	Memorial Library Trust
Debt Service	Capital Projects
Building Authority	Capital Improvement
Chapter 20 Drain Debt	Equipment Replacement
	Building Authority Construction
	District Court Building
	Brownfield Capital Project
Proprietary Funds	
Enterprise	Internal Service
Water and Sewer *	Equipment Pool
Garbage and Rubbish Collection *	
Fiduciary Funds	
Trust	Agency
Employees' Retirement System	Cash & Performance Bonds
Employees' Death Benefit	Tax Collection
Retirement Healthcare	Imprest Payroll
Component Units	
Downtown Development Authority	
Economic Development Corporation	



## 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, 2017 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, 2017 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 described in Note 13 to the basic financial statements, the City adopted the new accounting guidance of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This new standard establishes financial reporting requirements for OPEB 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 other supplemental information, as identified in the table of contents, and the introductory and statistical sections, 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 introductory section and statistical section, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Plante & Morse, PLLC*

November 27, 2017

# 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, 2017. This narrative should be considered in conjunction with the additional information presented in the letter of transmittal found on pages i-vii and is intended to serve as an introduction to the City's basic financial statements which begin on page 12.

### **Financial Highlights**

- The City's combined total net position is reported as \$48.1 million for the fiscal year ended June 30, 2017, compared to \$46.7 million last fiscal year.
- In the City's governmental activities, revenue generated \$28.6 million, while expenses totaled \$25.7 million.
- In the City's business-type activities, revenue generated \$16.2 million, while operating expenses totaled \$17.7 million and capital investment in the City's water and sewer system totaled \$4.1 million.
- Total net position increased \$1.4 million, largely due to general government expenditures coming in below budget, related to open positions and retirement costs.

### **Government-wide Financial Statements**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's assets and liabilities, which is one way to measure the City's financial health.

The two government-wide financial statements are divided into three categories:

- **Governmental Activities** represent most of the City's basic services such as general government, public safety, public works, and recreation and culture. Property taxes, state-shared revenue, charges for services, and grants provide most of the funding.
- **Business-type Activities** represent those activities for which the City charges fees to customers to cover the cost of providing services. Services include water and sewer and rubbish collection.

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

- **Component Units** includes separate legal entities that have been included in this report. The City has two discretely presented component units: 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. The Eastpointe Building Authority is also legally separate; however, it functions as a department of the City, and therefore has been included as an integral part of the primary government. Further information regarding the purpose of each component unit is found in Note I to the financial statements.

### The City as a Whole

**Statement of Net Position** - The City's combined net position increased 3.0 percent, or \$1.4 million, from \$46.7 million in 2016 to \$48.1 million in 2017. The net position for the governmental activities increased from \$3.0 million in 2016 to \$5.9 million in 2017. The increase can be attributed largely due to general government expenditures coming in below budget. The current level of unrestricted net position for governmental activities is a deficit of \$21.6 million as a result of the City recognizing a net pension liability of \$38.4 million in accordance with GASB Statement No. 68. The net position of the business-type activity decreased from \$43.7 million in 2016 to \$42.2 million in 2017, or \$1.5 million. The unrestricted net position for business-type activities is a deficit of \$0.4 million as a result of the City recognizing a net pension liability of \$5.2 million in accordance with GASB Statement No. 68.

The City's assets totaled \$106.4 million in 2017, which is an increase of \$4.5 million from 2016. This relates to an increase in net current assets of \$2.2 million, or 14.4 percent, and an increase in capital assets of \$2.3 million, or 2.9 percent. The primary change in net current assets is due to an increase in cash, investments, and receivables by \$2.2 million as a result of financial stabilization over the past two years. The primary change in net capital assets is due to the addition of assets related to the water and sewer system of \$4.1 million.

The City's total liabilities increased \$3.5 million, or 5.7 percent, to \$64.6 million in 2017. This is primarily due to the City's unfunded pension obligation increasing \$2.8 million due to more stringent funding requirements.

# 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, 2017 to the prior two years:

	Governmental Activities			Business-type Activities			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
<b>Assets</b>									
Current assets	\$ 15,808	\$ 9,985	\$ 12,284	\$ 1,387	\$ 5,043	\$ 9,012	\$ 17,195	\$ 15,028	\$ 21,296
Capital assets	28,262	28,168	25,622	55,126	52,841	47,557	83,388	81,009	73,179
Other noncurrent assets	1,468	4,329	1,835	4,338	1,566	6,188	5,806	5,895	8,023
Total assets	45,538	42,482	39,741	60,851	59,450	62,757	106,389	101,932	102,498
<b>Deferred Outflows Related to Pension</b>	5,544	7,321	2,842	731	378	204	6,275	7,699	2,763
<b>Liabilities</b>									
Current liabilities	1,824	1,186	2,555	2,704	1,849	2,754	4,528	3,035	5,309
Long-term liabilities	43,351	43,833	34,970	16,690	14,200	14,842	60,041	58,033	49,812
Total liabilities	45,175	45,019	37,525	19,394	16,049	17,596	64,569	61,068	55,121
<b>Deferred Inflows Related to Pension</b>	-	1,784	2,333	-	92	168	-	1,876	-
<b>Net Position</b>									
Net investment in capital assets	24,446	24,232	21,491	42,597	40,654	34,857	67,043	64,886	56,348
Restricted	3,095	2,276	3,710	20	20	20	3,115	2,296	3,730
Unrestricted	(21,634)	(23,508)	(22,476)	(429)	3,013	10,320	(22,063)	(20,495)	(12,156)
Total net position	<u>\$ 5,907</u>	<u>\$ 3,000</u>	<u>\$ 2,725</u>	<u>\$ 42,188</u>	<u>\$ 43,687</u>	<u>\$ 45,197</u>	<u>\$ 48,095</u>	<u>\$ 46,687</u>	<u>\$ 47,922</u>

**Changes in Net Position** - The City's total net position increased by \$1.4 million during the fiscal year ended June 30, 2017. The table below shows the comparison of changes in net position (in millions) to the prior two years:

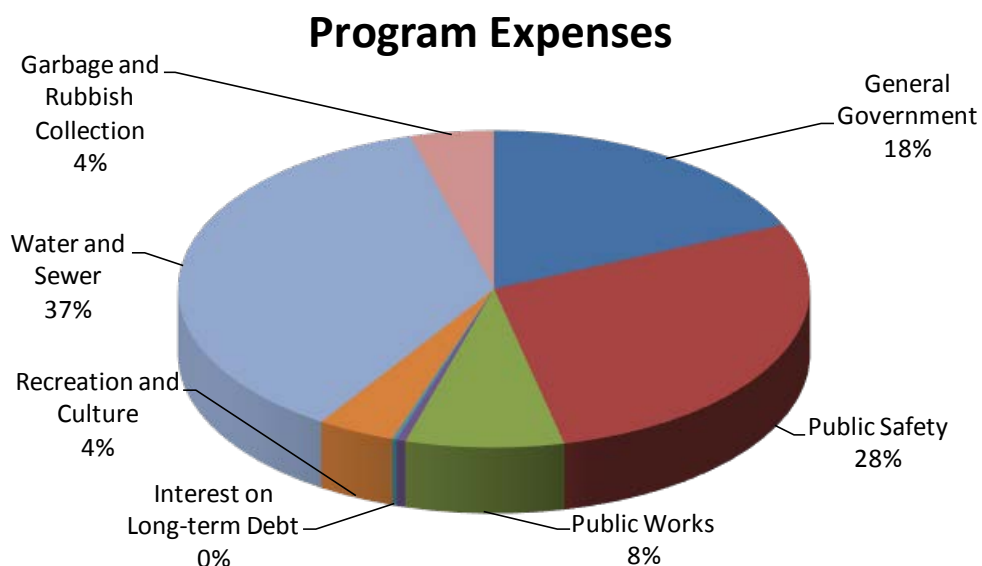
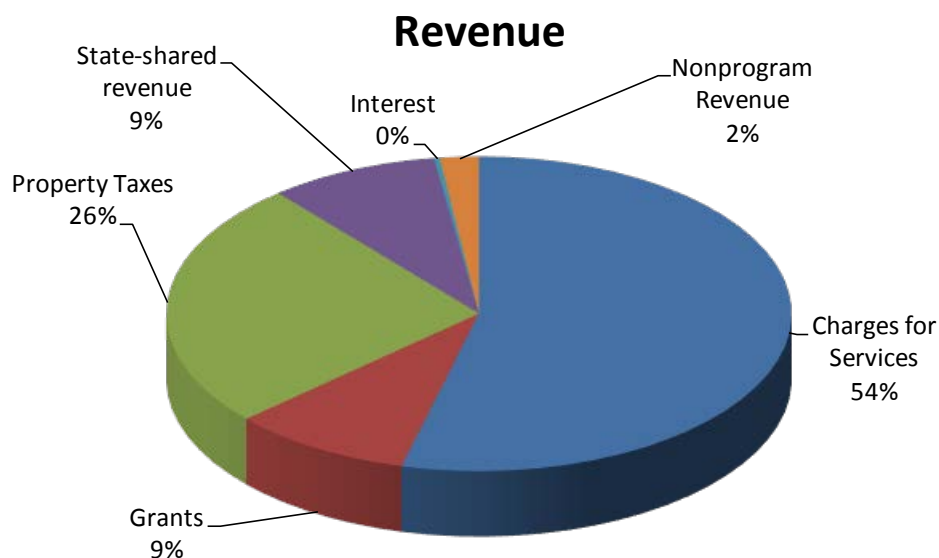
	Governmental Activities			Business-type Activities			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
<b>Revenue</b>									
Program revenue:									
Charges for services	\$ 9,728	\$ 9,937	\$ 4,452	\$ 14,481	\$ 13,250	\$ 12,796	\$ 24,209	\$ 23,187	\$ 17,248
Operating grants and contributions	2,502	3,484	2,399	683	425	-	3,185	3,909	2,399
Capital grants and contributions	1,012	488	22	-	-	66	1,012	488	88
General revenue:									
Property taxes	11,463	11,541	11,364	-	-	-	11,463	11,541	11,364
State-shared revenue	3,947	3,280	3,300	-	-	-	3,947	3,280	3,300
Interest	70	67	57	55	70	82	125	137	139
Other nonprogram revenue	907	886	532	-	1	-	907	887	532
Transfers and other revenue	(1,010)	(1,000)	(219)	1,010	1,000	812	-	-	593
Total revenue	28,619	28,683	21,907	16,229	14,746	13,756	44,848	43,429	35,663
<b>Program Expenses</b>									
General government	7,978	5,552	4,223	-	-	-	7,978	5,552	4,223
Public safety	12,192	14,435	10,769	-	-	-	12,192	14,435	10,769
Public works	3,514	5,735	6,727	-	-	-	3,514	5,735	6,727
Community and economic development	199	528	-	-	-	-	199	528	-
Recreation and culture	1,733	2,005	1,741	-	-	-	1,733	2,005	1,741
Interest on long-term debt	97	153	159	-	-	-	97	153	159
Water and sewer	-	-	-	15,868	14,265	11,735	15,868	14,265	11,735
Garbage and rubbish collection	-	-	-	1,859	1,991	1,777	1,859	1,991	1,777
Total program expenses	25,713	28,408	23,619	17,727	16,256	13,512	43,440	44,664	37,131
<b>Change in Net Position</b>	<u>\$ 2,906</u>	<u>\$ 275</u>	<u>\$ (1,712)</u>	<u>\$(1,498)</u>	<u>\$(1,510)</u>	<u>\$ 244</u>	<u>\$ 1,408</u>	<u>\$(1,235)</u>	<u>\$(1,468)</u>

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

The City's governmental activities saw an increase in net position in the current year of \$2.9 million. This increase was largely due to general government expenditures coming in below budget related to open positions and retirement costs. Annual expenses for business-type activity exceeded revenue by \$1.5 million, resulting in a decrease in net position to \$42.2 million. The following graphs illustrate the primary sources of revenue and expenses for the total primary government of the City for the year ended June 30, 2017:





# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

Of the City's total revenue generated for fiscal year 2017, property tax comprises the largest segment, \$11.5 million. Property tax revenue was flat over the prior year, which is consistent with the increase in property taxable values of 0.3 percent. State-shared revenue is another primary source of revenue for the City, of which we received \$3.9 million; this is no change from the prior year. Of the governmental charges for service revenue of \$9.7 million, \$6.2 is from SMORSA (+\$0.2), \$1.8 million is associated with court fines and fees (-\$0.3), and \$0.8 million for building department activity (no change). Of the governmental grants and contributions revenue of \$3.5 million, the majority is associated with the governmental activity related to road system improvements in the amount of \$2.3 million.

The majority of governmental expense is associated with the public safety function, which is \$12.2 million, or 47.4 percent of governmental activities. Public safety includes police, fire, and building inspection services. Public works expenses were \$3.5 million, or 13.7 percent, which includes road improvements. Recreation and cultural expenses totaled \$1.7 million, or 6.7 percent, which is related to park maintenance and library operations. General government expenses totaled \$8.0 million, or 31.0 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 Great Lakes Water Authority, to residents and businesses. Of the City's charges for water and sewer service revenue, the majority is generated from charges passed on to residents, which is \$12.7 million. Charges for service are offset by water and sewer expenses of \$15.9 million.

The City also provides garbage collection services to residents and businesses. Of the City's charges for this 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 \$1.9 million. After capital contributions, the business-type activities experienced a decrease in net position of \$1.5 million.

### **Capital Asset and Debt Administration**

At the end of 2017, the City of Eastpointe, Michigan had \$83.4 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 \$73.8 million for fiscal year 2017 (see Note 5 for additional information).

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).

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

### Fund Financial Statements

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 16 and 18 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.
- **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's Funds

An analysis of the City's major funds follows the government-wide financial statements. The City's fund financial statements begin on page 15 and provide detailed information on the most significant funds. 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 2017 include the General Fund, the Major Streets Fund, and the Local Streets Fund.

The General Fund accounts for most of the City's governmental services, with the largest expenditure being public safety. Support for these activities comes from property taxes and a contractual arrangement with SMORSA.

# **City of Eastpointe, Michigan**

## **Management's Discussion and Analysis (Continued)**

The Major Streets Fund and Local Streets Fund are supported by state-shared gas and weight taxes. State funding of approximately \$1.9 million and \$0.6 million was reported in 2017 for the Major Streets Fund and Local Streets Fund, respectively.

Extensive road improvements, totaling \$12.5 million over the last five years, have both funds nearing zero fund balance levels. Major improvements are being scaled back until alternate funding sources can be obtained.

### **General Fund Budgetary Highlights**

Actual operations revenue came in \$0.2 million higher than the amended budget. Actual operations expenditures came in \$1.4 million below budget. Expenditures were under budget due to lower pension costs and to hiring and retention issues for filling personnel vacancies, mainly in police and fire. In addition, the purchase of a fire rescue vehicle was delayed due to specs not being finalized in time. The fund balance for city operations increased by \$2.0 million, which was \$1.7 million higher than budget. The fund balance for city operations was increased from \$9.2 million a year ago to \$11.2 million at June 30, 2017.

### **Economic Factors and Next Year's Budgets and Rates**

The City of Eastpointe, Michigan's budget for next year reflects a slight increase in the City's taxable value of approximately \$10.6 million, or 2.4 percent. State constitutional restrictions prevent the ability for recovery solely on existing tax collections, as the City's tax increase was restricted to a 2.1 percent rate. This will produce an increase in tax collections for the City's general operations of \$0.4 million.

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 timeframe for necessary structural changes. During the window, the City negotiated multiple rounds of employee concessions, including pension and retiree healthcare reforms, migrating from property tax revenue to a user fee for rubbish services, and implementing a street lighting special assessment, which relieved expenditures from the General Fund.

In February 2015, the biggest structural change was accomplished through a vote of the people. 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 was effective July 1, 2015 and provided the City with \$6.0 million for fiscal year 2016 and \$6.2 million for fiscal year 2017 through a contractual arrangement. This eliminated the City's General Fund funding shortfall and provide a small cushion for future years.

The City's pension system is 51 percent funded based on an actuarial valuation performed as of December 31, 2016, with required actuarial determined contributions made by the City on an annual basis.

# **City of Eastpointe, Michigan**

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## **Management's Discussion and Analysis (Continued)**

The City purchases its water service and disposal and treatment of sewage from the Great Lakes Water Authority. 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. While the Water and Sewer Fund has strong retained earnings, extensive system improvements, totaling \$29.7 million over the last five years, have drained our liquid assets. Major improvements are being scaled back until alternate funding sources can be obtained. 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's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the resources it receives. If you have any 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, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 2,922,637	\$ 54,285	\$ 2,976,922	\$ 202,556
Investments (Note 3)	6,347,751	1,012,957	7,360,708	-
Receivables:				
Property taxes	63,930	-	63,930	-
Accounts receivable	346,718	3,395,675	3,742,393	-
Other receivables	233,036	-	233,036	-
Due from other governmental units	2,010,552	628,257	2,638,809	-
Special assessments	169,984	-	169,984	-
Internal balances	3,708,793	(3,708,793)	-	-
Prepaid expenses	5,877	4,700	10,577	-
Restricted assets (Note 6)	183,786	19,978	203,764	-
Investment in joint ventures (Note 16)	433,372	4,309,561	4,742,933	-
Net OPEB asset (Note 12)	113,442	8,780	122,222	-
Capital assets (Note 5):				
Assets not subject to depreciation	1,227,255	-	1,227,255	-
Assets subject to depreciation	27,034,272	55,125,604	82,159,876	-
Assets held for sale	55,361	-	55,361	-
Other assets	682,022	-	682,022	-
<b>Total assets</b>	<b>45,538,788</b>	<b>60,851,004</b>	<b>106,389,792</b>	<b>202,556</b>
<b>Deferred Outflows of Resources</b>				
Deferred charges on bond refunding	115,688	-	115,688	-
Deferred outflows related to pension (Note 10)	5,428,393	730,929	6,159,322	-
<b>Total deferred outflows of resources</b>	<b>5,544,081</b>	<b>730,929</b>	<b>6,275,010</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	912,615	1,525,251	2,437,866	12,322
Accrued liabilities and other	641,304	153,019	794,323	4,164
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	75,000	-	75,000	-
Current portion of long-term debt (Note 8)	195,000	1,025,384	1,220,384	-
Due in more than one year:				
Compensated absences (Note 8)	474,473	15,413	489,886	-
Other long-term liabilities (Note 9)	561,261	-	561,261	-
Net pension liability (Note 10)	38,404,842	5,171,174	43,576,016	-
Long-term debt - Net of current portion (Note 8)	3,911,000	11,503,431	15,414,431	-
<b>Total liabilities</b>	<b>45,175,495</b>	<b>19,393,672</b>	<b>64,569,167</b>	<b>16,486</b>
<b>Net Position</b>				
Net investment in capital assets	24,446,470	42,596,789	67,043,259	-
Restricted for:				
Roads	1,112,617	-	1,112,617	-
Debt service	1,084,007	19,978	1,103,985	-
Library	290,862	-	290,862	-
Drug law enforcement	240,577	-	240,577	-
Capital projects	367,159	-	367,159	-
Unrestricted	(21,634,318)	(428,506)	(22,062,824)	186,070
<b>Total net position</b>	<b>\$ 5,907,374</b>	<b>\$ 42,188,261</b>	<b>\$ 48,095,635</b>	<b>\$ 186,070</b>

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

# City of Eastpointe, Michigan

Functions/Programs	Expenses	Charges for Services	Program Revenue	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,977,965	\$ 2,308,360	\$ 1,000	\$ -
Public safety	12,191,454	7,163,619	160,325	-
Public works	3,513,592	-	2,319,663	1,012,379
Community and economic development	199,031	-	-	-
Recreation and culture	1,733,262	256,053	21,214	-
Interest on long-term debt	97,394	-	-	-
Total governmental activities	25,712,698	9,728,032	2,502,202	1,012,379
Business-type activities:				
Water and Sewer	15,868,069	12,740,588	682,556	-
Garbage and Rubbish Collection	1,859,287	1,740,794	-	-
Total business-type activities	17,727,356	14,481,382	682,556	-
Total primary government	<u>\$ 43,440,054</u>	<u>\$ 24,209,414</u>	<u>\$ 3,184,758</u>	<u>\$ 1,012,379</u>
Component units:				
DDA	\$ 122,939	\$ -	\$ 4,350	\$ -
Economic Development Authority	70,011	-	-	-
Total component units	<u>\$ 192,950</u>	<u>\$ -</u>	<u>\$ 4,350</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue and grants				
Investment income				
Other nonprogram revenue				
Gain on sale of fixed assets				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

## Statement of Activities Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,668,605)	\$ -	\$ (5,668,605)	\$ -
(4,867,510)	-	(4,867,510)	-
(181,550)	-	(181,550)	-
(199,031)	-	(199,031)	-
(1,455,995)	-	(1,455,995)	-
(97,394)	-	(97,394)	-
(12,470,085)	-	(12,470,085)	-
-	(2,444,925)	(2,444,925)	-
-	(118,493)	(118,493)	-
-	(2,563,418)	(2,563,418)	-
(12,470,085)	(2,563,418)	(15,033,503)	-
-	-	-	(118,589)
-	-	-	(70,011)
-	-	-	(188,600)
11,462,578	-	11,462,578	114,630
3,947,067	-	3,947,067	-
69,893	54,568	124,461	683
888,840	855	889,695	-
18,075	-	18,075	-
16,386,453	55,423	16,441,876	115,313
(1,009,554)	1,009,554	-	-
2,906,814	(1,498,441)	1,408,373	(73,287)
3,000,560	43,686,702	46,687,262	259,357
<b>\$ 5,907,374</b>	<b>\$ 42,188,261</b>	<b>\$ 48,095,635</b>	<b>\$ 186,070</b>



