



# **CITY OF GRANDVILLE, MICHIGAN**

## **FINANCIAL STATEMENTS**

***FOR THE YEAR ENDED JUNE 30, 2018***



Vredeveld Haefner LLC  
CPAs and Consultants

# CITY OF GRANDVILLE

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### INDEPENDENT AUDITORS' REPORT

October 30, 2018

Honorable Mayor and Members of the City Council  
City of Grandville, 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 City of Grandville, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grandville, Michigan, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, and the budgetary comparison information and benefit plan schedules on pages 43 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grandville, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018, on our consideration of the City of Grandville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Grandville, Michigan's internal control over financial reporting and compliance.

*Urodeuxeld Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Management's Discussion and Analysis

As management of the City of Grandville (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018.

## Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2017-2018 fiscal year as follows:

- General fund revenues exceeded expenditures by \$591,208 before transfers to other funds.
- Received approximately \$70,000 in CDBG Funds for a kayak launch on the Grand River.
- Purchase of property for \$160,000 for cemetery expansion.
- Twelve local streets resurfaced costing \$456,284.
- Electrical equipment upgrades at the clean water plant in the amount of \$380,000.
- Omaha water main replacement costing \$575,427.

## Overview of the Financial Statements

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

**Government-wide financial statements** The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues, earned but unused compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Building Authority for which the City is financially accountable. There was no current year activity in the Building Authority.

**Fund financial statements** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the major streets, local streets and general obligation bonds funds which are considered to be major funds. Data is combined into a single aggregated presentation for the other governmental funds (non-major governmental funds). Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and all special revenue funds as required by state law. Budgetary comparison schedules have been provided for the general and special revenue funds to demonstrate legal compliance.

**Proprietary funds** The City maintains two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operation. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City utilizes an internal service fund to account for its motor pool activities. Because the services primarily benefit the City's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer operation, which is considered to be a major fund of the City. The City maintains one internal service fund which is presented as a separate column in the proprietary fund financial statements.

**Fiduciary funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension and OPEB information and major governmental fund budget and actual presentations. Supplemental information follows the required supplementary information and includes combining and individual fund statements and schedules.

## **Government-wide Financial Analysis**

**Statement of Net Position** As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$48,067,186 at the close of the most recent fiscal year. The following table illustrates the composition of net position.



## Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 6,351,657	\$ 5,611,998	\$10,470,715	\$ 9,203,556	\$16,822,372	\$14,815,554
Long-term assets	17,185,850	16,043,389	34,447,465	35,722,590	51,633,315	51,765,979
<b>Total assets</b>	<b>23,537,507</b>	<b>21,655,387</b>	<b>44,918,180</b>	<b>44,926,146</b>	<b>68,455,687</b>	<b>66,581,533</b>
<b>Deferred outflows of resources</b>	<b>1,748,159</b>	<b>2,098,778</b>	<b>653,270</b>	<b>725,870</b>	<b>2,401,429</b>	<b>2,824,648</b>
<b>Liabilities</b>						
Current liabilities	1,064,945	536,200	1,101,891	1,044,801	2,166,836	1,581,001
Long-term liabilities	13,560,993	12,987,003	6,763,647	6,978,748	20,324,640	19,965,751
<b>Total liabilities</b>	<b>14,625,938</b>	<b>13,523,203</b>	<b>7,865,538</b>	<b>8,023,549</b>	<b>22,491,476</b>	<b>21,546,752</b>
<b>Deferred inflows of resources</b>	<b>244,384</b>	<b>-</b>	<b>54,070</b>	<b>-</b>	<b>298,454</b>	<b>-</b>
<b>Net position</b>						
Net investment in capital assets	11,743,508	12,910,954	30,164,882	31,261,037	41,908,390	44,171,991
Restricted	1,404,481	1,163,482	532,888	532,888	1,937,369	1,696,370
Unrestricted (deficit)	(2,732,645)	(3,843,474)	6,954,072	5,834,542	4,221,427	1,991,068
<b>Total net position</b>	<b>\$10,415,344</b>	<b>\$10,230,962</b>	<b>\$37,651,842</b>	<b>\$37,628,467</b>	<b>\$48,067,186</b>	<b>\$47,859,429</b>

The City's unrestricted net position in governmental activities is in a deficit position as a result of recording the net pension and net OPEB liabilities. Net investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding was \$41,908,390 at the end of the current fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position in the amount of \$1,937,369 represents resources that are subject to external restrictions on how they may be used.

**Statement of Activities** The City's total revenue for the fiscal year ended June 30, 2018, was \$19,368,759 while total cost of all programs and services was \$19,161,002. This resulted in an increase in net position of \$207,757. The following table presents a summary of the changes in net position for the years ended June 30.

## Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,406,074	\$ 2,035,444	\$7,567,964	\$7,209,610	\$ 8,974,038	\$ 9,245,054
Operating grants and contributions	1,819,161	1,444,124	-	-	1,819,161	1,444,124
Capital grants and contributions	31,567	932,474	-	-	31,567	932,474
General revenues (expenses)						
Property taxes	7,104,071	6,954,410	-	-	7,104,071	6,954,410
State shared revenues	1,323,925	1,278,739	-	-	1,323,925	1,278,739
Other general revenues	20,710	5,777	5,533	2,736	26,243	8,513
Investment earnings	73,707	37,472	84,943	53,123	158,650	90,595
Refunding bond proceeds transferred	(68,896)	-	-	-	(68,896)	-
<b>Total revenues</b>	<b>11,710,319</b>	<b>12,688,440</b>	<b>7,658,440</b>	<b>7,265,469</b>	<b>19,368,759</b>	<b>19,953,909</b>

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
<b>Expenses</b>						
General government	\$ 1,372,000	\$ 1,495,203	\$ -	\$ -	\$ 1,372,000	\$ 1,495,203
Judicial	1,145,210	1,168,994	-	-	1,145,210	1,168,994
Public safety	4,966,365	5,242,870	-	-	4,966,365	5,242,870
Public works	2,790,250	2,699,930	-	-	2,790,250	2,699,930
Culture and recreation	1,160,612	1,011,343	-	-	1,160,612	1,011,343
Interest on long-term debt	91,500	71,245	-	-	91,500	71,245
Sewer	-	-	5,442,960	5,900,556	5,442,960	5,900,556
Water	-	-	2,192,105	2,129,947	2,192,105	2,129,947
<b>Total expenses</b>	<b>11,525,937</b>	<b>11,689,585</b>	<b>7,635,065</b>	<b>8,030,503</b>	<b>19,161,002</b>	<b>19,720,088</b>
<b>Increase (decrease) in net position</b>	<b>184,382</b>	<b>998,855</b>	<b>23,375</b>	<b>(765,034)</b>	<b>207,757</b>	<b>233,821</b>
<b>Net position – beginning</b>	<b>10,230,962</b>	<b>9,232,107</b>	<b>37,628,467</b>	<b>38,393,501</b>	<b>47,859,429</b>	<b>47,625,608</b>
<b>Net position – ending</