# City of Eastpointe, Michigan

## Governmental Funds Balance Sheet June 30, 2017

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 589,807	\$ 695,790	\$ 264,781	\$ 1,338,358	\$ 2,888,736
Investments (Note 3)	6,347,751	-	-	-	6,347,751
Receivables:					
Property taxes	63,930	-	-	-	63,930
Special assessments	-	-	-	169,984	169,984
Customer	346,718	-	-	-	346,718
Other receivables	228,861	706	-	3,469	233,036
Due from other governmental units	1,382,697	329,375	125,474	173,006	2,010,552
Due from other funds (Note 7)	3,306,000	-	-	535,000	3,841,000
Advances to other funds (Note 7)	115,000	-	-	-	115,000
Prepays	5,877	-	-	-	5,877
Restricted assets (Note 6)	-	-	-	183,786	183,786
Assets held for sale	55,361	-	-	-	55,361
Noncurrent receivable	-	-	-	508,054	508,054
<b>Total assets</b>	<b>\$ 12,442,002</b>	<b>\$ 1,025,871</b>	<b>\$ 390,255</b>	<b>\$ 2,911,657</b>	<b>\$ 16,769,785</b>
<b>Liabilities</b>					
Accounts payable	\$ 338,766	\$ 137,613	\$ 154,555	\$ 262,985	\$ 893,919
Due to other funds (Note 7)	-	-	-	66,000	66,000
Accrued liabilities and other	573,643	3,685	7,656	25,001	609,985
<b>Total liabilities</b>	<b>912,409</b>	<b>141,298</b>	<b>162,211</b>	<b>353,986</b>	<b>1,569,904</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - Property taxes	63,930	-	-	-	63,930
Unavailable revenue - Special assessments	-	-	-	111,847	111,847
Unavailable revenue - Miscellaneous	454,529	-	-	114,541	569,070
<b>Total deferred inflows of resources</b>	<b>518,459</b>	<b>-</b>	<b>-</b>	<b>226,388</b>	<b>744,847</b>
<b>Fund Balances</b>					
Nonspendable:					
Assets held for resale	55,361	-	-	-	55,361
Prepays	5,877	-	-	-	5,877
Long-term receivable	115,000	-	-	508,054	623,054
Restricted:					
Roads	-	884,573	228,044	-	1,112,617
Debt service	-	-	-	575,953	575,953
Library	-	-	-	290,862	290,862
Drug law enforcement	-	-	-	240,577	240,577
Capital projects	-	-	-	367,159	367,159
Committed:					
Pension actuarial required contribution	3,019,500	-	-	-	3,019,500
Compensated absences	549,473	-	-	-	549,473
Budget stabilization	1,813,665	-	-	-	1,813,665
Operating reserve	798,013	-	-	-	798,013
Emergency reserve	181,367	-	-	-	181,367
Additional pension contribution	97,611	-	-	-	97,611
Assigned:					
Capital projects	-	-	-	493,612	493,612
OPEB actuarial required contribution	2,466,531	-	-	-	2,466,531
Unassigned	1,908,736	-	-	(144,934)	1,763,802
<b>Total fund balances</b>	<b>11,011,134</b>	<b>884,573</b>	<b>228,044</b>	<b>2,331,283</b>	<b>14,455,034</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,442,002</b>	<b>\$ 1,025,871</b>	<b>\$ 390,255</b>	<b>\$ 2,911,657</b>	<b>\$ 16,769,785</b>

# City of Eastpointe, Michigan

## **Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017**

**Fund Balance Reported in Governmental Funds** \$ 14,455,034

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 27,428,648

Amounts on deposit with the Insurance Authority (MMRMA) and other  
noncurrent assets are not reported as fund assets 173,968

Investments in joint ventures are not financial resources and are not  
reported in the funds 433,372

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 744,847

Deferred charges on bond refundings are amortized over the related bond  
terms and are not reported in the funds 115,688

Bonds payable obligations are not due and payable in the current period  
and are not reported in the funds (4,106,000)

Long-term portion of uninsured losses is not reported in the funds (561,261)

Accrued interest is not due and payable in the current period and is not  
reported in the funds (23,317)

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 (549,473)

Other postemployment benefit asset in governmental activities is not  
reported in the funds 113,442

Net pension liability in governmental activities is not reported in the funds (37,626,749)

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 5,318,412

Internal service funds are included as part of governmental activities (9,237)

**Net Position of Governmental Activities** \$ 5,907,374

# City of Eastpointe, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 8,785,998	\$ -	\$ -	\$ 2,676,580	\$ 11,462,578
SMORSA charge for service	6,212,569	-	-	-	6,212,569
Licenses and permits	1,441,874	-	-	-	1,441,874
Federal grants	139,625	-	-	20,700	160,325
State-shared revenue and grants	3,446,502	1,926,065	648,644	50,834	6,072,045
Charges for services	370,600	-	-	1,309	371,909
Fines and forfeitures	1,849,097	-	-	55,309	1,904,406
Investment income	60,872	1,150	173	7,698	69,893
Rental income	78,000	-	-	131,409	209,409
Other:					
Special assessments	-	-	-	880,722	880,722
Local donations	1,000	-	-	-	1,000
Other miscellaneous income	323,171	1,755	3,025	64,264	392,215
<b>Total revenue</b>	<b>22,709,308</b>	<b>1,928,970</b>	<b>651,842</b>	<b>3,888,825</b>	<b>29,178,945</b>
<b>Expenditures</b>					
Current:					
General government	5,165,338	-	-	-	5,165,338
District court	-	-	-	21,696	21,696
Public safety	13,960,336	-	-	42,485	14,002,821
Public works	19,018	889,622	1,125,529	1,581,136	3,615,305
Community and economic development	84,490	-	-	114,541	199,031
Recreation and culture	644,058	-	-	928,092	1,572,150
Capital outlay	-	-	-	1,261,621	1,261,621
Debt service:					
Principal	-	-	-	145,000	145,000
Interest on long-term debt	-	-	-	79,157	79,157
<b>Total expenditures</b>	<b>19,873,240</b>	<b>889,622</b>	<b>1,125,529</b>	<b>4,173,728</b>	<b>26,062,119</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>2,836,068</b>	<b>1,039,348</b>	<b>(473,687)</b>	<b>(284,903)</b>	<b>3,116,826</b>
<b>Other Financing Sources (Uses)</b>					
Face value of debt issue (Note 8)	3,380,000	-	-	-	3,380,000
Proceeds from sale of capital assets	-	-	-	18,075	18,075
Transfers in (Note 7)	-	-	700,000	808,267	1,508,267
Transfers out (Note 7)	(808,267)	(700,000)	-	(1,009,554)	(2,517,821)
Payment to bond refunding escrow agent (Note 8)	(3,327,611)	-	-	(19,688)	(3,347,299)
<b>Total other financing (uses) sources</b>	<b>(755,878)</b>	<b>(700,000)</b>	<b>700,000</b>	<b>(202,900)</b>	<b>(958,778)</b>
<b>Net Change in Fund Balances</b>	<b>2,080,190</b>	<b>339,348</b>	<b>226,313</b>	<b>(487,803)</b>	<b>2,158,048</b>
<b>Fund Balances - Beginning of year</b>	<b>8,930,944</b>	<b>545,225</b>	<b>1,731</b>	<b>2,819,086</b>	<b>12,296,986</b>
<b>Fund Balances - End of year</b>	<b>\$ 11,011,134</b>	<b>\$ 884,573</b>	<b>\$ 228,044</b>	<b>\$ 2,331,283</b>	<b>\$ 14,455,034</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, 2017**

**Net Change in Fund Balances - Total Governmental Funds** \$ 2,158,048

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	2,476,597
Depreciation expense	(2,229,555)
Net book value of assets disposed of	(30,088)

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	432,044
---	---------

Proceeds from the issuance of debt is revenue in the governmental funds and recognized as a liability on the statement of net position	(3,380,000)
--	-------------

Repayment of bond principal and payments to bond refunding escrow agent are expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	3,492,299
--	-----------

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	13,844
---	--------

Increase 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	(16,312)
--	----------

Changes in estimated general liability and workers' compensation claims are recorded when incurred in the statement of activities	(241,614)
---	-----------

Change in investment in joint ventures is not recorded in the governmental funds	98,406
--	--------

Change in other postemployment benefit asset is recorded when incurred in the statement of activities	19,323
---	--------

Change in net pension obligation is recorded when incurred in the statement of activities	452,349
---	---------

Internal service funds are included as part of governmental activities	(338,527)
--	-----------

**Change in Net Position of Governmental Activities** \$ 2,906,814

# City of Eastpointe, Michigan

## Proprietary Funds Statement of Net Position June 30, 2017

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Garbage and Rubbish Collection Fund	Total	Internal Service Fund
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 2,990	\$ 51,295	\$ 54,285	\$ 33,901
Investments (Note 3)	-	1,012,957	1,012,957	-
Receivables:				
Customer receivables	3,113,080	282,595	3,395,675	-
Due from other governmental units	628,257	-	628,257	-
Due from other funds	-	300,000	300,000	-
Prepaid expenses	4,700	-	4,700	-
Total current assets	3,749,027	1,646,847	5,395,874	33,901
Noncurrent assets:				
Restricted assets (Note 6)	19,978	-	19,978	-
Advances to other funds (Note 7)	66,207	-	66,207	-
Investment in Southeast Macomb Sanitary District (Note 16)	6,467,694	-	6,467,694	-
Investment in South Macomb Disposal Authority (Note 16)	-	(2,158,133)	(2,158,133)	-
Net OPEB asset (Note 12)	8,780	-	8,780	-
Capital assets - Net (Note 5)	55,125,604	-	55,125,604	832,879
Total noncurrent assets	61,688,263	(2,158,133)	59,530,130	832,879
Total assets	65,437,290	(511,286)	64,926,004	866,780
<b>Deferred Outflows of Resources -</b>				
Deferred outflows related to pension (Note 10)	730,929	-	730,929	109,981
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,524,069	1,182	1,525,251	18,696
Due to other funds (Note 7)	4,075,000	-	4,075,000	-
Accrued liabilities and other	151,829	1,190	153,019	8,002
Current portion of long-term debt (Note 8)	1,025,384	-	1,025,384	-
Total current liabilities	6,776,282	2,372	6,778,654	26,698
Noncurrent liabilities:				
Advances from other funds (Note 7)	-	-	-	181,207
Compensated absences (Note 8)	15,413	-	15,413	-
Net pension liability (Note 10)	5,171,174	-	5,171,174	778,093
Long-term debt - Net of current portion (Note 8)	11,503,431	-	11,503,431	-
Total noncurrent liabilities	16,690,018	-	16,690,018	959,300
Total liabilities	23,466,300	2,372	23,468,672	985,998
<b>Net Position</b>				
Net investment in capital assets	42,596,789	-	42,596,789	832,879
Restricted for debt service	19,978	-	19,978	-
Unrestricted	85,152	(513,658)	(428,506)	(842,116)
Total net position	\$ 42,701,919	\$ (513,658)	\$ 42,188,261	\$ (9,237)

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, 2017

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Garbage and Rubbish Collection Fund	Total	Internal Service Fund
<b>Operating Revenue</b>				
Water sales	\$ 2,819,430	\$ -	\$ 2,819,430	\$ -
Sewage disposal charges	6,447,089	-	6,447,089	-
Charges for services	3,100,932	1,707,713	4,808,645	560,409
Interest and penalty charges	373,137	33,081	406,218	-
Total operating revenue	12,740,588	1,740,794	14,481,382	560,409
<b>Operating Expenses</b>				
Water purchases	1,541,592	-	1,541,592	-
Sewage treatment	6,384,106	-	6,384,106	-
Operation and maintenance	1,437,570	1,427,245	2,864,815	244,062
General and administration	4,620,591	45,455	4,666,046	531,001
Depreciation	1,877,544	-	1,877,544	123,873
Total operating expenses	15,861,403	1,472,700	17,334,103	898,936
<b>Operating (Loss) Income</b>	(3,120,815)	268,094	(2,852,721)	(338,527)
<b>Nonoperating Revenue (Expense)</b>				
Investment income	46,471	8,097	54,568	-
Income (loss) from joint venture	331,430	(386,587)	(55,157)	-
Interest expense	(338,096)	-	(338,096)	-
State grants	682,556	-	682,556	-
Other nonoperating revenue	855	-	855	-
Total nonoperating revenue (expense)	723,216	(378,490)	344,726	-
<b>Loss - Before transfers</b>	(2,397,599)	(110,396)	(2,507,995)	(338,527)
<b>Transfers from Other Funds (Note 7)</b>	1,009,554	-	1,009,554	-
<b>Change in Net Position</b>	(1,388,045)	(110,396)	(1,498,441)	(338,527)
<b>Net Position - Beginning of year</b>	44,089,964	(403,262)	43,686,702	329,290
<b>Net Position - End of year</b>	<u>\$ 42,701,919</u>	<u>\$ (513,658)</u>	<u>\$ 42,188,261</u>	<u>\$ (9,237)</u>

# City of Eastpointe, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	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	\$ 12,477,016	\$ 1,737,454	\$ 560,409
Payments to suppliers	(9,933,793)	(1,432,941)	(311,318)
Payments to employees	(1,492,338)	(44,932)	(280,688)
Other receipts	173,000	-	-
Net cash provided by (used in) operating activities	1,223,885	259,581	(31,597)
<b>Cash Flows from Noncapital Financing Activities</b>			
State grants	682,556	-	-
Short-term loans made from other funds	1,150,000	-	-
Short-term loans made to other funds	-	(300,000)	-
Scrap metal sales	855	-	-
Net cash provided by (used in) noncapital financing activities	1,833,411	(300,000)	-
<b>Cash Flows from Capital and Related Financing Activities</b>			
Repayments of loans made from other funds	-	-	(33,103)
Loans made from other funds	-	-	69,000
Purchase of capital assets	(2,888,568)	-	-
Principal and interest paid on capital debt	(1,266,639)	-	-
Repayments of loans made to other funds	33,103	-	-
Transfers from other funds (Note 7)	1,009,554	-	-
Net cash (used in) provided by capital and related financing activities	(3,112,550)	-	35,897
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	46,471	8,097	-
Purchase of investment securities	-	(7,427)	-
Net cash provided by investing activities	46,471	670	-
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(8,783)	(39,749)	4,300
<b>Cash and Cash Equivalents - Beginning of year</b>	11,773	91,044	29,601
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 2,990</u>	<u>\$ 51,295</u>	<u>\$ 33,901</u>



# City of Eastpointe, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2017

	Enterprise Funds		Governmental Activities
	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	\$ (3,120,815)	\$ 268,094	\$ (338,527)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation	1,877,544	-	123,873
Changes in assets and liabilities:			
Receivables	(90,572)	(3,340)	-
Prepaid and other assets	(36)	-	-
Accounts payable and other liabilities	(187,757)	(5,696)	(10,764)
Accrued and other liabilities	2,745,521	523	193,821
Net cash provided by (used in) operating activities	<u>\$ 1,223,885</u>	<u>\$ 259,581</u>	<u>\$ (31,597)</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2017, the Macomb Drainage District (MID) constructed and contributed drainage system improvements totaling \$1,274,118, which was funded through assigned debt.

# City of Eastpointe, Michigan

## Fiduciary Funds Statement of Net Position June 30, 2017

	Pension and Other Retirement Benefits Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 778,707	\$ 170,402
Investments (Note 3):		
Equity securities	2,848,894	-
Fixed income	2,213,481	-
Mutual funds	3,575,487	-
Total assets	9,416,569	<u>\$ 170,402</u>
<b>Liabilities</b>		
Accounts payable	365	\$ 400
Due to other governmental units	-	9,235
Cash and bond deposits	4,060	160,767
Total liabilities	4,425	<u>\$ 170,402</u>
<b>Net Position Restricted for Pension and Other Employee Benefits</b>	<u>\$ 9,412,144</u>	

# City of Eastpointe, Michigan

## Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2017

	Pension and Other Retirement Benefits Trust Funds
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 530,630
Net increase in fair value of investments	220,019
Investment-related expenses	(29,746)
Net investment income	720,903
Contributions - Employer	2,652,728
Total additions	3,373,631
<b>Deductions</b>	
Benefit payments	29,000
Transfer to MERS	250,552
Health insurance premiums	2,396,336
Administrative expenses	60
Total deductions	2,675,948
<b>Net Increase in Restricted Net Position</b>	697,683
<b>Net Position Restricted for Pension and Other Employee Benefits - Beginning of year</b>	8,714,461
<b>Net Position Restricted for Pension and Other Employee Benefits - End of year</b>	<b>\$ 9,412,144</b>

# City of Eastpointe, Michigan

## Component Units Statement of Net Position June 30, 2017

	Downtown Development Authority	Economic Development Authority	Total
<b>Assets</b> - Cash and cash equivalents (Note 3)	\$ 28,904	\$ 173,652	\$ 202,556
<b>Liabilities</b>			
Accounts payable	11,322	1,000	12,322
Accrued liabilities and other	-	4,164	4,164
Total liabilities	11,322	5,164	16,486
<b>Net Position</b> - Unrestricted	<u>\$ 17,582</u>	<u>\$ 168,488</u>	<u>\$ 186,070</u>

# City of Eastpointe, Michigan

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
<b>Downtown Development Authority</b> - Community enrichment/development and interest on long-term debt	\$ 122,939	\$ -	\$ 4,350
<b>Economic Development Authority</b> - Public development	70,011	-	-
Total governmental activities	<b>\$ 192,950</b>	<b>\$ -</b>	<b>\$ 4,350</b>
General revenue:			
Property taxes			
Interest and other investment earnings			
Total general revenue			
<b>Change in Net Position</b>			
<b>Net Position</b> - Beginning of year			
<b>Net Position</b> - End of year			

**Component Units  
Statement of Activities  
Year Ended June 30, 2017**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Downtown Development Authority</u>	<u>Economic Development Authority</u>	<u>Total</u>
\$ (118,589)	\$ -	\$ (118,589)
<u>-</u>	<u>(70,011)</u>	<u>(70,011)</u>
(118,589)	(70,011)	(188,600)
114,630	-	114,630
<u>193</u>	<u>490</u>	<u>683</u>
114,823	490	115,313
(3,766)	(69,521)	(73,287)
<u>21,348</u>	<u>238,009</u>	<u>259,357</u>
<u><b>\$ 17,582</b></u>	<u><b>\$ 168,488</b></u>	<u><b>\$ 186,070</b></u>

# City of Eastpointe, Michigan

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## Notes to Financial Statements June 30, 2017

### **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 legally 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. The component unit does not issue separate financial statements. However, the City's basic financial statements include the statement of net position and the activities of the component unit. The fund-based statements are the same as the government-wide level because there are no differences resulting from the differences resulting from the different basis of accounting. Therefore, fund-based statements are not presented.

# City of Eastpointe, Michigan

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## Notes to Financial Statements June 30, 2017

### **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. In addition, the EDC's budget is subject to approval by the City Council. The component unit does not issue separate financial statements. However, the City's basic financial statements include the statement of net position and the activities of the component unit. The fund-based statements are the same as the government-wide level because there are no differences resulting from the different basis of accounting. Therefore, fund-based statements are not presented.

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

**Jointly Governed Organizations** - Jointly governed organizations are discussed in Note 16.

#### **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.



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

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.

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.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is 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.

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

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 revenue was used. The various funds are aggregated into three broad fund types:

**Governmental funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, 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.

#### *Nonmajor Special Revenue Funds*

- The Library Fund accounts for the resources collected from a special tax levy for the specific purpose of providing a public library.
- The Drug Law Enforcement Fund accounts for the resources from seized monies and the proceeds from the sale of forfeited property.
- The Street Lighting SAD Fund accounts for the revenue accumulated to pay for the purpose of providing street lights.
- The Community Development Fund accounts for federal grant funds received from the U.S. Department of Housing and Urban Development, as a flow-through from Macomb County, for the purpose of developing a viable urban community by providing economic improvements principally for persons of low and moderate income.

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

- The Library - J Tinor Reading Fund and the Memorial Library Trust Fund account for the remainder of a one-time donation made for the advancement of reading and for general donations made for all programs of the library, respectively.

#### *Nonmajor Debt Service Funds*

- The Building Authority Debt Fund and Chapter 20 Drain Debt Fund account for the revenue accumulated to pay principal and interest on outstanding debt associated with various public improvements.

#### *Nonmajor Capital Projects Funds*

- The Capital Improvement Fund and Equipment Replacement Fund account for resources used for the purpose of obtaining and replacing capital assets other than those related to special assessments, construction, roads, and enterprise projects.
- The Building Authority Construction Fund and District Court Building Fund account for the proceeds of bonds issued and all other resources used for the specific purpose of the construction activity.
- The Brownfield Capital Project Fund accounts for the advance funding from the State of Michigan, for a specific road improvement project, and the capture of taxes to repay the advance.

**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.

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

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

- The Employees' Retirement System, Employees' Death Benefit, and Retiree Health Care Funds account for the activities of the employee benefit plans, which accumulate resources for pension and other postemployment benefit payments to qualified employees.
- The Cash and Performance Bonds, Tax Collection, and Imprest Payroll Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

#### **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.

Furthermore, 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.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

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

**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.

**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 acquisition 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.

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

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond 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.

#### **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 two items that qualify for reporting in this category. The first item is the deferred outflows of resources related to the defined benefit pension plan reported in the government-wide financial statements and the Water and Sewer Fund. The deferred outflows of resources related to the defined benefit pension plan result from four transactions: contributions to the defined benefit pension plan subsequent to December 31, 2016, the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, differences between expected and actual experience, and changes in assumptions related to economic and demographic factors. This amounts deferred for experience differences and changes in assumptions are amortized over the expected remaining service lives of all active and inactive employees who are provided with pensions. The amounts deferred resulting from the variance between actual investment earnings and assumed investment earnings will be amortized over the next four years. The second item is the deferred outflows related to the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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 one item that qualifies for reporting in this category. The deferred inflows of resources related to unavailable revenue is only reported in the governmental funds 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.

#### **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.

#### **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. Furthermore, 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).

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

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.

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 2016 tax is levied and collectible on July 1, 2016 and is recognized as revenue in the year ended June 30, 2017 when the proceeds of the levy are budgeted and available for the financing of operations.



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

The 2016 taxable valuation of the City totaled \$441 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 19.0986 mills for operating purposes, 1.8789 mills for library services, and 4.1676 mills for debt service. This resulted in \$8.3 million for operating, \$830,000 for library services, and \$1.8 million for debt service. These amounts are recognized in the respective General Fund and 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 the purpose 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.

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.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

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

**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 revenue of the Water and Sewer Fund, Garbage and Rubbish Collection Fund, and internal service funds is 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.

### Note 2 - 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, 2016			\$ (4,394,944)
Building permit revenue			329,909
Related expenses:			
Direct costs	\$	98,513	
Estimated indirect costs		679,309	777,822
			<u>(447,912)</u>
Current year shortfall			
Cumulative shortfall - June 30, 2017			<u>\$ (4,842,856)</u>

# City of Eastpointe, Michigan

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## Notes to Financial Statements June 30, 2017

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**Fund Deficits** - The City has accumulated unrestricted deficits in the Community Development Block Grant, Street Lighting SAD, Garbage and Rubbish Collection, and Internal Service Funds in the amounts of \$114,541, \$30,393, \$513,658, and \$842,116, respectively. The Community Development Block Grant, Garbage and Rubbish Collection, and Internal Service Funds are not true deficits according to the Numbered Letter 2016-1 from the State of Michigan because the current asset balance is greater than the current liability balance.

**Noncompliance with Legal or Contractual Provisions** - The City budgeted deficits in the Local Streets Fund and Street Lighting SAD Fund. This is in violation of Michigan Public Act 2 of 1968.

### Note 3 - 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.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 3 - Deposits and Investments (Continued)

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,755,109 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 two financial institutions as of June 30, 2017.

**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	\$ 124,697	0.87
U.S. government agency securities	2,076,640	0.40
Municipal bonds	3,451,037	1.15
Total	<u>\$ 5,652,374</u>	
<b>Fiduciary Funds</b> - Corporate bonds and other fixed income	<u>\$ 2,213,481</u>	1.35

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
U.S. Treasury securities	\$ 124,697	AA+	Standard & Poor's
U.S. government agency securities	2,076,640	AA+	Standard & Poor's
Municipal bonds	337,915	AAA	Standard & Poor's
Municipal bonds	543,144	AA+	Standard & Poor's
Municipal bonds	490,187	Aa1	Moody's
Municipal bonds	177,801	AA	Standard & Poor's
Municipal bonds	174,255	Aa2	Moody's
Municipal bonds	1,345,299	AA-	Standard & Poor's
Municipal bonds	151,772	A+	Standard & Poor's
Municipal bonds	125,000	A2	Moody's
Municipal bonds	105,664	A-	Standard & Poor's
Total	<u>\$ 5,652,374</u>		

**Fiduciary Funds** - Corporate bonds  
and other fixed income

\$ 2,213,481	Not rated	Standard & Poor's
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**Concentration of Credit Risk** - The City places no limit on the amount it may invest in any one issuer. As of year end, the City had no investments that exceeded 5 percent of the total portfolio.

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 (the "System") had two investments that exceeded 5 percent of the total portfolio. The System had 5.8 percent invested in iShares Barclays Aggregate Bond Fund and 6.9 percent in Putnam Floating Rate Income Fund Class A.

### Note 4 - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 4 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The City has the following recurring fair value measurements as of June 30, 2017:

#### Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Treasury securities	\$ 124,697	\$ 124,597	\$ -	\$ -
U.S. agency securities	2,076,640	2,076,640	-	-
Corporate bonds and other fixed income	2,213,481	-	2,213,481	-
Municipal bonds	3,451,037	-	3,451,037	-
Total debt securities	7,865,855	2,201,237	5,664,518	-
Equity securities:				
Mutual funds - Equity	3,575,487	3,575,487	-	-
Other equity securities	2,848,894	2,848,894	-	-
Total equity securities	6,424,381	6,424,381	-	-
Total investments by fair value level	<u>\$ 14,290,236</u>	<u>\$ 8,625,618</u>	<u>\$ 5,664,518</u>	<u>\$ -</u>

Certain debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of fixed-income mutual funds at June 30, 2017 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using matrix pricing models.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 5 - Capital Assets

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

	Balance July 1, 2016	Reclassifications	Additions	Disposals	Balance June 30, 2017
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,149,841	\$ -	\$ -	\$ -	\$ 1,149,841
Construction in progress	159,550	(159,550)	77,414	-	77,414
Subtotal	1,309,391	(159,550)	77,414	-	1,227,255
Capital assets being depreciated:					
Infrastructure:					
Roads	29,349,138	-	1,140,146	-	30,489,284
Sidewalks	7,746,914	-	639,623	(11,900)	8,374,637
Buildings and improvements	16,455,093	145,770	93,767	-	16,694,630
Machinery and equipment	8,082,017	13,780	525,647	(479,446)	8,141,998
Subtotal	61,633,162	159,550	2,399,183	(491,346)	63,700,549
Accumulated depreciation:					
Infrastructure:					
Roads	13,466,738	-	1,021,074	-	14,487,812
Sidewalks	4,628,000	-	275,752	(11,900)	4,891,852
Buildings and improvements	10,334,424	-	626,010	-	10,960,434
Machinery and equipment	6,344,945	-	430,592	(449,358)	6,326,179
Subtotal	34,774,107	-	2,353,428	(461,258)	36,666,277
Net capital assets being depreciated	26,859,055	159,550	45,755	(30,088)	27,034,272
Net capital assets	\$ 28,168,446	\$ -	\$ 123,169	\$ (30,088)	\$ 28,261,527
<b>Business-type Activities</b>					
Capital assets being depreciated:					
Utility system	\$ 74,071,487	\$ -	\$ 4,162,686	\$ -	\$ 78,234,173
Buildings and improvements	1,231,414	-	-	-	1,231,414
Machinery and equipment	469,688	-	-	(13,061)	456,627
Subtotal	75,772,589	-	4,162,686	(13,061)	79,922,214
Accumulated depreciation:					
Utility system	22,105,956	-	1,814,871	-	23,920,827
Buildings and improvements	411,719	-	46,247	-	457,966
Machinery and equipment	414,452	-	16,426	(13,061)	417,817
Subtotal	22,932,127	-	1,877,544	(13,061)	24,796,610
Net capital assets being depreciated	52,840,462	-	2,285,142	-	55,125,604
Net capital assets	\$ 52,840,462	\$ -	\$ 2,285,142	\$ -	\$ 55,125,604

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 1,579,888
Public safety	265,380
Public works	16,288
Judicial	132,200
Recreation and culture	235,799
Internal Service Fund	<u>123,873</u>

Total governmental activities	<u>\$ 2,353,428</u>
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Business-type activities - Water and sewer	<u>\$ 1,877,544</u>
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**Construction Commitments** - The City has active construction projects at year end as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
SAW grant program	\$ 437,501	\$ 10,000
Sewer rehabilitation	3,188,427	845,669
Miscellaneous major and local street repair projects	<u>2,571,083</u>	<u>23,947</u>
Total	<u>\$ 6,197,011</u>	<u>\$ 879,616</u>

### Note 6 - Restricted Assets

The City's business-type activities have \$19,978 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 \$179,305, which are restricted for construction. In addition, the City's nonmajor governmental funds have \$4,481 in funds restricted for use on an Eastpointe Brownfield Redevelopment project.



# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Water and Sewer	\$ 3,275,000
	Nonmajor governmental funds	31,000
	Total General Fund	3,306,000
Nonmajor governmental funds	Water and Sewer	500,000
	Nonmajor governmental funds	35,000
	Total nonmajor governmental funds	535,000
Garbage and Rubbish Collection	Water and Sewer	300,000
	Total	<u>\$ 4,141,000</u>

Receivable Fund	Payable Fund	Amount
<b>Advances from/to Other Funds</b>		
General Fund	Internal Service Fund	\$ 115,000
Water and Sewer Fund	Internal Service Fund	66,207
	Total	<u>\$ 181,207</u>

Fund Transferred From	Fund Transferred To	Amount
<b>Transfers to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	\$ 808,267
Major Streets Fund	Local Streets Fund	700,000
Nonmajor governmental funds	Water and Sewer	1,009,554
	Total	<u>\$ 2,517,821</u>

Interfund balances, as due from/to other funds, represent routine and temporary cash flow assistance from funds until amounts are transferred to finance daily activity.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund balances, as advances from/to other funds, represent long-term assistance from funds with a predetermined plan of repayment. The advance from the General Fund to the Internal Service Fund represents long-term cash flow assistance with repayment over a predetermined amount of time. The advance from the Water and Sewer Fund to the Internal Service Fund represents a transfer of assets with repayment determined over a predetermined period of time.

All transfers provided funding for capital projects, capital acquisitions, and debt service other than the transfer from the nonmajor governmental funds to the Water and Sewer Fund, which represents the transfer of property tax revenue restricted for debt service expense incurred by the Water and Sewer Fund.

### 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.

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:							
2007 Building Authority							
Amount of issue: \$4,500,000	4.25% -						
Maturing through 2018	4.375%	\$155,000	\$ 3,525,000	\$ -	\$ (3,370,000)	\$ 155,000	\$ 155,000
Unamortized premium on issuance			24,746	-	(24,746)	-	-
2016 Refunding bonds:							
Amount of issue: \$3,380,000		\$40,000 -					
Maturing through 2032	2.776%	\$280,000	-	3,380,000	-	3,380,000	40,000
MDEQ Brownfield Redevelopment Loan:							
Amount of issue: \$625,000		\$54,000 -					
Maturing through 2028	1.50%	\$66,770	571,000	-	-	571,000	-
Total bonds payable			4,120,746	3,380,000	(3,394,746)	4,106,000	195,000
Accumulated compensated absences -							
General Fund obligations			533,161	638,884	(622,572)	549,473	75,000
Uninsured losses (Note 9)			404,510	315,437	(158,686)	561,261	-
Total governmental activities			\$ 5,058,417	\$ 4,334,321	\$ (4,176,004)	\$ 5,216,734	\$ 270,000

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
County drain contract obligations:							
Special assessment bonds:							
08/03/10 2010 Drain Refunding (Series 2001A):							
Loan amount - \$1,530,846	3.00% -	\$52,496 -					
Maturing through 2030	4.25%	\$93,412	\$ 1,005,144	\$ -	\$ (54,040)	\$ 951,104	\$ 56,356
08/03/10 2010 Drain Refunding (Series 2002A):							
Loan amount - \$833,179	3.00% -	\$31,006 -					
Maturing through 2030	4.25%	\$52,794	572,354	-	(31,844)	540,510	32,682
12/19/13 Drain Refunding (06/01/04 Series A and B):							
Maximum loan amount - \$978,890	4.00% -	\$35,840 -					
Maturing through 2030	5.00%	\$70,560	732,480	-	(36,960)	695,520	39,200
State Revolving Loan Funds - Special Assessments:							
12/20/00 Lake St. Clair Clean Water 5186-01:							
Maximum loan amount - \$2,762,640		\$145,733 -					
Maturing through 2023	2.50%	\$173,810	1,128,428	-	(149,075)	979,353	153,087
Unamortized premium on issuance			31,360	-	(2,240)	29,120	2,240
12/20/01 Lake St. Clair Clean Water 5186-02:							
Maximum loan amount - \$2,001,338		\$105,696 -					
Maturing through 2023	2.50%	\$125,514	816,942	-	(107,898)	709,044	110,834
12/20/01 Lake St. Clair Clean Water 5186-03:							
Loan amount - \$387,640		\$20,552 -					
Maturing through 2023	2.50%	\$24,222	157,810	-	(20,552)	137,258	21,286
03/28/02 Lake St. Clair Clean Water 5186-04:							
Loan amount - \$3,647,845		\$190,617 -					
Maturing through 2023	2.50%	\$230,055	1,488,785	-	(197,190)	1,291,595	200,476
06/26/03 Lake St. Clair Clean Water 5186-05:							
Loan amount - \$202,947		\$10,410 -					
Maturing through 2024	2.50%	\$12,492	93,690	-	(10,410)	83,280	11,451
10/01/08 8 1/2 Mile Relief Drain 5306-01 SRF:							
Loan amount - \$2,186,970		\$97,802 -					
Maturing through 2030	2.50%	\$135,837	1,638,019	-	(100,519)	1,537,500	103,236
01/22/10 8 1/2 Mile Relief Drain 5393-01							
(Phase 2 - ARRA funding):							
Loan amount - \$677,325		\$29,884 -					
Maturing through 2031	2.50%	\$42,696	534,373	-	(29,884)	504,489	29,884
04/01/11 8 1/2 Mile Relief Drain 5460-01							
(Utilities drainage):							
Loan amount - \$227,384		\$10,867 -					
Maturing through 2031	2.50%	\$16,300	184,735	-	(10,867)	173,868	10,867
09/17/14 8 1/2 Mile Relief Drain 5579-01							
(Utilities drainage):							
Loan amount - \$241,789		\$8,150 -					
Maturing through 2035	2.50%	\$16,300	177,919	28,610	(10,867)	195,662	10,867
04/11/16 8 1/2 Mile Relief Drain 5605-01							
(Utilities drainage):							
Maximum loan amount - \$1,708,825							
Balance drawn - \$136,259		\$67,918 -					
Maturing through 2037	2.50%	\$105,953	136,259	1,245,508	-	1,381,767	67,918
Revenue bonds:							
2013 Clean Water Revolving Fund:							
Amount of issue - \$4,020,000		\$170,000 -	-	-	-	-	-
Maturing through 2033	2.50%	\$250,000	3,488,745	-	(170,000)	3,318,745	175,000
Total bonds payable			12,187,043	1,274,118	(932,346)	12,528,815	1,025,384
Accumulated compensated absences - Water and sewer obligations							
			12,407	18,672	(15,666)	15,413	-
Total business-type activities			\$ 12,199,450	\$ 1,292,790	\$ (948,012)	\$ 12,544,228	\$ 1,025,384

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

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

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). There is also a \$400,594 variance between the business-type principal payments below and the outstanding long-term debt recorded. This is related to undrawn debt on various loans. Total long-term debt recorded reflects actual amounts outstanding, and the payment schedule below assumes the loans have been completely drawn:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 195,000	\$ 93,266	\$ 288,266	\$ 1,023,144	\$ 345,032	\$ 1,368,176
2019	266,770	89,935	356,705	1,043,942	319,279	1,363,221
2020	263,396	92,688	356,084	1,078,698	289,402	1,368,100
2021	274,272	85,983	360,255	1,098,615	261,411	1,360,026
2022	275,161	79,126	354,287	1,132,492	229,499	1,361,991
2023-2027	1,484,617	287,373	1,771,990	3,785,590	761,484	4,547,074
2028-2032	1,346,784	95,433	1,442,217	2,936,311	266,588	3,202,899
2033-2037	-	-	-	801,497	30,314	831,811
Total	\$ 4,106,000	\$ 823,804	\$ 4,929,804	\$ 12,900,289	\$ 2,503,009	\$ 15,403,298

**Advance Refunding** - During the year, the City issued \$3,380,000 in general obligation bonds with an average interest rate of 2.776 percent. The proceeds of these bonds were used to advance refund \$3,225,000 of outstanding building authority bonds with an average interest rate of 4.313 percent. The net proceeds of \$3,347,299 (after payment of \$52,389 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. The advance refunding reduced total debt service payments over the next 16 years by \$373,249, which represents an economic gain of \$248,589.

**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, 2017, the City had only drawn down \$3,973,745 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 \$46,255.

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

**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 \$10,943,587. During the current year, total property taxes levied to fund debt obligations of the City were \$1,830,358. Total principal and interest paid by the City for county-issued debt totaled \$1,009,418.

### **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.

### Note 9 - Risk Management (Continued)

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

	General Liability, Auto, and Property	
	2017	2016
Estimated liability - Beginning of year	\$ 404,510	\$ 672,168
Estimated claims incurred, including changes in estimates	315,437	(93,478)
Claim payments	(158,686)	(174,180)
Estimated liability - End of year	<u>\$ 561,261</u>	<u>\$ 404,510</u>

### Note 10 - Agent Defined Benefit Pension Plan Description

**Plan Description** - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers all eligible full-time employees of the City. MERS 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. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Benefits Provided** - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all eligible full-time employees of the City.

Retirement benefits for general employees (hired prior to January 1, 1998) are calculated as 2.8 percent (for service before December 31, 2012) and 1.0 percent (for service after December 31, 2012) of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a fixed amount and range from \$4,000 to \$10,000. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

### **Note 10 - Agent Defined Benefit Pension Plan Description (Continued)**

Retirement benefits for general employees (hired between January 1, 1998 and January 1, 2013) are calculated as 2.8 percent (for service before December 31, 2012) and 1.0 percent (for service after December 31, 2012) of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 57 with 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a fixed amount and range from \$4,000 to \$10,000. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for general employees (hired after January 1, 1998) are calculated as 1.0 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 57 with 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a fixed amount and range from \$4,000 to \$10,000. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for police employees (with 25 years of service at June 30, 2014) are calculated as 2.8 percent (for first 25 years of service) and 1.0 percent (for years of service after 25 years) of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 55 with early retirement at 50 with 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a fixed amount and range from \$4,000 to \$10,000. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for police employees (with less than 25 years of service at June 30, 2014) are calculated as 1.8 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 55 with early retirement at 50 with 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a fixed amount and range from \$4,000 to \$10,000. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

### **Note 10 - Agent Defined Benefit Pension Plan Description (Continued)**

Retirement benefits for police employees (hired after July 1, 2012) are calculated as 1.0 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 55 with early retirement at 50 with 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a fixed amount and range from \$4,000 to \$10,000. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for fire employees (with 20 years of service at June 30, 2014) are calculated as 2.8 percent (for first 25 years of service) and 1.0 percent (for years of service after 25 years) of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 55 with early retirement at 50 with 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a fixed amount and range from \$4,000 to \$10,000. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for fire employees (with less than 20 years of service at June 30, 2014) are calculated as 2.0 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 55 with early retirement at 50 with 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a fixed amount and range from \$4,000 to \$10,000. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for fire employees (hired after July 1, 2011) are calculated as 1.0 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 55 with early retirement at 50 with 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a fixed amount and range from \$4,000 to \$10,000. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.



### Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Benefit terms do not provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees' benefit terms may be subject to binding arbitration in certain circumstances.

**Employees Covered by Benefit Terms** - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	210
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	<u>104</u>
Total employees covered by MERS	<u>327</u>

**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, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. 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. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2017, the average active employee contribution rate ranged from 0 to 5 percent of annual pay and the City's annual contribution was \$3,341,277.

### Net Pension Liability

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2015</b>	<b>\$ 79,885,732</b>	<b>\$ 39,110,069</b>	<b>\$ 40,775,663</b>
Service cost	643,037	-	643,037
Interest	6,164,757	-	6,164,757
Differences between expected and actual experience	3,367,456	-	3,367,456
Changes in assumptions	4,320	-	4,320
Contributions - Employer	-	3,079,778	(3,079,778)
Contributions - Employee	-	104,348	(104,348)
Net investment income	-	4,279,664	(4,279,664)
Benefit payments, including refunds	(6,295,557)	(6,295,557)	-
Administrative expenses	-	(84,573)	84,573
Net changes	3,884,013	1,083,660	2,800,353
<b>Balance at December 31, 2016</b>	<b>\$ 83,769,745</b>	<b>\$ 40,193,729</b>	<b>\$ 43,576,016</b>

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

For the year ended June 30, 2017, the City recognized pension expense of \$5,804,888. At December 31, 2016, 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	\$ 2,314,467	\$ -
Changes in assumptions	1,686,825	-
Net difference between projected and actual earnings on pension plan investments	227,533	-
Employer contributions to the plan subsequent to the measurement date	1,930,497	-
Total	<u>\$ 6,159,322</u>	<u>\$ -</u>

### Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that the employer contributions subsequent to the measurement date will reduce the net pension liability and therefore will not be included in future pension expense):

<u>Years Ending June 30</u>	<u>Amount</u>
2018	\$ 1,988,050
2019	1,918,554
2020	577,959
2021	(255,738)

**Actuarial Assumptions** - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %	
Base salary increases	3.75 %	The pay increase assumption used in the actuarial valuation projects annual pay increases of 3.75 percent in the long term, including inflation
Investment rate of return	7.75 %	Net of pension plan investment expense, including inflation

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the mortality rates were based on the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

### Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

#### Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a model 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.00 %
Global fixed income	20 %	2.18 %
Real assets	12 %	4.23 %
Diversifying strategies	10 %	6.56 %

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

**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 8.0 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 (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the City	\$ 52,157,108	\$ 43,576,016	\$ 36,285,793

### **Note 10 - Agent Defined Benefit Pension Plan Description (Continued)**

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position at December 31, 2016 is available in the separately issued financial report found at [www.mersofmich.com](http://www.mersofmich.com). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions 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 11 - 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 \$3,863,593, resulting in an employer contribution of \$260,810 and employee contributions of \$149,117.

### **Note 12 - 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, 2016, the date of the most recent actuarial valuation, the plan had 261 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.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 12 - Other Postemployment Benefits (Continued)

**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, 2017, the City has estimated the cost of providing retiree healthcare benefits through the postretirement healthcare plan through actuarial valuations as of July 1, 2016. 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)	\$ 2,634,835
Interest on the prior year's net OPEB obligation	(8,130)
Less adjustment to the annual required contribution	<u>5,422</u>
Annual OPEB cost	2,632,127
Amounts contributed - Payments of current premiums and advance funding	<u>(2,652,728)</u>
Decrease in net OPEB obligation	(20,601)
OPEB asset - Beginning of year	<u>(101,621)</u>
OPEB asset - End of year	<u><u>\$ (122,222)</u></u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB (obligation) asset 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) Asset
6/30/15	\$ 2,868,636	117.0 %	\$ (108,999)
6/30/16	2,855,642	107.0	101,621
6/30/17	2,632,127	100.8	122,222

### Note 12 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
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
7/1/16	7,361,111	35,865,768	28,504,657	20.5	4,250,532	670.6

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year 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.

In the July 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, grading down to 4 percent over the next eight 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, 2016 was 30 years.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 13 - OPEB Plan

**Plan Administration** - The City of Eastpointe, Michigan administers the City of Eastpointe, Michigan Retiree Health Care Plan, a single-employer defined benefit OPEB plan, that is used to provide postemployment benefits other than pensions (OPEB) for police, fire, and general employee groups of the City. The obligation to contribute and maintain the plan was established by negotiation with the City's collective bargaining units.

Management of the plan is vested with the City Council, which consists of five elected members.

**Plan Membership** - At June 30, 2017, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	280
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	87
	<hr/>
Total	371

**Benefits Provided** - The OPEB plan provides medical, dental, and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan.

**Contributions** - The OPEB plan's funding policy is that the employer will make discretionary contributions. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves. For the year ended June 30, 2017, the City contributed \$2,652,728. Plan members are not required to contribute to the plan.

### OPEB Plan Investments

**Investment Policy** - The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. It is the policy of the City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The 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 asset allocation policy as of June 30, 2017:



# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 13 - OPEB Plan (Continued)

Asset Class	Target Allocation (%)
U.S. aggregate bonds	30.00 %
U.S. mid cap	20.00 %
U.S. small cap	20.00 %
U.S. large cap	15.00 %
Euro area large cap	5.00 %
Cash or cash equivalents	10.00 %

**Concentrations** - At June 30, 2017, the plan held approximately 5.8 percent of its investment portfolio in IShares Barclays Aggregate Bond Fund and 6.9 percent in Putnam Floating Rate Income Fund Class A.

**Rate of Return** - For the year ended June 30, 2017, the annual money weighted rate of return on plan investments, net of investment expense, was 8.63 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Net OPEB Liability

The City reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the City will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the City has been measured as of June 30, 2017 and is composed of the following:

Total OPEB liability	\$ 47,902,529
Plan fiduciary net position	<u>(8,244,392)</u>
Net OPEB liability	<u>\$ 39,658,137</u>
Plan fiduciary net position as a percentage of the total OPEB liability	17 %

#### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 %	
Healthcare cost trend rate	8.00 %	Graded down to 5 percent in 2024
Salary increases	3.75 %	Average, including inflation
Investment rate of return	6.00 %	Net of OPEB plan investment expense, including inflation

### Note 13 - OPEB Plan (Continued)

Mortality rates were based on on a 50 percent male - 50 percent female blend of three tables: the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables.

The long-term expected rate of return on OPEB 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 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, 2017 for each major asset class included in the target asset allocation are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
U.S aggregate bonds	0.81 %
U.S. mid cap	5.78 %
U.S. small cap	6.42 %
U.S. large cap	5.07 %
Euro area large cap	6.75 %
Cash or cash equivalents	- %

**Discount Rate** - The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates.

### Projected Cash Flows

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

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 13 - OPEB Plan (Continued)

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the net OPEB liability, calculated using the discount rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.0 percent) or 1 percentage point higher (7.0 percent) than the current rate:

	1 Percent Decrease (5.0%)	Current Discount Rate (6.0%)	1 Percent Increase (7.0%)
Net OPEB liability	\$ 46,471,000	\$ 39,658,137	\$ 34,114,203

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 8.0 percent, decreasing to 5.0 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (7.0 percent, decreasing to 4.0 percent) or 1 percentage point higher (9.0 percent, decreasing to 6.0 percent) than the current rate:

	1 Percent Decrease (7.0% decreasing to 4.0%)	Current Healthcare Cost Trend Rate (8.0% decreasing to 5.0%)	1 Percent Increase (9.0% decreasing to 6.0%)
Net OPEB liability	\$ 33,858,588	\$ 39,658,137	\$ 46,816,921

### Note 14 - Employees' Death Benefits Plan

**Plan Administration** - The City of Eastpointe, Michigan administers the Employees' Death Benefit Plan, which 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. 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.

Management of the plan is vested with the City Council, which consists of five elected members.

### Note 14 - Employees' Death Benefits Plan (Continued)

**Plan Membership** - At June 30, 2017, Employees' Death Benefit Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	147
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	87
Total	238

**Benefits Provided** - The death benefits plan provides death benefits for survivors of participating employees. Benefits at date of death are payable to designated beneficiaries in varying amounts.

**Contributions** - The plan's funding policy is that the employer will make discretionary contributions. There are no long-term contracts for contributions to 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, 2017.

#### Employees' Death Benefit Plan Investments

**Investment Policy** - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. It is the policy of the City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The 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 asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation (%)
U.S. aggregate bonds	30.00 %
U.S. mid cap	20.00 %
U.S. small cap	20.00 %
U.S large cap	15.00 %
Euro area large cap	5.00 %
Cash or cash equivalents	10.00 %

**Rate of Return** - For the year ended June 30, 2017, the annual money weighted rate of return on plan investments, net of investment expense, was 9.52 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 14 - Employees' Death Benefits Plan (Continued)

#### Net Death Benefit Asset

The City reports death benefit expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the City will adopt GASB Statement No. 75, which will require the measurement of death benefit expense as it is earned, rather than as it is funded. The net death benefit asset of the City has been measured as of June 30, 2017 and is composed of the following:

Total death benefit liability	\$ 524,962
Plan fiduciary net position	<u>(1,162,483)</u>
Net death benefit asset	<u>\$ (637,521)</u>
Plan fiduciary net position as a percentage of the total death benefit liability	221 %

#### Actuarial Assumptions

The total death benefit liability was determined by an actuarial valuation as of June 30, 2017. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 %	
Salary increases	3.75 %	Average, including inflation
Investment rate of return	6.00 %	Net of death benefit plan investment expense, including inflation

Mortality rates were based on on a 50 percent male - 50 percent female blend of three tables: the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables.

The long-term expected rate of return on death benefit 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 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, 2017 for each major asset class included in the target asset allocation are summarized in the following table:

### Note 14 - Employees' Death Benefits Plan (Continued)

Asset Class	Long-term Expected Real Rate of Return
U.S. aggregate bonds	0.81 %
U.S. mid cap	5.78 %
U.S. small cap	6.42 %
U.S. large cap	5.07 %
Euro area large cap	6.75 %
Cash or cash equivalents	- %

**Discount Rate** - The discount rate used to measure the total death benefit liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates.

#### Projected Cash Flows

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

**Sensitivity of the Net Death Benefit Asset to Changes in the Discount Rate** - The following presents the net death benefit asset, calculated using the discount rate of 6.0 percent, as well as what the net death benefit asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.0 percent) or 1 percentage point higher (7.0 percent) than the current rate:

	1 Percent Decrease (5.0%)	Current Discount Rate (6.0%)	1 Percent Increase (7.0%)
Net death benefit asset	\$ 556,513	\$ 637,521	\$ 702,796

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2017

### Note 15 - 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	\$ 5,295	\$ 18,546	\$ 754,866	\$ 778,707
Investments:				
Equity securities	-	159,353	2,776,283	2,935,636
Bonds	-	-	2,003,061	2,003,061
Mutual funds	-	984,584	2,714,581	3,699,165
Total assets	5,295	1,162,483	8,248,791	9,416,569
<b>Liabilities</b> - Accounts payable	26	-	4,399	4,425
<b>Net Position</b> - Held in trust for pension and other employee benefits	\$ 5,269	\$ 1,162,483	\$ 8,244,392	\$ 9,412,144

	Employees' Retirement System	Employees' Death Benefit	Retiree Health Care	Total
<b>Additions</b>				
Investment income (loss):				
Interest and dividends	\$ 1,111	\$ -	\$ 529,519	\$ 530,630
Net adjustment to fair value of investments	1,482	102,326	116,211	220,019
Less investment expenses	(10,903)	-	(18,843)	(29,746)
Net investment (loss) income	(8,310)	102,326	626,887	720,903
Employer contributions	-	-	2,652,728	2,652,728
Employee contributions	-	-	-	-
Total additions	(8,310)	102,326	3,279,615	3,373,631
<b>Deductions</b>				
Benefit payments	-	29,000	-	29,000
Transfer to MERS	250,552	-	-	250,552
Administrative expenses	60	-	-	60
Health insurance premiums	-	-	2,396,336	2,396,336
Total deductions	250,612	29,000	2,396,336	2,675,948
<b>Change in Net Position</b>	(258,922)	73,326	883,279	697,683
<b>Net Position</b> - Beginning of year	264,191	1,089,157	7,361,113	8,714,461
<b>Net Position</b> - End of year	\$ 5,269	\$ 1,162,483	\$ 8,244,392	\$ 9,412,144

# City of Eastpointe, Michigan

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## Notes to Financial Statements June 30, 2017

### Note 16 - 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, which then approves the annual budgets. The City's equity interest of \$6,467,694 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.

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, which then approves the annual budgets. The City's equity interest in the Authority's operating reserve of \$129,233 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 \$2,287,366, 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.

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 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, which then approves the annual budgets. The City's equity interest in SERESA of \$443,372 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.



# City of Eastpointe, Michigan

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## Notes to Financial Statements June 30, 2017

### **Note 16 - 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, Michigan. The City appoints two members to the joint venture's governing board, which 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 RARE 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.

The City is a department member of the South Macomb Oakland Regional Services Authority (SMORSA), which is a joint collaborative public financing organization founded under Public Act 57 of 1988, to provide emergency services. The other department member is the City of Hazel Park, Michigan. The primary role of the authority is to contract back to the respective department cities fire and rescue services that are provided by existing city management and adopted City Council budgets and policies. The funding for the authority is based upon a 14 mill tax levy that will be assessed for 20 years expiring in 2034. The City has no explicit and measurable equity interest in the joint venture.

Complete financial statements for the South Macomb Oakland Regional Services Authority can be obtained from the administrative offices at 23200 Gratiot Avenue, Eastpointe, Michigan 48021. 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 17 - Tax Abatements**

The City receives reduced property tax revenue as a result of Brownfield Redevelopment Agreements granted by the Macomb County Brownfield Redevelopment Authority. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2017, the City's property tax revenue was reduced by \$58,465 under these programs.

There are no significant abatements made by the City.

### Note 18 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2019-2020 fiscal year.

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2017-2018 fiscal year.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2017-2018 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, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 8,539,941	\$ 8,704,672	\$ 8,785,998	\$ 81,326
SMORSA charge for service	5,974,706	6,159,000	6,212,569	53,569
Licenses and permits	1,242,000	1,325,000	1,441,874	116,874
Federal grants	-	9,500	139,625	130,125
State-shared revenue and grants	3,410,200	3,483,131	3,446,502	(36,629)
Charges for services	353,000	545,000	370,600	(174,400)
Fines and forfeitures	2,385,724	1,875,724	1,849,097	(26,627)
Investment income	12,000	47,000	60,646	13,646
Rental income	78,000	78,000	78,000	-
Other	32,500	89,278	83,539	(5,739)
<b>Total revenue</b>	<b>22,028,071</b>	<b>22,316,305</b>	<b>22,468,450</b>	<b>152,145</b>
<b>Expenditures - Current</b>				
General government:				
City Council	49,218	49,218	42,629	6,589
City manager	647,107	663,582	643,202	20,380
Finance	677,652	700,200	659,056	41,144
Assessing	287,502	287,502	265,417	22,085
City clerk and elections	330,184	336,584	296,017	40,567
Law	315,000	405,000	373,064	31,936
General operating	1,290,902	1,348,102	1,375,384	(27,282)
Judicial	1,500,273	1,510,044	1,401,906	108,138
<b>Total general government</b>	<b>5,097,838</b>	<b>5,300,232</b>	<b>5,056,675</b>	<b>243,557</b>
Public safety:				
Police	8,903,571	8,938,966	8,324,314	614,652
Fire	4,671,452	4,827,052	4,490,376	336,676
Building inspections and code enforcement	1,102,880	1,202,880	1,145,646	57,234
<b>Total public safety</b>	<b>14,677,903</b>	<b>14,968,898</b>	<b>13,960,336</b>	<b>1,008,562</b>
Public works	54,108	54,108	19,018	35,090
Recreation and culture	663,143	684,140	644,058	40,082
<b>Total expenditures</b>	<b>20,492,992</b>	<b>21,007,378</b>	<b>19,680,087</b>	<b>1,327,291</b>
<b>Excess of Revenue Over Expenditures</b>	<b>1,535,079</b>	<b>1,308,927</b>	<b>2,788,363</b>	<b>1,479,436</b>
<b>Other Financing Sources (Uses)</b>				
Face value of debt issue	-	-	3,380,000	3,380,000
Transfers out	(897,000)	(1,007,950)	(808,267)	199,683
Payment to bond refunding escrow agent	-	-	(3,327,611)	(3,327,611)
<b>Total other financing uses</b>	<b>(897,000)</b>	<b>(1,007,950)</b>	<b>(755,878)</b>	<b>252,072</b>
<b>Net Change in Fund Balance</b>	<b>638,079</b>	<b>300,977</b>	<b>2,032,485</b>	<b>1,731,508</b>
<b>Fund Balance - Beginning of year</b>	<b>9,152,240</b>	<b>9,152,240</b>	<b>9,152,240</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 9,790,319</b>	<b>\$ 9,453,217</b>	<b>\$ 11,184,725</b>	<b>\$ 1,731,508</b>

# City of Eastpointe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 1,563,100	\$ 1,682,282	\$ 1,926,065	\$ 243,783
Investment income	1,500	1,500	1,150	(350)
Other revenue	-	2,000	1,755	(245)
Total revenue	1,564,600	1,685,782	1,928,970	243,188
<b>Expenditures - Current - Public works</b>	670,022	1,038,522	889,622	148,900
<b>Excess of Revenue Over Expenditures</b>	894,578	647,260	1,039,348	392,088
<b>Other Financing Uses - Transfers out</b>	(700,000)	(700,000)	(700,000)	-
<b>Net Change in Fund Balance</b>	194,578	(52,740)	339,348	392,088
<b>Fund Balance - Beginning of year</b>	545,225	545,225	545,225	-
<b>Fund Balance - End of year</b>	<u>\$ 739,803</u>	<u>\$ 492,485</u>	<u>\$ 884,573</u>	<u>\$ 392,088</u>

# City of Eastpointe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 545,700	\$ 564,100	\$ 648,644	\$ 84,544
Investment income	500	500	173	(327)
Other revenue	-	3,000	3,025	25
Total revenue	546,200	567,600	651,842	84,242
<b>Expenditures</b> - Current - Public works	1,601,120	1,366,120	1,125,529	240,591
<b>Other Financing Sources</b> - Transfers in	700,000	700,000	700,000	-
<b>Net Change in Fund Balance</b>	(354,920)	(98,520)	226,313	324,833
<b>Fund Balance</b> - Beginning of year	1,731	1,731	1,731	-
<b>Fund Balance</b> - End of year	<u>\$ (353,189)</u>	<u>\$ (96,789)</u>	<u>\$ 228,044</u>	<u>\$ 324,833</u>

# City of Eastpointe, Michigan

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## **Note to Required Supplemental Information Year Ended June 30, 2017**

**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, 2017 has not been calculated. During the current year, the budget was amended in a legally permissible manner, other than the deficits budgeted in the Local Streets Fund and Street Lighting SAD Fund. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund and special revenue funds is presented in the required and other supplemental information. 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, 2017

Reconciliations of the budgetary comparison schedules to the fund-based statement of revenue, expenditures, and changes in fund balances 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	\$ 22,709,308	\$ 19,873,240	\$ 755,878	\$ 2,080,190
Tax Reversion Fund budgeted separate from the General Fund	(240,747)	(190,653)	-	(50,094)
Other funds budgeted separate from the General Fund	<u>(111)</u>	<u>(2,500)</u>	<u>-</u>	<u>(2,389)</u>
Amounts per budget statement	<u>\$ 22,468,450</u>	<u>\$ 19,680,087</u>	<u>\$ 755,878</u>	<u>\$ 2,032,485</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 - General operating	\$ 1,348,102	\$ 1,375,384	\$ (27,282)
Payment to bond refunding escrow agent	<u>-</u>	<u>3,327,611</u>	<u>(3,327,611)</u>
Total General Fund	<u>\$ 1,348,102</u>	<u>\$ 4,702,995</u>	<u>\$ (3,354,893)</u>
Library - J Tinor Reading - Recreation and culture	<u>\$ 701</u>	<u>\$ 705</u>	<u>\$ (4)</u>
Building Authority - Payment to bond refunding escrow agent	<u>\$ -</u>	<u>\$ 19,688</u>	<u>\$ (19,688)</u>
Chapter 20 Drain Debt - Transfers out	<u>\$ -</u>	<u>\$ 1,009,554</u>	<u>\$ (1,009,554)</u>

The General Fund had an unfavorable variance in the general operating activity as a result of higher than anticipated costs. The General Fund had an unfavorable variance for other financing uses as a result of not amending the budget for the issuance of debt. The Library - J Tinor Reading Fund had an unfavorable variance for recreation and culture as a result of higher than anticipated costs.



# City of Eastpointe, Michigan

## Required Supplemental Information

### Retirement System Schedule of Changes in the City's Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2016	2015	2014	2013*	2012*	2011*	2010*	2009*	2007*	2007*
<b>Total Pension Liability</b>										
Service cost	\$ 643,037	\$ 978,943	\$ 686,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	6,164,757	8,654,072	5,678,262	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	3,367,456	-	367,337	-	-	-	-	-	-	-
Changes in assumptions	4,320	3,367,892	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(6,295,557)	(9,485,939)	(6,209,213)	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>3,884,013</b>	<b>3,514,968</b>	<b>522,740</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Pension Liability - Beginning of year</b>	<b>79,885,732</b>	<b>76,370,764</b>	<b>75,848,024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 83,769,745</b>	<b>\$ 79,885,732</b>	<b>\$ 76,370,764</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 3,079,778	\$ 4,449,143	\$ 2,762,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	104,348	167,260	218,791	-	-	-	-	-	-	-
Net investment income	4,279,664	(779,337)	6,345,355	-	-	-	-	-	-	-
Administrative expenses	(84,573)	(81,803)	(254,963)	-	-	-	-	-	-	-
Benefit payments, including refunds	(6,295,557)	(9,485,939)	(6,209,213)	-	-	-	-	-	-	-
Miscellaneous	-	1,233	-	-	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,083,660</b>	<b>(5,729,443)</b>	<b>2,862,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>39,110,069</b>	<b>44,839,512</b>	<b>41,976,950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 40,193,729</b>	<b>\$ 39,110,069</b>	<b>\$ 44,839,512</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>City's Net Pension Liability</b>	<b>\$ 43,576,016</b>	<b>\$ 40,775,663</b>	<b>\$ 31,531,252</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>47.98 %</b>	<b>48.96 %</b>	<b>58.71 %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>
<b>Covered Employee Payroll</b>	<b>\$ 7,006,112</b>	<b>\$ 6,903,087</b>	<b>\$ 6,602,528</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>622.0 %</b>	<b>590.7 %</b>	<b>477.6 %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>

\* 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 Retirement System Schedule of City Contributions Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 3,341,277	\$ 3,443,007	\$ 2,778,642	\$ 2,981,382	\$ 2,746,017	\$ 2,695,079	\$ 2,724,753	\$ 2,071,959	\$ 1,786,080	\$ 1,686,748
Contributions in relation to the actuarially determined contribution	3,341,277	3,443,007	2,778,642	2,981,382	2,746,017	2,695,079	2,724,753	2,071,959	1,786,080	1,686,748
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 6,903,087	\$ 6,453,723	\$ 6,453,723	\$ 6,602,528	\$ 6,817,694	\$ 7,633,276	\$ 8,694,192	\$ 9,095,795	\$ 10,218,230	\$ 10,294,149
Contributions as a percentage of covered employee payroll	48.4 %	53.3 %	43.1 %	45.2 %	40.3 %	35.3 %	31.3 %	22.8 %	17.5 %	16.4 %

# City of Eastpointe, Michigan

## Required Supplemental Information Retiree Healthcare System Schedule of Funding Progress and Employer Contributions Year Ended June 30, 2017

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
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
7/1/16	7,361,111	35,865,768	28,504,657	20.5	4,250,532	670.6

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/12	\$ 2,839,370	109.9 %
6/30/13	3,101,027	111.8
6/30/14	3,101,027	110.8
6/30/15	2,852,737	117.6
6/30/16	2,852,737	107.5
6/30/17	2,634,835	100.7

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of July 1, 2016, the latest actuarial valuation, is as follows:

Valuation date	July 1, 2016
Actuarial cost method	Individual entry age
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4%
Cost-of-living adjustments	None
Valuation healthcare cost trend rate	8 percent, grading down to 4 percent over eight years

# City of Eastpointe, Michigan

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## **Required Supplemental Information OPEB Plan Schedule of Investment Returns Last Ten Fiscal Years**

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	8.6 %

# City of Eastpointe, Michigan

## Required Supplemental Information OPEB Plan Schedule of Changes in the City's Net OPEB Liability and Related Ratios Last Ten Fiscal Years (Schedule is built prospectively upon implementation of GASB Statement No. 74)

	2017
<b>Total OPEB Liability</b>	
Service cost	\$ 407,493
Interest	2,615,983
Changes in benefit terms	-
Differences between expected and actual experience	399,232
Changes in assumptions	2,043,946
Benefit payments, including refunds	(2,396,336)
<b>Net Change in Total OPEB Liability</b>	3,070,318
<b>Total OPEB Liability - Beginning of year</b>	44,832,211
<b>Total OPEB Liability - End of year</b>	<b>\$ 47,902,529</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 2,652,728
Contributions - Active and inactive plan members not yet receiving benefits	-
Net investment income	645,730
Administrative expenses	(18,843)
Benefit payments, including refunds	(2,396,336)
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	883,279
<b>Plan Fiduciary Net Position - Beginning of year</b>	7,361,113
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 8,244,392</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 39,658,137</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	17.21 %
<b>Covered Employee Payroll</b>	\$ 5,164,079
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	768.0 %

# City of Eastpointe, Michigan

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 2,634,835	\$ 2,852,737	\$ 2,852,737	\$ 3,101,027	\$ 3,101,027	\$ 2,839,370	\$ 2,839,370	\$ 3,115,938	\$ 3,227,616	\$ 2,817,313
Contributions in relation to the actuarially determined contribution	2,652,728	3,066,262	3,356,213	3,435,241	3,468,430	3,121,143	2,740,301	2,577,569	2,477,770	2,817,313
Contribution (excess) deficiency	<u>\$ (17,893)</u>	<u>\$ (213,525)</u>	<u>\$ (503,476)</u>	<u>\$ (334,214)</u>	<u>\$ (367,403)</u>	<u>\$ (281,773)</u>	<u>\$ 99,069</u>	<u>\$ 538,369</u>	<u>\$ 749,846</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,164,079	\$ 4,250,532	\$ 6,088,182	\$ 6,088,182	\$ 7,633,276	\$ 7,633,276	\$ 9,095,795	\$ 9,095,795	\$ 9,733,198	\$ 9,733,198
Contributions as a percentage of covered employee payroll	51.4 %	72.1 %	55.1 %	56.4 %	45.4 %	40.9 %	30.1 %	28.3 %	25.5 %	28.9 %

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date                      Actuarially determined contribution rates are calculated as of July 1, 2016, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	3.5 percent
Healthcare cost trend rates	8.0 percent, graded down to 4.0 percent over eight years
Salary increases	4.0 percent
Investment rate of return	7.5 percent, net of expenses
Retirement age	50-65 years of age
Mortality	RP-2000 Combined Healthy Mortality Table projected to 2014
Other information	None

# City of Eastpointe, Michigan

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## **Required Supplemental Information Employees' Death Benefit Plan Schedule of Investment Returns Last Ten Fiscal Years**

(Schedule is built prospectively upon implementation of GASB Statement No. 74)

2017

Annual money-weighted rate of return, net of investment expense

9.5 %

# City of Eastpointe, Michigan

## Required Supplemental Information Employees' Death Benefit Plan Schedule of Changes in the City's Net Death Benefit Asset and Related Ratios Last Ten Fiscal Years

(Schedule is built prospectively upon implementation of GASB Statement No. 74)

	2017
<b>Total Death Benefit Liability</b>	
Service cost	\$ 4,724
Interest	29,422
Changes in benefit terms	-
Differences between expected and actual experience	18,399
Changes in assumptions	-
Benefit payments, including refunds	<u>(29,000)</u>
<b>Net Change in Total Death Benefit Liability</b>	23,545
<b>Total Death Benefit Liability - Beginning of year</b>	<u>501,417</u>
<b>Total Death Benefit Liability - End of year</b>	<b><u>\$ 524,962</u></b>
<b>Plan Fiduciary Net Position</b>	
Net investment income	\$ 102,326
Benefit payments, including refunds	<u>(29,000)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	73,326
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>1,089,157</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 1,162,483</u></b>
<b>Net Death Benefit Asset - Ending</b>	<b><u>\$ (637,521)</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Death Benefit Liability</b>	221.44 %
<b>Covered Employee Payroll</b>	\$ 5,164,079
<b>Net Death Benefit Asset as a Percentage of Covered Employee Payroll</b>	(12.3)%



# City of Eastpointe, Michigan

## Required Supplemental Information Employees' Death Benefit Plan Schedule of City Contributions Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 6,903,087	\$ 6,453,723	\$ 6,453,723	\$ 6,602,528	\$ 6,817,594	\$ 7,633,276	\$ 8,694,192	\$ 9,095,795	\$10,218,230	\$10,294,149
Contributions as a percentage of covered employee payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date                      Actuarially determined contribution rates are calculated at least once every five years, in accordance with plan documents.  
The latest actuarial valuation, associated with the contribution amounts above, was performed as of November 1, 2012.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age
Amortization method	Level dollar
Remaining amortization period	25 years
Asset valuation method	Market value
Inflation	3.5 percent
Healthcare cost trend rates	Not applicable
Salary increases	Not applicable
Investment rate of return	5.0 percent
Retirement age	50-65 years of age
Mortality	RP-2000 Mortality Table set forward three years for males and one year for females
Other information	None

## **Other Financial and Supplemental Information**

# City of Eastpointe, Michigan

	Nonmajor Special Revenue Funds						Total Nonmajor Special Revenue Funds
	Library	Drug Law Enforcement	Community Development Block Grant	Street Lighting SAD	Library - J Tinor Reading	Memorial Library Trust Fund	
<b>Assets</b>							
Cash and cash equivalents	\$ 329,392	\$ 240,577	\$ -	\$ 607	\$ -	\$ 9,444	\$ 580,020
Receivables:							
Special assessments	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Due from other governmental units	-	-	114,541	-	-	-	114,541
Due from other funds	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-
Noncurrent receivable	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 329,392</b>	<b>\$ 240,577</b>	<b>\$ 114,541</b>	<b>\$ 607</b>	<b>\$ -</b>	<b>\$ 9,444</b>	<b>\$ 694,561</b>
<b>Liabilities</b>							
Accounts payable	\$ 22,973	\$ -	\$ 114,541	\$ -	\$ -	\$ -	\$ 137,514
Due to other funds	-	-	-	31,000	-	-	31,000
Accrued liabilities and other	25,001	-	-	-	-	-	25,001
<b>Total liabilities</b>	<b>47,974</b>	<b>-</b>	<b>114,541</b>	<b>31,000</b>	<b>-</b>	<b>-</b>	<b>193,515</b>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - Special assessments	-	-	-	-	-	-	-
Unavailable revenue - Miscellaneous	-	-	114,541	-	-	-	114,541
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>114,541</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,541</b>
<b>Fund Balances</b>							
Nonspendable - Long-term receivable	-	-	-	-	-	-	-
Restricted:							
Debt service	-	-	-	-	-	-	-
Library	281,418	-	-	-	-	9,444	290,862
Drug law enforcement	-	240,577	-	-	-	-	240,577
Capital projects	-	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	(114,541)	(30,393)	-	-	(144,934)
<b>Total fund balances</b>	<b>281,418</b>	<b>240,577</b>	<b>(114,541)</b>	<b>(30,393)</b>	<b>-</b>	<b>9,444</b>	<b>386,505</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 329,392</b>	<b>\$ 240,577</b>	<b>\$ 114,541</b>	<b>\$ 607</b>	<b>\$ -</b>	<b>\$ 9,444</b>	<b>\$ 694,561</b>

**Other Financial and Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

Nonmajor Debt Service Funds		Nonmajor Capital Projects Funds								
Building Authority	Chapter 20 Drain Debt	Total Nonmajor Debt Service Funds	Capital Improvement	Equipment Replacement	Building Authority Construction	District Court Building	Brownfield Capital Project	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds	
\$ -	\$ 75,953	\$ 75,953	\$ 119,103	\$ 434,324	\$ -	\$ 128,958	\$ -	\$ 682,385	\$ 1,338,358	
-	-	-	169,984	-	-	-	-	169,984	169,984	
-	-	-	-	3,469	-	-	-	3,469	3,469	
-	-	-	-	-	-	-	58,465	58,465	173,006	
-	500,000	500,000	-	35,000	-	-	-	35,000	535,000	
-	-	-	-	-	179,305	-	4,481	183,786	183,786	
-	-	-	-	-	-	-	508,054	508,054	508,054	
<b>\$ -</b>	<b>\$ 575,953</b>	<b>\$ 575,953</b>	<b>\$ 289,087</b>	<b>\$ 472,793</b>	<b>\$ 179,305</b>	<b>\$ 128,958</b>	<b>\$ 571,000</b>	<b>\$ 1,641,143</b>	<b>\$ 2,911,657</b>	
\$ -	\$ -	\$ -	\$ -	\$ 121,421	\$ 4,050	\$ -	\$ -	\$ 125,471	\$ 262,985	
-	-	-	35,000	-	-	-	-	35,000	66,000	
-	-	-	-	-	-	-	-	-	25,001	
-	-	-	35,000	121,421	4,050	-	-	160,471	353,986	
-	-	-	111,847	-	-	-	-	111,847	111,847	
-	-	-	-	-	-	-	-	-	114,541	
-	-	-	111,847	-	-	-	-	111,847	226,388	
-	-	-	-	-	-	-	508,054	508,054	508,054	
-	575,953	575,953	-	-	-	-	-	-	575,953	
-	-	-	-	-	-	-	-	-	290,862	
-	-	-	-	-	-	-	-	-	240,577	
-	-	-	-	-	175,255	128,958	62,946	367,159	367,159	
-	-	-	142,240	351,372	-	-	-	493,612	493,612	
-	-	-	-	-	-	-	-	-	(144,934)	
-	575,953	575,953	142,240	351,372	175,255	128,958	571,000	1,368,825	2,331,283	
<b>\$ -</b>	<b>\$ 575,953</b>	<b>\$ 575,953</b>	<b>\$ 289,087</b>	<b>\$ 472,793</b>	<b>\$ 179,305</b>	<b>\$ 128,958</b>	<b>\$ 571,000</b>	<b>\$ 1,641,143</b>	<b>\$ 2,911,657</b>	

# City of Eastpointe, Michigan

	Nonmajor Special Revenue Funds						Total Nonmajor Special Revenue Funds
	Library	Drug Law Enforcement	Community Development Block Grant	Street Lighting SAD	Library - J Tinor Reading	Memorial Library Trust	
<b>Revenue</b>							
Property taxes	\$ 827,072	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 827,072
Federal grants	-	20,700	-	-	-	-	20,700
State-shared revenue and grants	30,420	-	-	-	-	-	30,420
Charges for services	1,309	-	-	-	-	-	1,309
Fines and forfeitures	45,335	9,974	-	-	-	-	55,309
Investment income	1,521	519	-	-	-	22	2,062
Rental income	-	-	-	-	-	-	-
Other:							
Special assessments	-	-	-	449,149	-	-	449,149
Other miscellaneous income	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>905,657</b>	<b>31,193</b>	<b>-</b>	<b>449,149</b>	<b>-</b>	<b>22</b>	<b>1,386,021</b>
<b>Expenditures</b>							
Current:							
District court	-	-	-	-	-	-	-
Public safety	-	42,485	-	-	-	-	42,485
Public works	-	-	-	497,016	-	-	497,016
Community and economic development	-	-	114,541	-	-	-	114,541
Recreation and culture	927,387	-	-	-	705	-	928,092
Capital outlay	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>927,387</b>	<b>42,485</b>	<b>114,541</b>	<b>497,016</b>	<b>705</b>	<b>-</b>	<b>1,582,134</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(21,730)</b>	<b>(11,292)</b>	<b>(114,541)</b>	<b>(47,867)</b>	<b>(705)</b>	<b>22</b>	<b>(196,113)</b>
<b>Other Financing Sources (Uses)</b>							
Proceeds from sale of capital assets	-	18,075	-	-	-	-	18,075
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>18,075</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,075</b>
<b>Net Change in Fund Balances</b>	<b>(21,730)</b>	<b>6,783</b>	<b>(114,541)</b>	<b>(47,867)</b>	<b>(705)</b>	<b>22</b>	<b>(178,038)</b>
<b>Fund Balances - Beginning of year</b>	<b>303,148</b>	<b>233,794</b>	<b>-</b>	<b>17,474</b>	<b>705</b>	<b>9,422</b>	<b>564,543</b>
<b>Fund Balances - End of year</b>	<b>\$281,418</b>	<b>\$ 240,577</b>	<b>\$ (114,541)</b>	<b>\$ (30,393)</b>	<b>\$ -</b>	<b>\$ 9,444</b>	<b>\$ 386,505</b>

**Other Financial and Supplemental Information**  
**Combining Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2017**

Nonmajor Debt Service Funds			Nonmajor Capital Projects Funds						
Building Authority	Chapter 20 Drain Debt	Total Nonmajor Debt Service Funds	Capital Improvement	Equipment Replacement	Building Authority Construction	District Court Building	Brownfield Capital Project	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ 1,849,508	\$ 1,849,508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,676,580
-	-	-	-	-	-	-	-	-	20,700
-	20,414	20,414	-	-	-	-	-	-	50,834
-	-	-	-	-	-	-	-	-	1,309
-	-	-	-	-	-	-	-	-	55,309
-	2,655	2,655	1,413	893	432	243	-	2,981	7,698
-	-	-	-	131,409	-	-	-	131,409	131,409
-	-	-	431,573	-	-	-	-	431,573	880,722
-	-	-	-	-	-	64,264	-	64,264	64,264
-	1,872,577	1,872,577	432,986	132,302	432	64,507	-	630,227	3,888,825
-	-	-	-	-	-	21,696	-	21,696	21,696
-	-	-	-	-	-	-	-	-	42,485
750	1,083,370	1,084,120	-	-	-	-	-	-	1,581,136
-	-	-	-	-	-	-	-	-	114,541
-	-	-	-	-	-	-	-	-	928,092
-	-	-	524,090	727,401	10,130	-	-	1,261,621	1,261,621
224,157	-	224,157	-	-	-	-	-	-	224,157
224,907	1,083,370	1,308,277	524,090	727,401	10,130	21,696	-	1,283,317	4,173,728
(224,907)	789,207	564,300	(91,104)	(595,099)	(9,698)	42,811	-	(653,090)	(284,903)
-	-	-	-	-	-	-	-	-	18,075
242,048	-	242,048	-	566,219	-	-	-	566,219	808,267
-	(1,009,554)	(1,009,554)	-	-	-	-	-	-	(1,009,554)
(19,688)	-	(19,688)	-	-	-	-	-	-	(19,688)
222,360	(1,009,554)	(787,194)	-	566,219	-	-	-	566,219	(202,900)
(2,547)	(220,347)	(222,894)	(91,104)	(28,880)	(9,698)	42,811	-	(86,871)	(487,803)
2,547	796,300	798,847	233,344	380,252	184,953	86,147	571,000	1,455,696	2,819,086
\$ -	\$ 575,953	\$ 575,953	\$ 142,240	\$ 351,372	\$ 175,255	\$ 128,958	\$ 571,000	\$ 1,368,825	\$ 2,331,283

# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Nonmajor Governmental Fund - Library Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Property taxes	\$ 822,827	\$ 827,072	\$ 4,245
State-shared revenue and grants	21,500	30,420	8,920
Charges for services	1,500	1,309	(191)
Fines and forfeitures	45,000	45,335	335
Investment income	1,000	1,521	521
Total revenue	891,827	905,657	13,830
<b>Expenditures</b> - Current - Recreation and culture	1,017,875	927,387	90,488
<b>Net Change in Fund Balance - Excess of Expenditures Over Revenue</b>	(126,048)	(21,730)	104,318
<b>Fund Balance</b> - Beginning of year	303,148	303,148	-
<b>Fund Balance</b> - End of year	<u>\$ 177,100</u>	<u>\$ 281,418</u>	<u>\$ 104,318</u>

# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Nonmajor Governmental Fund - Drug Law Enforcement Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Federal grants	\$ -	\$ 20,700	\$ 20,700
Fines and forfeitures	65,000	9,974	(55,026)
Investment income	500	519	19
Total revenue	65,500	31,193	(34,307)
<b>Expenditures - Current - Public safety</b>	132,000	42,485	89,515
<b>Excess of Expenditures Over Revenue</b>	(66,500)	(11,292)	55,208
<b>Other Financing Sources -</b>			
Proceeds from sale of capital assets	-	18,075	18,075
<b>Net Change in Fund Balance</b>	(66,500)	6,783	73,283
<b>Fund Balance - Beginning of year</b>	233,794	233,794	-
<b>Fund Balance - End of year</b>	<u>\$ 167,294</u>	<u>\$ 240,577</u>	<u>\$ 73,283</u>



# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Nonmajor Governmental Fund - Community Development Block Grant Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Federal grants	\$ 123,341	\$ -	\$ (123,341)
<b>Expenditures</b> - Current - Community and economic development	123,341	114,541	8,800
<b>Net Change in Fund Balance</b>	-	(114,541)	(114,541)
<b>Fund Balance</b> - Beginning of year	-	-	-
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ (114,541)</u>	<u>\$ (114,541)</u>

## City of Eastpointe, Michigan

### Other Financial and Supplemental Information Nonmajor Governmental Fund - Street Lighting SAD Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Special assessments	\$ 450,119	\$ 449,149	\$ (970)
<b>Expenditures</b> - Current - Public works	522,883	497,016	25,867
<b>Net Change in Fund Balance</b>	(72,764)	(47,867)	24,897
<b>Fund Balance</b> - Beginning of year	17,474	17,474	-
<b>Fund Balance</b> - End of year	<u>\$ (55,290)</u>	<u>\$ (30,393)</u>	<u>\$ 24,897</u>

## City of Eastpointe, Michigan

### Other Financial and Supplemental Information Nonmajor Governmental Fund - Library - J Tinor Reading Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Expenditures</b> - Current - Recreation and culture	\$ 701	\$ 705	\$ (4)
<b>Fund Balance</b> - Beginning of year	705	705	-
<b>Fund Balance</b> - End of year	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ (4)</u>

## City of Eastpointe, Michigan

### Other Financial and Supplemental Information Nonmajor Governmental Fund - Memorial Library Trust Fund Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Investment income	\$ -	\$ 22	\$ 22
<b>Fund Balance</b> - Beginning of year	9,422	9,422	-
<b>Fund Balance</b> - End of year	<u>\$ 9,422</u>	<u>\$ 9,444</u>	<u>\$ 22</u>

# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Nonmajor Governmental Fund - Building Authority Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Expenditures</b>			
Current - Public works	\$ 750	\$ 750	\$ -
Debt service	243,844	224,157	19,687
Total expenditures	244,594	224,907	19,687
<b>Excess of Expenditures Over Revenue</b>	(244,594)	(224,907)	19,687
<b>Other Financing Sources (Uses)</b>			
Transfers in	247,950	242,048	(5,902)
Payment to bond refunding escrow agent	-	(19,688)	(19,688)
Total other financing sources	247,950	222,360	(25,590)
<b>Net Change in Fund Balance</b>	3,356	(2,547)	(5,903)
<b>Fund Balance - Beginning of year</b>	2,547	2,547	-
<b>Fund Balance - End of year</b>	<u>\$ 5,903</u>	<u>\$ -</u>	<u>\$ (5,903)</u>

# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Nonmajor Governmental Fund - Chapter 20 Drain Debt Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Property taxes	\$ 1,839,269	\$ 1,849,508	\$ 10,239
State-shared revenue and grants	20,414	20,414	-
Investment income	1,000	2,655	1,655
Total revenue	1,860,683	1,872,577	11,894
<b>Expenditures</b> - Current - Public works	2,083,539	1,083,370	1,000,169
<b>Excess of Revenue (Under) Over Expenditures</b>	(222,856)	789,207	1,012,063
<b>Other Financing Uses</b> - Transfers out	-	(1,009,554)	(1,009,554)
<b>Net Change in Fund Balance</b>	(222,856)	(220,347)	2,509
<b>Fund Balance</b> - Beginning of year	796,300	796,300	-
<b>Fund Balance</b> - End of year	<u>\$ 573,444</u>	<u>\$ 575,953</u>	<u>\$ 2,509</u>

# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Nonmajor Governmental Fund - Capital Improvement Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Investment income	\$ -	\$ 1,413	\$ 1,413
Special assessments	530,000	431,573	(98,427)
Total revenue	530,000	432,986	(97,014)
<b>Expenditures - Capital outlay</b>	650,000	524,090	125,910
<b>Net Change in Fund Balance - Excess of Expenditures Over Revenue</b>	(120,000)	(91,104)	28,896
<b>Fund Balance - Beginning of year</b>	233,344	233,344	-
<b>Fund Balance - End of year</b>	<u>\$ 113,344</u>	<u>\$ 142,240</u>	<u>\$ 28,896</u>

# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Nonmajor Governmental Fund - Equipment Replacement Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Investment income	\$ -	\$ 893	\$ 893
Rental income	140,000	131,409	(8,591)
Total revenue	140,000	132,302	(7,698)
<b>Expenditures - Current - Capital outlay</b>	940,000	727,401	212,599
<b>Excess of Expenditures Over Revenue</b>	(800,000)	(595,099)	204,901
<b>Other Financing Sources - Transfers in</b>	800,000	566,219	(233,781)
<b>Net Change in Fund Balance</b>	-	(28,880)	(28,880)
<b>Fund Balance - Beginning of year</b>	380,252	380,252	-
<b>Fund Balance - End of year</b>	<u>\$ 380,252</u>	<u>\$ 351,372</u>	<u>\$ (28,880)</u>



# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Nonmajor Governmental Fund - Building Authority Construction Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Investment income	\$ 450	\$ 432	\$ (18)
<b>Expenditures</b> - Current - Capital outlay	184,952	10,130	174,822
<b>Net Change in Fund Balance</b>	(184,502)	(9,698)	174,804
<b>Fund Balance</b> - Beginning of year	184,953	184,953	-
<b>Fund Balance</b> - End of year	<u>\$ 451</u>	<u>\$ 175,255</u>	<u>\$ 174,804</u>

# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Nonmajor Governmental Fund - District Court Building Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>			
Investment income	\$ -	\$ 243	\$ 243
Other revenue	75,000	64,264	(10,736)
Total revenue	75,000	64,507	(10,493)
<b>Expenditures</b> - Current - District court	25,000	21,696	3,304
<b>Net Change in Fund Balance - Excess of Revenue Over Expenditures</b>	50,000	42,811	(7,189)
<b>Fund Balance</b> - Beginning of year	86,147	86,147	-
<b>Fund Balance</b> - End of year	<u>\$ 136,147</u>	<u>\$ 128,958</u>	<u>\$ (7,189)</u>

## City of Eastpointe, Michigan

### Other Financial and Supplemental Information Nonmajor Governmental Fund - Brownfield Capital Project Budgetary Comparison Year Ended June 30, 2017

	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Property taxes	\$ 58,466	\$ -	\$ (58,466)
<b>Expenditures</b> - Current - Debt service	58,466	-	58,466
<b>Net Change in Fund Balance</b>	-	-	-
<b>Fund Balance</b> - Beginning of year	571,000	571,000	-
<b>Fund Balance</b> - End of year	<u>\$ 571,000</u>	<u>\$ 571,000</u>	<u>\$ -</u>

# City of Eastpointe, Michigan

Pension and Other Retirement Benefits Trust Funds				
	Employees' Retirement System	Employees' Death Benefit	Retiree Health Care	Total Pension Trust Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 5,295	\$ 18,546	\$ 754,866	\$ 778,707
Investments:				
Equity securities	-	72,612	2,776,283	2,848,895
Fixed income	-	210,420	2,003,061	2,213,481
Mutual funds	-	860,905	2,714,581	3,575,486
Total assets	5,295	1,162,483	8,248,791	9,416,569
<b>Liabilities</b>				
Accounts payable	26	-	339	365
Due to other governmental units	-	-	-	-
Accrued liabilities and other	-	-	4,060	4,060
Total liabilities	26	-	4,399	4,425
<b>Net Position Restricted for Pension and Other Employee Benefits</b>	<b>\$ 5,269</b>	<b>\$ 1,162,483</b>	<b>\$ 8,244,392</b>	<b>\$ 9,412,144</b>

**Other Financial and Supplemental Information**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

Agency Funds			
Cash and Performance Bonds	Tax Collection	Imprest Payroll	Total Agency Funds
\$ 161,167	\$ 9,235	\$ -	\$ 170,402
-	-	-	-
-	-	-	-
-	-	-	-
<b>\$ 161,167</b>	<b>\$ 9,235</b>	<b>\$ -</b>	<b>\$ 170,402</b>
\$ 400	\$ -	\$ -	\$ 400
-	9,235	-	9,235
160,767	-	-	160,767
<b>\$ 161,167</b>	<b>\$ 9,235</b>	<b>\$ -</b>	<b>\$ 170,402</b>

# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Combining Statement of Changes in Fiduciary Net Position Trust Funds Year Ended June 30, 2017

	Employees' Retirement System	Employees' Death Benefit	Retiree Health Care	Total
<b>Additions</b>				
Investment income (loss):				
Interest and dividends	\$ 1,111	\$ -	\$ 529,519	\$ 530,630
Net change in fair value of investments	1,482	102,326	116,211	220,019
Investment-related expenses	(10,903)	-	(18,843)	(29,746)
Net investment (loss) income	(8,310)	102,326	626,887	720,903
Contributions - Employer	-	-	2,652,728	2,652,728
Total additions	(8,310)	102,326	3,279,615	3,373,631
<b>Deductions</b>				
Benefit payments	-	29,000	-	29,000
Transfer to MERS	250,552	-	-	250,552
Health insurance premiums	-	-	2,396,336	2,396,336
Administrative expenses	60	-	-	60
Total deductions	250,612	29,000	2,396,336	2,675,948
<b>Net (Decrease) Increase in Restricted Net Position</b>	(258,922)	73,326	883,279	697,683
<b>Net Position Restricted for Pension and Other Employee Benefits - Beginning of year</b>	264,191	1,089,157	7,361,113	8,714,461
<b>Net Position Restricted for Pension and Other Employee Benefits - End of year</b>	<u>\$ 5,269</u>	<u>\$ 1,162,483</u>	<u>\$ 8,244,392</u>	<u>\$ 9,412,144</u>

# City of Eastpointe, Michigan

## Other Financial and Supplemental Information Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2017

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017
<b><u>Cash and Performance Bonds</u></b>				
<b>Assets</b> - Cash and investments	\$ 133,122	\$ 143,159	\$ (115,114)	\$ 161,167
<b>Liabilities</b>				
Accrued and other liabilities	\$ 3,800	\$ 111,714	\$ (115,114)	\$ 400
Cash and bond deposits	129,322	143,159	(111,714)	160,767
Total liabilities	\$ 133,122	\$ 254,873	\$ (226,828)	\$ 161,167
	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017
<b><u>Tax Collection</u></b>				
<b>Assets</b> - Cash and investments	\$ 4,433	\$ 33,549,337	\$ (33,544,535)	\$ 9,235
<b>Liabilities</b> - Due to other governmental units	\$ 4,433	\$ 35,766,730	\$ (35,761,928)	\$ 9,235
	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017
<b><u>Imprest Payroll</u></b>				
<b>Assets</b> - Cash and investments	\$ 3,389	\$ 4,189,438	\$ (4,192,827)	\$ -
<b>Liabilities</b> - Accrued and other liabilities	\$ 3,389	\$ 5,255,418	\$ (5,258,807)	\$ -
	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b> - Cash and investments	\$ 140,944	\$ 37,881,934	\$ (37,852,476)	\$ 170,402
<b>Liabilities</b>				
Accrued and other liabilities	\$ 7,189	\$ 5,367,132	\$ (5,373,921)	\$ 400
Due to other governmental units	4,433	55,523,229	(55,518,427)	9,235
Cash and bond deposits	129,322	143,159	(111,714)	160,767
Total liabilities	\$ 140,944	\$ 61,033,520	\$ (61,004,062)	\$ 170,402

# City of Eastpointe, Michigan

## Statistical Information and Continuing Disclosure Contents

### STATISTICAL INFORMATION

Statistical information contained herein relates to the physical, economic, social, and political characteristics of the City. It is designed to provide a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements, notes, and supporting schedules presented in the financial section.

#### **Financial Trends**

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

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Changes in Net Position	113-114
Fund Balances of Governmental Funds	115
Changes in Fund Balances of Governmental Funds	116-117*
General Government Tax Revenue by Source	118

#### **Revenue Capacity**

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

Property Tax Levies and Collections	119*
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Assessed Taxable Values (History of Property Values)	122-123*
State Equalized Values (History of Property Values)	124-125*
Principal Property Taxpayers (Major Taxpayers)	126*

#### **Debt Capacity**

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

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#### **Demographic and Economic Information**

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

Demographic and Economic Statistics	133
Miscellaneous Demographics	134
Principal Employers (Major Employers)	135*

\* Indicates schedules included in statistical information that fulfill continuing disclosure requirements.



# City of Eastpointe, Michigan

## Statistical Information and Continuing Disclosure Contents (Continued)

### STATISTICAL INFORMATION (CONTINUED)

#### Operating Information

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

Operating Indicators by Function	136-137
Capital Asset Statistics by Function	138
Full-time Equivalent City Government Employees by Function	139

### CONTINUING DISCLOSURE 140

Continuing disclosure information contained herein complies with Rule 15c2-12, a federal regulation promulgated by the Securities and Exchange Commission, designed to improve disclosure practices in the municipal bond market. Municipal bonds issued after July 3, 1995 are subject to this mandatory requirement.

Continuing disclosure requires certain annual financial information and operating data, including audited financial statements for the preceding fiscal year. This information is generally consistent with the information contained or cross-referenced in the official statement relating to the bonds.

State-shared Revenue	141
Maximum Property Tax Rates	142

## **Statistical Information**

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# City of Eastpointe, Michigan

## Net Position by Component Last Ten Fiscal Years (Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 18,331,484	\$ 19,373,285	\$ 20,820,164	\$ 19,780,181	\$ 17,957,323	\$ 18,726,021	\$ 19,005,239	\$ 21,490,547	\$ 24,232,653	\$ 24,446,470
Restricted	11,070,632	9,364,855	8,530,229	6,346,750	5,572,154	5,083,773	7,633,404	3,710,685	2,275,995	3,095,222
Unrestricted	<u>7,397,584</u>	<u>9,407,499</u>	<u>8,736,281</u>	<u>11,128,632</u>	<u>9,730,854</u>	<u>7,113,452</u>	<u>5,778,162</u>	<u>(22,475,776)</u>	<u>(23,508,088)</u>	<u>(21,634,318)</u>
Total governmental activities - Net position	<u><b>\$ 36,799,700</b></u>	<u><b>\$ 38,145,639</b></u>	<u><b>\$ 38,086,674</b></u>	<u><b>\$ 37,255,563</b></u>	<u><b>\$ 33,260,331</b></u>	<u><b>\$ 30,923,246</b></u>	<u><b>\$ 32,416,805</b></u>	<u><b>\$ 2,725,456</b></u>	<u><b>\$ 3,000,560</b></u>	<u><b>\$ 5,907,374</b></u>
Business-type activities:										
Net investment in capital assets	\$ 16,512,418	\$ 17,458,936	\$ 19,230,110	\$ 20,268,502	\$ 21,507,552	\$ 27,478,461	\$ 29,182,282	\$ 34,857,012	\$ 40,653,418	\$ 42,596,789
Restricted	-	-	-	19,678	19,810	19,850	19,885	19,913	19,942	19,978
Unrestricted	<u>13,572,927</u>	<u>14,855,722</u>	<u>16,906,605</u>	<u>18,413,518</u>	<u>19,851,252</u>	<u>17,895,692</u>	<u>18,415,992</u>	<u>10,320,102</u>	<u>3,013,342</u>	<u>(428,506)</u>
Total business-type activities - Net position	<u><b>\$ 30,085,345</b></u>	<u><b>\$ 32,314,658</b></u>	<u><b>\$ 36,136,715</b></u>	<u><b>\$ 38,701,698</b></u>	<u><b>\$ 41,378,614</b></u>	<u><b>\$ 45,394,003</b></u>	<u><b>\$ 47,618,159</b></u>	<u><b>\$ 45,197,027</b></u>	<u><b>\$ 43,686,702</b></u>	<u><b>\$ 42,188,261</b></u>
Primary government:										
Net investment in capital assets	\$ 34,843,902	\$ 36,832,221	\$ 40,050,274	\$ 40,048,683	\$ 39,464,875	\$ 46,204,482	\$ 48,187,521	\$ 56,347,559	\$ 64,886,071	\$ 67,043,259
Restricted	11,070,632	9,364,855	8,530,229	6,366,428	5,591,964	5,103,623	7,653,289	3,730,598	2,295,937	3,115,200
Unrestricted	<u>20,970,511</u>	<u>24,263,221</u>	<u>25,642,886</u>	<u>29,542,150</u>	<u>29,582,106</u>	<u>25,009,144</u>	<u>24,194,154</u>	<u>(12,155,674)</u>	<u>(20,494,746)</u>	<u>(22,062,824)</u>
Total primary government - Net position	<u><b>\$ 66,885,045</b></u>	<u><b>\$ 70,460,297</b></u>	<u><b>\$ 74,223,389</b></u>	<u><b>\$ 75,957,261</b></u>	<u><b>\$ 74,638,945</b></u>	<u><b>\$ 76,317,249</b></u>	<u><b>\$ 80,034,964</b></u>	<u><b>\$ 47,922,483</b></u>	<u><b>\$ 46,687,262</b></u>	<u><b>\$ 48,095,635</b></u>

# City of Eastpointe, Michigan

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Expenses</b>					
Governmental activities:					
General government	\$ 6,847,276	\$ 7,919,751	\$ 7,623,861	\$ 5,442,231	\$ 8,153,823
Public safety	13,266,499	13,859,118	13,679,195	13,444,849	11,783,269
Public works	3,749,037	5,110,159	5,110,974	4,602,453	5,335,999
Community and economic development	-	-	-	171,157	154,618
Recreation and culture	2,840,781	1,851,497	1,610,987	2,256,148	2,102,179
Interest on long-term debt	280,038	190,161	185,651	179,102	173,976
Total governmental activities expenses	26,983,631	28,930,686	28,210,668	26,095,940	27,703,864
Business-type activities:					
Water and sewer	7,744,736	8,013,438	8,203,108	9,329,492	9,528,327
Garbage and rubbish collection	-	-	-	-	-
Total business-type activities	7,744,736	8,013,438	8,203,108	9,329,492	9,528,327
Total primary government expenses	<u>\$ 34,728,367</u>	<u>\$ 36,944,124</u>	<u>\$ 36,413,776</u>	<u>\$ 35,425,432</u>	<u>\$ 37,232,191</u>
<b>Program Revenue</b>					
Governmental activities:					
Charges for services:					
General government	\$ 2,701,819	\$ 2,420,012	\$ 2,659,069	\$ 2,637,057	\$ 2,798,253
Public safety	1,111,021	1,124,884	1,055,051	1,078,065	1,419,304
Public works	-	-	-	-	-
Community and economic development	-	-	-	-	-
Recreation and culture	629,507	646,594	660,130	545,907	400,239
Operating grants and contributions	2,088,012	2,207,509	2,554,128	2,449,119	2,142,427
Capital grants and contributions	496,082	183,824	213,822	278,299	408,619
Total governmental activities program revenue	7,026,441	6,582,823	7,142,200	6,988,447	7,168,842
Business-type activities - Water and sewer:					
Charges for services:					
Water and sewer	9,186,583	9,832,216	10,423,868	10,879,036	11,122,260
Garbage and rubbish collection	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	691,582	64,926	290,222	-	-
Total business-type activities program revenue	9,878,165	9,897,142	10,714,090	10,879,036	11,122,260
Total primary government program revenue	<u>\$ 16,904,606</u>	<u>\$ 16,479,965</u>	<u>\$ 17,856,290</u>	<u>\$ 17,867,483</u>	<u>\$ 18,291,102</u>
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (19,957,190)	\$ (22,347,863)	\$ (21,068,468)	\$ (19,107,493)	\$ (20,535,022)
Business-type activities	2,133,429	1,883,704	2,510,982	1,549,544	1,593,933
Total primary government net expense	<u>\$ (17,823,761)</u>	<u>\$ (20,464,159)</u>	<u>\$ (18,557,486)</u>	<u>\$ (17,557,949)</u>	<u>\$ (18,941,089)</u>
<b>General Revenue and Other Changes in Net Position</b>					
Governmental activities:					
Property taxes	\$ 19,274,791	\$ 19,387,776	\$ 18,132,791	\$ 15,263,309	\$ 13,987,310
State-shared revenue	3,729,687	3,595,015	3,197,406	3,213,719	3,048,459
Investment income	1,308,066	559,928	269,974	117,842	84,804
(Loss) gain on sale of capital assets	(64,149)	(54,629)	(2,615)	-	-
Other nonprogram revenue	363,908	377,884	425,091	585,042	405,310
Transfers	(594,813)	(172,172)	(1,013,144)	(903,530)	(986,093)
Total governmental activities expenses	24,017,490	23,693,802	21,009,503	18,276,382	16,539,790
Business-type activities:					
Investment income	237,505	168,619	295,908	109,335	92,048
Gain (loss) on sale of capital assets	2,210	-	-	2,574	4,842
Other nonprogram revenue	4,843	4,818	2,023	-	-
Transfers	594,813	172,172	1,013,144	903,530	986,093
Total business-type activities	839,371	345,609	1,311,075	1,015,439	1,082,983
Total primary government	<u>\$ 24,856,861</u>	<u>\$ 24,039,411</u>	<u>\$ 22,320,578</u>	<u>\$ 19,291,821</u>	<u>\$ 17,622,773</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 4,060,300	\$ 1,345,939	\$ (58,965)	\$ (831,111)	\$ (3,995,232)
Business-type activities	2,972,800	2,229,313	3,822,057	2,564,983	2,676,916
Total primary government	<u>\$ 7,033,100</u>	<u>\$ 3,575,252</u>	<u>\$ 3,763,092</u>	<u>\$ 1,733,872</u>	<u>\$ (1,318,316)</u>

## Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting)

Fiscal Year				
2013	2014	2015	2016	2017
\$ 5,825,908	\$ 6,354,440	\$ 4,223,289	\$ 5,551,358	\$ 7,977,965
10,396,968	9,917,812	10,768,618	14,435,389	12,191,454
6,708,364	5,296,110	6,726,880	5,734,993	3,513,592
595,960	195,000	-	528,160	199,031
1,729,975	1,694,085	1,741,330	2,005,418	1,733,262
<u>168,715</u>	<u>221,457</u>	<u>158,673</u>	<u>152,784</u>	<u>97,394</u>
25,425,890	23,678,904	23,618,790	28,408,102	25,712,698
9,538,559	10,070,734	11,735,472	14,264,533	15,868,069
<u>-</u>	<u>-</u>	<u>1,776,981</u>	<u>1,991,470</u>	<u>1,859,287</u>
9,538,559	10,070,734	13,512,453	16,256,003	17,727,356
<b><u>\$ 34,964,449</u></b>	<b><u>\$ 33,749,638</u></b>	<b><u>\$ 37,131,243</u></b>	<b><u>\$ 44,664,105</u></b>	<b><u>\$ 43,440,054</u></b>
\$ 2,694,390	\$ 3,158,318	\$ 3,039,394	\$ 2,674,865	\$ 2,308,360
958,605	820,935	842,678	7,015,109	7,163,619
1,938,326	2,219,379	334,141	-	-
-	-	-	-	-
273,729	249,975	236,219	246,978	256,053
2,169,253	2,302,747	2,399,009	2,955,819	2,502,202
<u>15,000</u>	<u>1,850,000</u>	<u>21,712</u>	<u>487,608</u>	<u>1,012,379</u>
8,049,303	10,601,354	6,873,153	13,380,379	13,242,613
12,283,293	11,217,649	11,054,530	11,508,016	12,740,588
-	-	1,741,867	1,741,559	1,740,794
-	-	-	424,914	682,556
<u>165,545</u>	<u>-</u>	<u>66,358</u>	<u>-</u>	<u>-</u>
12,448,838	11,217,649	12,862,755	13,674,489	15,163,938
<b><u>\$ 20,498,141</u></b>	<b><u>\$ 21,819,003</u></b>	<b><u>\$ 19,735,908</u></b>	<b><u>\$ 27,054,868</u></b>	<b><u>\$ 28,406,551</u></b>
\$ (17,376,587)	\$ (13,077,550)	\$ (16,745,637)	\$ (15,027,723)	\$ (12,470,085)
<u>2,910,279</u>	<u>1,146,915</u>	<u>(649,698)</u>	<u>(2,581,514)</u>	<u>(2,563,418)</u>
<b><u>\$ (14,466,308)</u></b>	<b><u>\$ (11,930,635)</u></b>	<b><u>\$ (17,395,335)</u></b>	<b><u>\$ (17,609,237)</u></b>	<b><u>\$ (15,033,503)</u></b>
\$ 12,208,420	\$ 11,502,055	\$ 11,364,098	\$ 11,541,479	\$ 11,462,578
3,144,224	3,236,459	3,299,801	3,808,921	3,947,067
45,613	38,988	57,076	67,022	69,893
-	-	-	-	18,075
635,412	775,862	1,122,521	885,471	888,840
<u>(994,167)</u>	<u>(982,255)</u>	<u>(809,130)</u>	<u>(1,000,066)</u>	<u>(1,009,554)</u>
15,039,502	14,571,109	15,034,366	15,302,827	15,376,899
110,943	92,106	81,733	69,545	54,568
-	-	-	-	-
-	2,880	2,625	1,578	855
<u>994,167</u>	<u>982,255</u>	<u>809,130</u>	<u>1,000,066</u>	<u>1,009,554</u>
1,105,110	1,077,241	893,488	1,071,189	1,064,977
<b><u>\$ 16,144,612</u></b>	<b><u>\$ 15,648,350</u></b>	<b><u>\$ 15,927,854</u></b>	<b><u>\$ 16,374,016</u></b>	<b><u>\$ 16,441,876</u></b>
\$ (2,337,085)	\$ 1,493,559	\$ (1,711,271)	\$ 275,104	\$ 2,906,814
<u>4,015,389</u>	<u>2,224,156</u>	<u>243,790</u>	<u>(1,510,325)</u>	<u>(1,498,441)</u>
<b><u>\$ 1,678,304</u></b>	<b><u>\$ 3,717,715</u></b>	<b><u>\$ (1,467,481)</u></b>	<b><u>\$ (1,235,221)</u></b>	<b><u>\$ 1,408,373</u></b>

# City of Eastpointe, Michigan

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

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 127,794	\$ 22,297	\$ 714,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,018,789	11,558,965	11,150,609	-	-	-	-	-	-	-
Nonspendable	-	-	-	924,143	502,045	538,176	857,878	793,615	99,694	176,238
Committed	-	-	-	6,237,799	9,310,312	6,636,674	6,055,126	3,385,779	6,367,624	6,459,629
Assigned	-	-	-	-	-	-	-	-	-	2,466,531
Unassigned	-	-	-	4,197,660	815,520	1,700,849	468,365	1,919,179	2,463,626	1,908,736
Total General Fund	<u>\$ 10,146,583</u>	<u>\$ 11,581,262</u>	<u>\$ 11,864,756</u>	<u>\$ 11,359,602</u>	<u>\$ 10,627,877</u>	<u>\$ 8,875,699</u>	<u>\$ 7,381,369</u>	<u>\$ 6,098,573</u>	<u>\$ 8,930,944</u>	<u>\$ 11,011,134</u>
All other governmental funds:										
Reserved	\$ 1,654,191	\$ 561,651	\$ 394,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	8,210,740	7,955,195	7,155,043	-	-	-	-	-	-	-
Debt service funds	620,142	608,997	755,267	-	-	-	-	-	-	-
Capital projects funds	684,889	938,592	665,422	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	415,655	620,816	566,519	508,054
Restricted	-	-	-	6,679,763	5,572,154	5,421,800	7,460,342	3,710,685	2,183,380	2,587,168
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	1,804,756	897,541	532,172	583,936	730,253	616,143	493,612
Unassigned	-	-	-	-	(64,192)	-	(58,566)	-	-	(144,934)
Total all other governmental funds	<u>\$ 11,169,962</u>	<u>\$ 10,064,435</u>	<u>\$ 8,970,230</u>	<u>\$ 8,484,519</u>	<u>\$ 6,405,503</u>	<u>\$ 5,953,972</u>	<u>\$ 8,401,367</u>	<u>\$ 5,061,754</u>	<u>\$ 3,366,042</u>	<u>\$ 3,443,900</u>

(1) GASB No. 54 was implemented with the fiscal year ended June 30, 2011.

# City of Eastpointe, Michigan

	2008	2009	2010	2011
<b>Revenue</b>				
Property taxes	\$ 19,274,791	\$ 19,387,776	\$ 18,132,791	\$ 15,263,309
SMORSA charge for service	-	-	-	-
Licenses and permits	752,238	712,571	784,928	983,977
Federal revenue, grants and other federal sources	26,313	164,763	200,111	184,189
State-shared revenue, grants, and other local sources	5,739,987	5,515,623	5,151,224	5,282,146
Charges for services	1,037,809	1,077,529	986,862	989,185
Fines and forfeitures	2,084,211	2,204,359	2,354,707	2,265,887
Investment income	1,305,447	558,911	270,422	118,221
Rental income	380,500	412,266	397,564	408,272
Special assessments	174,720	135,445	143,914	-
Other	671,296	268,141	455,709	665,357
<b>Total revenue</b>	<b>31,447,312</b>	<b>30,437,384</b>	<b>28,878,232</b>	<b>26,160,543</b>
<b>Expenditures</b>				
Current:				
General government	5,904,520	6,369,919	5,605,929	5,141,453
Public safety	12,804,755	12,876,504	13,495,267	13,531,276
Public works	4,147,077	5,529,672	5,066,950	4,533,491
Community and economic development	-	-	-	171,157
Recreation and culture	2,397,421	2,442,701	2,117,937	1,978,911
General expenditures	102,052			
Capital outlay	4,635,900	2,482,426	2,087,822	591,190
Debt service:				
Principal	355,000	90,000	115,000	120,000
Interest on long-term debt	255,034	191,250	186,894	181,900
<b>Total expenditures</b>	<b>30,601,759</b>	<b>29,982,472</b>	<b>28,675,799</b>	<b>26,249,378</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>845,553</b>	<b>454,912</b>	<b>202,433</b>	<b>(88,835)</b>
<b>Other Financing Sources (Uses)</b>				
Long-term financing	4,500,000	-	-	-
Proceeds from sale of fixed assets	-	-	-	1,500
Bond premium	38,071	-	-	-
Net payments to refunded bond escrow agent and bond issuance costs	(2,661,427)	-	-	-
Transfers in	10,455,653	8,720,316	8,984,949	7,851,636
Transfers out	(11,011,248)	(8,846,076)	(9,998,093)	(8,755,166)
<b>Total other financing sources (uses)</b>	<b>1,321,049</b>	<b>(125,760)</b>	<b>(1,013,144)</b>	<b>(902,030)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 2,166,602</b>	<b>\$ 329,152</b>	<b>\$ (810,711)</b>	<b>\$ (990,865)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>2.39%</b>	<b>1.09%</b>	<b>1.20%</b>	<b>1.21%</b>

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

2012	2013	2014	2015	2016	2017
\$ 13,987,310	\$ 12,208,420	\$ 11,502,055	\$ 11,364,098	\$ 11,541,479	\$ 11,462,578
-	-	-	-	6,010,192	6,212,569
978,509	1,224,857	1,278,491	1,327,939	1,389,279	1,441,874
214,739	233,431	227,607	40,936	619,998	160,325
5,010,952	5,125,012	7,133,923	5,656,949	6,046,173	6,072,045
1,064,133	2,724,321	2,374,729	491,665	424,201	371,909
2,460,868	2,199,969	2,579,935	2,590,340	2,306,109	1,904,406
83,852	45,613	38,988	57,076	67,022	69,893
360,886	234,240	211,910	191,548	197,932	209,409
36,616	61,118	500,328	472,427	499,240	880,722
219,514	281,036	348,841	641,156	442,599	393,215
24,417,379	24,338,017	26,196,807	22,834,134	29,544,224	29,178,945
5,138,181	5,374,159	5,182,914	5,018,211	5,199,152	5,187,034
13,439,890	12,374,163	12,190,546	12,097,447	13,144,047	14,002,821
5,269,335	5,448,444	5,101,510	6,685,700	5,475,403	3,615,305
154,618	595,740	195,000	-	528,160	199,031
1,734,472	1,305,276	1,641,635	1,467,078	1,688,710	1,572,150
208,731	153,183	278,707	182,720	1,023,327	1,261,621
120,000	125,000	130,000	135,000	194,000	145,000
176,800	171,594	166,175	160,544	154,700	79,157
26,242,027	25,547,559	24,886,487	25,746,700	27,407,499	26,062,119
(1,824,648)	(1,209,542)	1,310,320	(2,912,566)	2,136,725	3,116,826
-	-	625,000	-	-	3,380,000
-	-	-	-	-	18,075
-	-	-	-	-	-
-	-	-	-	-	(3,347,299)
1,906,290	925,813	989,620	547,000	2,170,141	1,508,267
(2,892,383)	(1,919,980)	(1,971,875)	(1,533,861)	(3,170,207)	(2,517,821)
(986,093)	(994,167)	(357,255)	(986,861)	(1,000,066)	(958,778)
<u>\$ (2,810,741)</u>	<u>\$ (2,203,709)</u>	<u>\$ 953,065</u>	<u>\$ (3,899,427)</u>	<u>\$ 1,136,659</u>	<u>\$ 2,158,048</u>
1.21%	1.28%	1.31%	1.39%	1.54%	0.95%



# City of Eastpointe, Michigan

## General Government Tax Revenue by Source Last Ten Fiscal Years

Fiscal Year Ended June 30	General Fund Property Taxes	Special Revenue Funds Property Taxes				Debt Service Fund Property Taxes	Total All Property Taxes
	Operating	Public Safety	Garbage and Rubbish Collection	Library	Total	Chapter 20 Drains	
2008	\$ 10,021,443	\$ 5,473,528	\$ 1,232,618	\$ 701,327	\$ 7,407,473	\$ 1,845,875	\$ 19,274,791
2009	9,976,254	5,450,449	1,456,610	698,369	7,605,428	1,806,094	19,387,776
2010	9,386,814	5,111,270	1,151,034	654,905	6,917,209	1,828,768	18,132,791
2011	7,574,560	4,165,092	1,448,689	527,405	6,141,186	1,547,563	15,263,309
2012	10,727,938	-	1,315,248	540,552	1,855,800	1,403,572	13,987,310
2013	9,205,572	-	-	933,553	933,553	2,069,295	12,208,420
2014	8,566,792	-	-	865,598	865,598	2,069,664	11,502,054
2015	8,387,876	-	-	845,774	845,774	2,107,254	11,340,904
2016	8,607,161	-	-	859,789	859,789	2,074,529	11,541,479
2017	8,785,998	-	-	827,072	827,072	1,849,508	11,462,578

# City of Eastpointe, Michigan

## Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	Total Tax Levy (1)	Collected Within the Fiscal Year of the Levy		Subsequent Collection of Delinquent Taxes	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2007	2008	\$ 18,833,756	\$ 17,001,399	90.27	\$ 1,780,048	\$ 18,781,447	99.72
2008	2009	18,955,826	17,297,137	91.25	1,577,218	18,874,355	99.57
2009	2010	17,739,315	16,136,024	90.96	1,548,584	17,684,608	99.69
2010	2011	14,963,732	13,559,932	90.62	1,360,495	14,920,427	99.71
2011	2012	13,640,894	12,229,448	89.65	1,364,557	13,594,005	99.66
2012	2013	11,858,437	10,645,998	89.78	1,166,798	11,812,796	99.62
2013	2014	11,171,226	10,010,006	89.61	1,101,199	11,111,205	99.46
2014	2015	10,994,097	9,893,535	89.99	1,075,959	10,969,494	99.78
2015	2016	11,153,434	10,032,337	89.95	1,110,922	11,143,259	99.91
2016	2017	11,063,366	10,033,977	90.70	1,005,252	11,039,229	99.78

(1) Includes operating, refuse, general debt, library, and public safety taxes,  
but does not include penalty and interest on late payment of taxes.

Source: City of Eastpointe, Michigan Treasurer's Office

# City of Eastpointe, Michigan

Fiscal Year (Tax Year)	2008 (2007)		2009 (2008)		2010 (2009)		2011 (2010)		2012 (2011)	
School district:	East Detroit	South Lake	East Detroit	South Lake	East Detroit	South Lake	East Detroit	South Lake	East Detroit	South Lake
<b>Homestead</b>										
<b>City Tax</b>										
Operating	12.1754	12.1754	12.1754	12.1754	12.1754	12.1754	12.1754	12.1754	12.1754	12.1754
Refuse	1.5580	1.5580	1.8489	1.8489	1.5580	1.5580	2.4349	2.4349	2.4349	2.4349
Library	0.8865	0.8865	0.8865	0.8865	0.8865	0.8865	0.8865	0.8865	1.0000	1.0000
Debt service	2.3331	2.3331	2.2925	2.2925	2.4753	2.4753	2.6010	2.6010	2.6010	2.6010
Public safety	6.9181	6.9181	6.9181	6.9181	6.9181	6.9181	7.0000	7.0000	7.0000	7.0000
Recreation Authority	-	-	-	-	-	-	-	-	1.0000	1.0000
S.M.O.R.S.A.	-	-	-	-	-	-	-	-	-	-
Total city tax	23.8711	23.8711	24.1214	24.1214	24.0133	24.0133	25.0978	25.0978	26.2113	26.2113
<b>County Tax</b>										
Macomb county	4.2055	4.2055	4.2055	4.2055	4.5735	4.5735	4.5735	4.5735	4.5735	4.5735
Intermediate School	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430
Community college	1.4212	1.4212	1.4212	1.4212	1.4212	1.4212	1.4212	1.4212	1.5712	1.5712
HCM Authority	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146
S.M.A.R.T.	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900
Zoo Authority	-	-	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Veterans operations	-	-	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
D.I.A.	-	-	-	-	-	-	-	-	-	-
Total county tax	9.3743	9.3743	9.5143	9.5143	9.8823	9.8823	9.8823	9.8823	10.0323	10.0323
<b>School Tax</b>										
State education tax	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000
School district tax	3.4900	8.2367	3.6000	7.7112	5.5000	7.8368	6.0000	8.8316	7.0000	10.4816
Total school tax	9.4900	14.2367	9.6000	13.7112	11.5000	13.8368	12.0000	14.8316	13.0000	16.4816
Total homestead	42.7354	47.4821	43.2357	47.3469	45.3956	47.7324	46.9801	49.8117	49.2436	52.7252
<b>Nonhomestead -</b>										
School district tax	17.8921	17.8316	17.9190	13.6604	18.0000	13.5348	18.0000	12.9380	18.0000	12.9400
Total nonhomestead	60.6275	65.3137	61.1547	61.0073	63.3956	61.2672	64.9801	62.7497	67.2436	65.6652

(1) SMORSA (South Macomb Oakland Regional Services Authority) is a joint collaborative public financing organization founded by the Cities of Eastpointe and Hazel Park, Michigan to utilize funding options that are available for emergency services, as outlined in Public Act 57 of 1988.

(2) City of Eastpointe, Michigan taxable valuation is based on 69.8 percent for East Detroit Schools and 30.2 percent for South Lake Schools for the year ended June 30, 2017.

Source: City of Eastpointe, Michigan, Assessors Office

## Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

2013 (2012)		2014 (2013)		2015 (2014)		2016 (2015)		2017 (2016)	
East Detroit	South Lake	East Detroit	South Lake	East Detroit	South Lake	East Detroit	South Lake	East Detroit	South Lake
12.1754	12.1754	12.1754	12.1754	12.1754	12.1754	19.1754	19.1754	19.0986	19.0986
-	-	-	-	-	-	-	-	-	-
2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	1.8789	1.8789
4.4348	4.4348	4.7858	4.7858	4.9829	4.9829	4.7858	4.7858	4.1676	4.1676
7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	-	-	-	-
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
-	-	-	-	-	-	14.0000	14.0000	14.0000	14.0000
26.6102	26.6102	26.9612	26.9612	27.1583	27.1583	40.9612	40.9612	40.1451	40.1451
4.5735	4.5735	4.5735	4.5735	4.5735	4.5735	4.5735	4.5735	4.5566	4.5566
2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9355	2.9355
1.5712	1.5712	1.5312	1.5312	1.5262	1.5262	1.5302	1.5302	1.4212	1.4212
0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146
0.5900	0.5900	0.5900	0.5900	1.0000	1.0000	1.0000	1.0000	0.9974	0.9974
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.0997	0.0997
0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0398	0.0398
0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.1994	0.1994
10.2323	10.2323	10.1923	10.1923	10.5973	10.5973	10.6013	10.6013	10.4642	10.4642
6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000
7.0000	10.4816	7.0000	11.5416	7.0000	11.5416	7.0000	12.0316	7.0000	6.6500
13.0000	16.4816	13.0000	17.5416	13.0000	17.5416	13.0000	18.0316	13.0000	12.6500
49.8425	53.3241	50.1535	54.6951	50.7556	55.2972	64.5625	69.5941	63.6093	63.2593
18.0000	12.9400	18.0000	12.9400	18.0000	12.9400	18.0000	12.9400	17.8992	17.7538
67.8425	66.2641	68.1535	67.6351	68.7556	68.2372	82.5625	82.5341	81.5085	81.0131

# City of Eastpointe, Michigan

	2008	2009	2010	2011
<b>Total Taxable Value (TV)</b>				
Ad valorem/Total TV	\$ 788,492,108	\$ 785,766,656	\$ 738,670,892	\$ 596,224,469
Percent increase/-decrease over prior year	4.90%	-0.38%	-5.99%	-19.28%
Per capita total SEV (I)	\$ 23,139	\$ 23,059	\$ 21,677	\$ 18,359
Total direct tax rate	\$ 23.8711	\$ 24.1214	\$ 24.0133	\$ 25.0978
<b>Total TV by Use and Class</b>				
<b>By Use:</b>				
Commercial	\$ 89,229,424	\$ 91,381,188	\$ 94,208,255	\$ 91,787,330
Industrial	7,057,854	6,822,298	6,687,567	6,448,237
Residential	659,633,860	651,770,610	601,147,350	462,048,862
Personal property	32,570,970	35,792,560	36,627,720	35,940,040
Total TV by use	<u>\$ 788,492,108</u>	<u>\$ 785,766,656</u>	<u>\$ 738,670,892</u>	<u>\$ 596,224,469</u>
<b>By Class:</b>				
Real property	\$ 755,921,138	\$ 749,974,096	\$ 702,043,172	\$ 560,284,429
Personal property	32,570,970	35,792,560	36,627,720	35,940,040
Total TV by class	<u>\$ 788,492,108</u>	<u>\$ 785,766,656</u>	<u>\$ 738,670,892</u>	<u>\$ 596,224,469</u>
<b>Percent of Total TV by Use and Class</b>				
<b>By Use:</b>				
Commercial	11.32%	21.23%	12.75%	15.39%
Industrial	0.90%	0.00%	0.91%	1.08%
Residential	83.66%	0.00%	81.38%	77.50%
Personal property	<u>4.12%</u>	<u>78.77%</u>	<u>4.96%</u>	<u>6.03%</u>
Total TV by use	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b>By Class:</b>				
Real property	95.87%	95.44%	95.04%	93.97%
Personal property	<u>4.13%</u>	<u>4.56%</u>	<u>4.96%</u>	<u>6.03%</u>
Total TV by class	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

(I) See "Demographic and Economic Statistics" for population information.

Source: City of Eastpointe, Michigan

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

2012	2013	2014	2015	2016	2017
\$ 541,503,325	\$ 464,161,114	\$ 430,424,920	\$ 421,407,727	\$ 430,614,324	\$ 441,076,820
-9.18%	-14.28%	-7.27%	-2.09%	1.84%	2.43%
\$ 16,702	\$ 14,316	\$ 13,276	\$ 12,998	\$ 13,282	\$ 15,252
\$ 26.2113	\$ 26.6102	\$ 26.9612	\$ 27.1583	\$ 40.9612	\$ 40.9612
\$ 85,428,372	\$ 78,149,519	\$ 73,337,227	\$ 82,088,587	\$ 77,323,498	\$ 78,038,230
2,288,470	1,748,210	1,711,140	2,562,277	1,772,949	1,884,000
418,354,053	348,642,995	319,492,743	312,805,583	318,596,747	322,283,500
35,432,430	35,620,390	35,883,810	23,951,280	32,921,130	38,871,090
<u>\$ 541,503,325</u>	<u>\$ 464,161,114</u>	<u>\$ 430,424,920</u>	<u>\$ 421,407,727</u>	<u>\$ 430,614,324</u>	<u>\$ 441,076,820</u>
\$ 506,070,895	\$ 428,540,724	\$ 394,541,110	\$ 388,682,257	\$ 397,693,194	\$ 402,205,730
35,432,430	35,620,390	35,883,810	32,725,470	32,921,130	38,871,090
<u>\$ 541,503,325</u>	<u>\$ 464,161,114</u>	<u>\$ 430,424,920</u>	<u>\$ 421,407,727</u>	<u>\$ 430,614,324</u>	<u>\$ 441,076,820</u>
15.78%	16.84%	17.04%	19.48%	17.96%	17.69%
0.42%	0.38%	0.40%	0.61%	0.41%	0.43%
77.26%	75.11%	74.23%	74.23%	73.98%	73.07%
<u>6.54%</u>	<u>7.67%</u>	<u>8.33%</u>	<u>5.68%</u>	<u>7.65%</u>	<u>8.81%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
93.46%	92.33%	91.66%	92.23%	92.35%	91.19%
<u>6.54%</u>	<u>7.67%</u>	<u>8.34%</u>	<u>7.77%</u>	<u>7.65%</u>	<u>8.81%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

# City of Eastpointe, Michigan

	2008	2009	2010	2011
<b>Total State Equalized Valuation (SEV)</b>				
Ad valorem/Total SEV	\$ 932,111,705	\$ 879,462,915	\$ 761,945,774	\$ 603,320,240
Percent increase (-decrease) over prior year	1.57%	-5.65%	-13.39%	-20.82%
Per capita total SEV (1)	\$ 27,353	\$ 25,808	\$ 22,360	\$ 18,608
<b>Total SEV by Use and Class</b>				
<b>By Use:</b>				
Commercial	\$ 104,494,530	\$ 104,064,560	\$ 103,120,500	\$ 97,993,307
Industrial	7,289,900	6,889,830	6,711,340	6,451,360
Residential	787,756,305	732,715,965	615,486,214	462,935,533
Personal property	32,570,970	35,792,560	36,627,720	35,940,040
Total SEV by use	<u>\$ 932,111,705</u>	<u>\$ 879,462,915</u>	<u>\$ 761,945,774</u>	<u>\$ 603,320,240</u>
<b>By Class:</b>				
Real property	\$ 899,540,735	\$ 843,670,355	\$ 725,318,054	\$ 567,380,200
Personal property	32,570,970	35,792,560	36,627,720	35,940,040
Total SEV by class	<u>\$ 932,111,705</u>	<u>\$ 879,462,915</u>	<u>\$ 761,945,774</u>	<u>\$ 603,320,240</u>
<b>Percent of Total SEV by Use and Class</b>				
<b>By Use:</b>				
Commercial	11.21%	11.83%	13.53%	16.24%
Industrial	0.78%	0.78%	0.88%	1.07%
Residential	84.51%	83.32%	80.78%	76.73%
Personal property	3.49%	4.07%	4.81%	5.96%
Total SEV by use	<u>99.99%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b>By Class:</b>				
Real property	96.51%	95.93%	95.19%	94.04%
Personal property	3.49%	4.07%	4.81%	5.96%
Total SEV by class	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

(1) See "Demographic and Economic Statistics" for population information.

Source: City of Eastpointe, Michigan

## State Equalized Values (History of Property Values) Last Ten Fiscal Years

2012	2013	2014	2015	2016	2017
\$ 543,408,526	\$ 464,710,264	\$ 431,302,661	\$ 424,654,904	\$ 450,981,281	\$ 494,514,870
-9.93%	-14.48%	-7.19%	-1.54%	6.20%	9.65%
\$ 16,760	\$ 14,333	\$ 13,303	\$ 13,098	\$ 13,910	\$ 15,252
\$ 87,063,730	\$ 78,651,880	\$ 73,909,800	\$ 77,035,890	\$ 86,552,598	\$ 87,522,030
2,288,470	1,748,210	1,711,140	1,728,960	1,858,120	2,158,030
418,623,896	348,689,784	319,797,911	313,164,584	329,649,433	365,963,720
35,432,430	35,620,390	35,883,810	32,725,470	32,921,130	38,871,090
<u>\$ 543,408,526</u>	<u>\$ 464,710,264</u>	<u>\$ 431,302,661</u>	<u>\$ 424,654,904</u>	<u>\$ 450,981,281</u>	<u>\$ 494,514,870</u>
\$ 507,976,096	\$ 429,089,874	\$ 395,418,851	\$ 391,929,434	\$ 418,060,151	\$ 455,643,780
35,432,430	35,620,390	35,883,810	32,725,470	32,921,130	38,871,090
<u>\$ 543,408,526</u>	<u>\$ 464,710,264</u>	<u>\$ 431,302,661</u>	<u>\$ 424,654,904</u>	<u>\$ 450,981,281</u>	<u>\$ 494,514,870</u>
16.02%	16.92%	17.14%	18.14%	19.19%	17.70%
0.42%	0.38%	0.40%	0.41%	0.41%	0.44%
77.04%	75.03%	74.14%	73.75%	73.10%	74.00%
6.52%	7.67%	8.32%	7.71%	7.30%	7.86%
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.01%</u>	<u>100.00%</u>	<u>100.00%</u>
93.48%	92.33%	91.68%	92.29%	92.70%	92.14%
6.52%	7.67%	8.32%	7.71%	7.30%	7.86%
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>



# City of Eastpointe, Michigan

## Principal Property Taxpayers (Major Taxpayers) Current Year and Ten Years Ago

Company Name	Product/Service	Year Ended June 30, 2017			Year Ended June 30, 2008		
		Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
Consumers Energy	Utility	\$ 11,194,050	1	2.54	\$ 2,705,494	4	0.34
DTE Electric	Utility	9,921,060	2	2.25	8,986,035	1	1.13
International Transmission Company	Utility	7,932,300	3	1.80	7,276,000	2	0.92
American Estate & Trust	Rental properties	1,754,980	4	0.40	-	-	-
East Brooke Commons LTD	Shopping center	1,522,690	5	0.35	1,853,744	5	0.23
BSREP II Simply Storage JV, LLC	Storage facility	1,425,120	6	0.32			
Merollis Enterprises Inc.	Auto dealer	1,299,240	7	0.29	1,634,131	8	0.21
Michigan First Credit Union	Financial services	1,142,790	8	0.26	-	-	-
Eastpointe Investors, LLC	Rental properties	1,138,370	9	0.26	-	-	-
MGL I, LLC	Rental properties	1,029,290	10	0.23	-	-	-
HUD	Subsidized housing	-		-	2,946,233	3	0.37
SS EZ LLC	Storage facility	-		-	1,840,660	6	0.23
Babcock Co-op	Co-op housing	-		-	1,816,090	7	0.23
SS Eastpointe LLC	Storage facility	-		-	1,611,870	9	0.20
A & D Realty Inc.	Auto dealer	-		-	1,441,390	10	0.18
	Ten largest taxpayers	38,359,890		<b>8.70</b>	32,111,647		<b>4.04</b>
	Other taxpayers	402,716,930			753,655,009		
	Total taxable value	<b>\$ 441,076,820</b>			<b>\$ 785,766,656</b>		

Source: City of Eastpointe, Michigan Assessor's Office

## City of Eastpointe, Michigan

### Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Business-type Activities	Percentage of			
	General Obligation Bonds	Brownfield Bonds	Amounts Available in Debt Service Funds	Revenue Bonds	Total Primary Government	Estimated Total Taxable Value of Property (1)	Population	Per Capita
2008	\$ 4,500,000	\$ -	\$ -	\$ -	\$ 4,500,000	0.5707	34,077	\$ 132.05
2009	4,410,000	-	-	-	4,410,000	0.5612	34,077	129.41
2010	4,295,000	-	-	-	4,295,000	0.5814	32,442	132.39
2011	4,175,000	-	-	-	4,175,000	0.7002	32,442	128.69
2012	4,055,000	-	-	-	4,055,000	0.7488	32,442	124.99
2013	3,930,000	-	-	1,245,129	5,175,129	1.1149	32,442	159.52
2014	3,800,000	-	-	3,490,951	7,290,951	1.6939	32,442	224.74
2015	3,665,000	625,000	-	3,557,117	7,847,117	1.8621	32,442	241.88
2016	3,525,000	571,000	-	3,488,745	7,584,745	1.7614	32,442	233.79
2017	3,535,000	571,000	-	3,318,745	7,424,745	1.6833	32,442	228.86

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the schedule of assessed taxable value for property value data.

# City of Eastpointe, Michigan

## Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Population	Per Capita
	General Obligation Bonds	MDEQ Brownfield Redevelopment Loan	Revenue - Revolving Loan Funds	County Issued					
				Special Assessment Bonds	State Revolving Loan Funds				
2008	\$ 4,500,000	\$ -	\$ -	\$ 3,160,029	\$ 7,214,153	\$ 14,874,182	1.61%	34,077	\$ 436.49
2009	4,410,000	-	-	3,061,812	8,153,996	15,625,808	1.70%	34,077	458.54
2010	4,295,000	-	-	2,973,566	9,243,666	16,512,232	2.42%	32,442	508.98
2011	4,175,000	-	-	2,195,496	9,209,052	15,579,548	2.28%	32,442	480.23
2012	4,055,000	-	-	2,811,134	8,364,495	15,230,629	2.23%	32,442	469.47
2013	3,930,000	-	1,245,129	1,819,248	8,239,379	15,233,756	2.23%	32,442	469.57
2014	3,800,000	-	3,490,951	2,550,270	7,246,787	17,088,008	2.50%	32,442	526.72
2015	3,665,000	625,000	3,557,117	2,429,320	6,680,234	16,956,671	2.48%	32,442	522.68
2016	3,525,000	571,000	3,488,745	2,309,978	6,356,961	16,251,684	2.38%	32,442	500.95
2017	3,535,000	571,000	3,318,745	2,187,134	6,993,816	16,605,695	2.43%	32,442	511.86

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the schedule of demographic and economic statistics for personal income data.

# City of Eastpointe, Michigan

## Direct and Overlapping Governmental Activities Debt June 30, 2017

### Direct Debt

#### General Obligation

1/30/2014	MDEQ Brownfield Redevelopment Loan	\$	571,000
11/22/2016	City Hall, 2016 Refunding		3,380,000

#### Building Authority Bonds

8/21/2007	City Hall Facility, Series 2007		155,000
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#### Revenue Bonds

9/18/2012	Water and Sewer System, Series 2012		3,318,745
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### Indirect Debt

#### Share of County-issued Drain Bonds

MID District - 2010 Drain Refunding	\$	951,104	
MID District - 2010 Drain Refunding		540,510	
MID District - 2013 Drain Refunding		695,520	2,187,134

Total direct and indirect debt outstanding 9,611,879

Less	Revenue bonds	3,318,745	
	MID District Special Assessments	2,187,134	5,505,879

Net direct and indirect debt outstanding 4,106,000

### Overlapping Debt

79.43% East Detroit School District	17,235,514
10.69% South Lake School District	2,611,033
1.73% Macomb County	5,340,385

Total overlapping debt 25,186,932

Net direct and overlapping debt **\$ 34,798,811**

Source: Municipal Advisory Council of Michigan, Detroit, Michigan

# City of Eastpointe, Michigan

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## Legal Debt Margin June 30, 2017

Valuation for debt limit:	
2016 state equalized value (2017 fiscal year)	\$ 494,514,870
Addback of assessed value equivalent - 2017 SEV of Act 198 exemptions	<u>-</u>
Total valuation for debt limit	<u><b>\$ 494,514,870</b></u>
Debt limit (10 percent of state equalized valuation and equivalent) (1)	\$ 49,451,487
Debt applicable to limit:	
Amount of total direct outstanding debt	<u>4,106,000</u>
Legal debt margin	<u><b>\$ 45,345,487</b></u>

(1) Debt limit set forth in Section 4a, Act 279 of 1909 and Act 202, P.A. 1943, as amended by Act 42, P.A. 1960

# City of Eastpointe, Michigan

## Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 93,211,171	\$ 87,946,292	\$ 76,194,577	\$ 60,332,024	\$ 54,340,853	\$ 46,471,026	\$ 43,130,266	\$ 42,465,490	\$ 45,098,128	\$ 49,451,487
Total net debt applicable to limit	(4,500,000)	(4,410,000)	(4,295,000)	(4,175,000)	(4,055,000)	(3,930,000)	(3,800,000)	(4,290,000)	(4,096,000)	(4,106,000)
Legal debt margin	<b>\$ 88,711,171</b>	<b>\$ 83,536,292</b>	<b>\$ 71,899,577</b>	<b>\$ 56,157,024</b>	<b>\$ 50,285,853</b>	<b>\$ 42,541,026</b>	<b>\$ 39,330,266</b>	<b>\$ 38,175,490</b>	<b>\$ 41,002,128</b>	<b>\$ 45,345,487</b>
Total net debt applicable to the limit as a percentage of debt limit	4.83%	5.01%	5.64%	6.92%	7.46%	8.46%	8.81%	10.10%	9.08%	8.30%

# City of Eastpointe, Michigan

## Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year Ended	Water Revenue Bonds						Coverage
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest	Total	
2008	\$ 8,951,012	\$ 6,498,057	\$ 2,452,955	\$ -	\$ -	\$ -	-
2009	9,650,941	6,498,693	3,152,248	-	-	-	-
2010	10,101,825	6,853,793	3,248,032	-	-	-	-
2011	10,885,995	7,917,616	2,968,379	-	-	-	-
2012	11,010,618	8,027,230	2,983,388	-	-	-	-
2013	10,113,003	7,892,019	2,220,984	-	-	-	-
2014	10,944,488	8,219,392	2,725,096	160,000	61,225	221,225	12.318
2015	11,054,530	10,858,880	195,650	160,000	89,520	249,520	0.784
2016	11,508,011	11,363,193	144,818	165,000	88,928	253,928	0.570
2017	12,740,558	11,263,881	1,476,677	170,000	87,084	257,084	5.744

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
Operating expenses do not include interest, depreciation, amortization expense, or GASB 68 pension adjustment.

# City of Eastpointe, Michigan

## Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year Ended June 30	Estimated Population (1)	Median Age (2)	Education Age 25 or Older (2)		Per Capita Income (2)	Income (in thousands) (4)	Number of Households (2)	Median Household Income (1)	Unemployment Rate (3)
			High School Graduate or Higher	Bachelor's Degree or Higher					
2008	34,077	37	79.3%	11.3%	\$ 27,048	\$ 921,715	13,965	\$ 60,459	8.6%
2009	34,077	37	79.3%	11.3%	27,048	921,715	13,965	60,459	8.6%
2010	34,077	37	79.3%	11.3%	27,048	921,715	13,965	60,459	8.6%
2011	32,422	36	84.1%	12.3%	21,086	683,650	13,796	45,157	6.2%
2012	32,422	36	84.1%	12.3%	21,086	683,650	13,796	45,157	6.2%
2013	32,422	36	84.1%	12.3%	21,086	683,650	13,796	45,157	6.2%
2014	32,422	36	84.1%	12.3%	21,086	683,650	13,796	45,157	6.2%
2015	32,422	36	84.1%	12.3%	21,086	683,650	13,796	45,157	6.2%
2016	32,422	36	84.1%	12.3%	21,086	683,650	13,796	45,157	6.2%
2017	32,422	36	84.1%	12.3%	21,086	683,650	13,796	45,157	6.2%

Sources:

- (1) United States Census Bureau - 2000/2010 Census and 2010 American Community Survey One Year Estimates
- (2) Southeast Michigan Council of Governments (SEMCOG) - Detailed Data
- (3) Michigan Department of Career Development, Employment Security Agency, Office of Labor Market Information
- (4) "Estimated Population" times "Per Capita Income"



# City of Eastpointe, Michigan

## Miscellaneous Demographics

### Population

2010 U.S. Census	32,442
2000 U.S. Census	34,077
1990 U.S. Census	35,283
1980 U.S. Census	38,280
1970 U.S. Census	45,920
1960 U.S. Census	45,756

### Housing Tenure

Types	2010	2000
Owner occupied	9,802	11,970
Renter occupied	2,755	1,625
Vacant:		
Seasonal/migrant	22	23
Other vacant units	1,217	347
<b>Total</b>	<b>13,796</b>	<b>13,965</b>

### Household Characteristics

Types	2010	2000
With seniors 65+	2,963	4,246
Without seniors	9,594	9,349
Two or more without children	4,567	5,188
Live alone, over 65	1,345	1,878
Live alone, under 65	2,263	2,041
With children	4,382	4,488
<b>Total households</b>	<b>12,557</b>	<b>13,595</b>

### Age Statistics

Years	2010	2000
Under 5	6.6%	6.4%
5 to 19	22.1%	20.3%
20 to 24	5.8%	5.3%
25 to 44	28.5%	32.3%
45 to 64	25.7%	19.2%
Over 64	11.3%	16.5%

### Poverty

5-Yr ACS		
	2010	2000
Persons in poverty	4,242	2,174
Percentage	12.9%	6.4%
Percentage point change	6.5	
Households in poverty	1,414	930
Percentage	10.9%	6.8%
Percentage point change	4.1	

### Labor Characteristics

By Industry:	Number of Employees
Natural resources and mining	491
Manufacturing	75
Wholesale trade, transportation, and warehousing	127
Retail trade	1,014
Knowledge-based services	857
Services to households and firms	2,920
Education and healthcare services	660
Leisure and hospitality	952
Public administration	748
<b>Total</b>	<b>7,844</b>

### Educational Characteristics

Highest Level - For population age 25 and over	2010
Graduate/Professional degree	4.4%
Bachelor's degree	7.9%
Associate degree	7.8%
Some college, no degree	29.3%
High school graduate	34.8%
Did not graduate high school	15.9%

### Income Characteristics

Household Income	Number of Households
Less than \$14,999	1,428
\$15,000 - \$29,999	2,553
\$30,000 - \$49,999	3,110
\$50,000 - \$99,999	4,582
\$100,000 - \$199,999	1,262
\$200,000 or more	28

Source: United States Census Bureau - 2000/2010 Census; SEMCOG 2005; and Michigan Department of Community Health-Vital Statistics

# City of Eastpointe, Michigan

## Principal Employers (Major Employers) Last Fiscal Year and Ten Years Ago

Company Name	Product/Service	Year Ended June 30, 2017			Year Ended June 30, 2007		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
East Detroit School District (1)	Education	321	1	4.09%	1,000	1	12.75%
City of Eastpointe, Michigan	Municipal government	225	2	2.87%	254	3	3.24%
Olive Garden	Restaurant	136	3	1.73%	-	-	-
Rite Aid	Retail drug store	75	4	0.96%	75	7	0.96%
Eastpointe Post Office	Mail delivery	70	5	0.89%	73	8	0.93%
Merollis Chevrolet	Automobile dealership	67	6	0.85%	90	6	1.15%
McCoy Services	Janitorial services	50	7	0.64%	140	4	1.78%
Eaton Academy	Education	40	8	0.51%	-	-	-
CVS	Retail drug store	36	9	0.46%	-	-	-
Porsche of the Motor City	Automobile dealership	35	10	0.45%	-	-	-
Great A&P Tea Company	Grocery Store	-	-	-	182	2	2.32%
Colonial Dodge	Automobile dealership	-	-	-	100	5	1.27%
F&M Health & Beauty Aids	Retail	-	-	-	50	9	0.64%
Pep Boys	Automotive parts/service	-	-	-	50	10	0.64%
	Ten largest employers	1,055		13.45%	2,014		25.68%
	Other employers	6,789		86.55%	5,830		74.32%
	Total employment (2)	<u>7,844</u>			<u>7,844</u>		

(1) The current year includes only employees at school buildings located within the City's boundaries; previous years include the entire school district.

(2) Southeast Michigan Council of Governments

(3) Analyst Resource Center Employer Database Infogroup Inc.

Source: City of Eastpointe, Michigan, Economic Development Office

# City of Eastpointe, Michigan

## Operating Indicators by Function Last Seven Fiscal Years

	2011	2012	2013	2014	2015	2016	2017
<b>General Government - Data</b>							
<b>City Council</b>							
Regular meetings	24	17	24	24	24	24	24
Special meetings	13	6	9	4	7	3	3
Public hearings held	3	2	2	3	3	4	4
Ordinances and amendments adopted	23	14	18	15	12	4	4
Show cause hearings held	4	4	4	6	6	7	7
<b>City Managers Office</b>							
City council agenda statements reviewed	190	117	150	250	250	250	250
Executive coordination meetings held	50	32	32	32	32	46	40
Labor contracts negotiated	3	5	5	5	-	5	-
Employees recruited and hired	-	3	-	6	8	11	1
Bid proposals and contracts prepared	14	13	13	17	17	17	17
Labor grievances processed	3	4	-	-	1	5	1
<b>Assessing</b>							
Assessment notices	14,865	14,879	14,871	14,282	14,282	14,800	14,900
Property transfers	1,793	1,800	1,850	1,508	1,508	1,800	1,800
Homestead affidavits	533	408	420	3,344	3,344	2,000	2,000
Homestead rescinds	781	944	750	264	264	500	700
Deeds and land contacts	3,416	3,451	3,530	2,228	2,228	2,500	2,000
Board of Review appeals	389	296	252	320	320	350	150
Tax tribunal hearings	47	50	100	78	78	90	70
<b>Clerk</b>							
Dog licenses	3,755	2,258	2,500	3,082	1,539	1,528	2,500
Business registrations	827	815	820	782	810	796	825
Elections	2	2	2	1	3	2	2
Absentee ballot requests	3,479	2,587	5,500	2,624	4,854	2,550	6,400
Registered voters	23,777	22,952	23,543	24,484	24,301	24,405	25,000
New voter registrations	5,233	5,042	5,400	3,507	2,212	2,500	2,500
Voter history updates	15,688	7,209	21,500	2,931	12,133	9,563	23,000
Birth and death certificates	146	122	130	100	127	128	-
<b>Finance Department</b>							
Payroll payments processed	6,604	6,604	5,200	5,094	5,015	5,140	5,100
Accounts payable invoices processed	7,083	7,227	7,155	8,207	3,424	3,504	3,400
Transactions processed by cashiers	124,040	132,920	132,000	139,219	130,519	129,879	130,000
Water and sewer bills issued	158,202	164,764	160,000	162,360	163,360	164,100	164,100
Properties billed - Summer taxes	10,607	14,632	14,620	15,093	15,087	15,087	15,087
Miscellaneous billings	4,266	3,918	4,300	4,143	4,248	2,145	4,000
<b>Public Safety - Data</b>							
<b>Fire Protection</b>							
EMS incidents	2,652	1,853	2,720	3,268	3,473	3,300	3,400
Fire incidents	2,570	2,470	3,410	781	734	775	740
Fire investigations	30	14	35	44	41	40	40
Commercial property inspections	160	94	160	193	173	200	200
Training (hours)	420	300	475	670	652	700	700
<b>Police Protection</b>							
Total calls for service	U	U	U	26,728	25,716	27,000	26,000
Part I crimes	1,757	1,672	1,714	1,827	1,687	1,900	1,800
Total arrests	2,225	2,276	2,250	2,574	2,285	2,550	2,300
Drunk driving arrests	122	205	163	192	180	200	180
Total traffic accidents	571	604	587	597	589	600	575
Total violations issued	18,836	16,366	17,601	13,764	14,951	14,000	14,000
Total warrants obtained	1,644	1,531	1,587	1,014	979	1,100	1,000
Suspicious person/vehicles investigated	2,967	2,291	2,629	1,160	1,007	1,200	1,200
Total cases investigated	3,883	3,480	3,682	2,225	1,750	2,300	1,800
Total parking violations issued	1,127	1,147	1,137	997	586	1,100	1,000
Abandoned vehicle tagged	401	351	376	380	198	400	350
Abandoned vehicles impounded	108	109	110	100	123	100	100

# City of Eastpointe, Michigan

## Operating Indicators by Function (Continued) Last Seven Fiscal Years

	2011	2012	2013	2014	2015	2016	2017
<b>Public Works - Data</b>							
<b>Building Department</b>							
Permits issued	1,628	1,820	1,900	2,390	3,061	2,300	3,000
Code enforcement cases	6,817	4,500	5,800	9,441	6,800	7,500	8,500
Rental inspections	2,249	3,096	3,500	4,341	4,878	3,800	5,000
Vacant structure inspections	492	784	800	467	332	350	600
Rental certificates issued	604	977	1,200	1,019	1,528	1,500	1,600
Court citations issued	164	190	200	269	297	300	350
Planning commission applications	9	11	10	7	5	10	7
Zoning Board of Appeals applications	2	9	10	4	2	4	2
Dangerous Building Board cases	13	15	15	52	66	40	70
<b>Major and Local Streets Division</b>							
Miles of roads in city	98.69	98.69	99.78	99.78	99.78	99.78	99.78
After hours snow removal occurrences	U	7	14	31	25	19	45
Pothole patching (tons)	U	136	136	500	150	200	400
Right-of-way mowing (miles)	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Catch basins replaced	9	19	19	48	13	20	22
<b>Recreation and Culture - Data</b>							
<b>Library</b>							
Attendance	119,471	119,000	119,000	102,863	98,321	110,000	105,000
Circulation:							
Books	105,522	100,000	100,000	85,677	80,822	100,000	90,000
Audio visual	19,946	19,000	19,000	17,256	15,528	22,000	20,000
Misc. Magazine/Zineo 768/556	1,371	1,300	1,300	1,324	1,221	1,500	1,500
Museum passes	325	325	325				
Overdrive (downloadable books)				1,715	2,430	2,000	3,000
Internet use (hours)	8,545	8,500	8,500	7,010	7,399	7,500	7,500
Word Proc (hours)	1,128	1,000	1,000	296	178	500	300
Program attendance:							
Children	1,927	1,900	1,900	2,294	2,322	2,500	2,500
Young adult	177	175	175	361	221	400	400
Adult	1,061	1,000	1,000	586	386	1,000	500
General	1,124	1,100	1,100	993	859	1,100	1,100
Current card holders	14,867	14,867	14,867	15,465	15,332	16,070	15,900
<b>Water and Sewer Services - Data</b>							
Residents Served	32,442	32,442	32,442	32,442	32,442	32,442	32,442
Nonresidential accounts	835	829	827	825	821	822	814
Active water accounts	13,565	13,562	13,559	13,558	13,558	13,553	13,521
Fire hydrants maintenance	15	15	16	69	-	33	61
Sewer inspections	110	110	110	57	100	125	150
Water main breaks	44	44	50	83	119	65	30
Water shut-offs	600	648	508	708	700	691	700
Water turn-ons	800	1,251	808	781	739	738	548

U = Unavailable

Source: City of Eastpointe, Michigan

# City of Eastpointe, Michigan

## Capital Asset Statistics by Function Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Government</b>										
<b>Buildings</b>										
City Center Commons	1	1	1	1	1	1	1	1	1	1
38th District Court	1	1	1	1	1	1	1	1	1	1
<b>Public Safety</b>										
<b>Fire Protection</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles - Extinguishment	3	3	3	3	3	3	3	3	3	3
<b>Police Protection</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles - Marked	23	23	22	22	21	20	20	19	19	19
Vehicles - Unmarked	14	14	14	14	14	13	12	12	12	12
<b>Public Works</b>										
<b>Streets and Sidewalks</b>										
Miles of City:										
Primary streets	19	19	19	19	20	20	20	20	20	20
Secondary streets	80	80	80	80	80	80	80	80	80	80
Sidewalks	198	198	198	198	200	200	200	200	200	200
Buildings	4	4	4	4	4	4	4	4	4	4
Street lights	1,322	1,322	1,322	1,322	1,322	1,322	1,322	1,322	1,322	1,322
Snow removal vehicles	14	14	14	14	14	14	14	14	14	14
<b>Recreation and Culture</b>										
<b>Library</b>										
Book collections	U	U	U	U	U	U	U	U	62,326	62,532
Other collections (1)	U	U	U	U	U	U	U	U	18,102	6,880
Buildings	1	1	1	1	1	1	1	1	1	1
<b>Parks and Recreation</b>										
Acres	76	76	76	76	76	76	76	76	76	76
Developed parks	3	3	3	3	3	3	3	3	3	3
Undeveloped parks	5	5	5	5	5	5	5	5	5	5
Buildings	4	4	4	4	4	4	4	4	4	4
<b>Water and Sewer Services</b>										
Fire hydrants	829	829	829	829	829	829	829	829	829	844
Miles of water mains	110	110	110	110	110	110	110	110	110	110
Miles of sanitary sewers	108	108	108	108	108	108	108	108	108	108

(1) Includes art prints, audio/video cassettes, compact discs, posters, puppets, software discs, etc. Excludes digital download title access.

Source: City of Eastpointe, Michigan

# City of Eastpointe, Michigan

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

	Full-time Equivalents as of June 30									
	2008	2009	2010	2011	2012	2013 (1)	2014	2015	2016	2017
<b>Activities</b>										
General government	35.5	35.5	33.5	33.5	34.0	49.5	48.0	49.0	49.5	48.5
Public safety	90.0	90.0	91.0	90.0	86.0	73.5	66.0	66.0	71.5	72.0
Public works	37.5	36.5	35.5	34.5	34.5	27.0	25.0	22.0	22.0	21.5
Recreation and culture	36.0	33.5	27.5	25.5	21.0	8.5	8.5	9.5	9.5	9.5
Total	<b>199.0</b>	<b>195.5</b>	<b>187.5</b>	<b>183.5</b>	<b>175.5</b>	<b>158.5</b>	<b>147.5</b>	<b>146.5</b>	<b>152.5</b>	<b>151.5</b>

(1) Reduction in staffing in police and fire the result of planned reductions and unplanned retirements. Reduction in staffing for recreation and culture was the result of migrating the parks and recreation activity to a separate authority.

Source: City of Eastpointe, Michigan Budget

## **Continuing Disclosure**

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# City of Eastpointe, Michigan

## State-shared Revenue Last Ten Fiscal Years

Fiscal Year Ended June 30	Modified Accrual Basis of Accounting			Accrual Basis of Accounting Total
	Constitutional Revenue	Statutory Revenue	Total	
2008	\$ 2,367,670	\$ 1,362,017	\$ 3,729,687	\$ 3,729,687
2009	2,346,683	1,248,332	3,595,015	3,595,015
2010	2,164,592	1,032,814	3,197,406	3,197,406
2011	2,188,701	1,008,705	3,197,406	3,197,406
2012	2,329,641	700,632	3,030,273	3,030,273
2013	2,377,871	750,678	3,128,549	3,128,549
2014	2,433,636	786,843	3,220,479	3,220,479
2015	2,471,860	810,867	3,282,727	3,282,727
2016	2,469,486	810,867	3,280,353	3,280,353
2017	2,611,815	709,509	3,321,324	3,343,250



# City of Eastpointe, Michigan

## Maximum Property Tax Rates

Purpose	Maximum Millage Authorized	Maximum Millage to be Levied	Expiration Date of Millage
<b>Operating</b>			
General Operating	\$ 19.0986	\$ 19.0986	In perpetuity
Refuse	3.0000	-	In perpetuity
Library Fund	0.8829	0.8829	In perpetuity
Library 2012	<u>0.9960</u>	<u>0.9960</u>	2017
Total operating	<u>\$ 23.9775</u>	20.9775	
<b>Debt</b>			
	N/A	<u>4.1676</u>	
Total tax rate levied		<u>\$ 25.1451</u>	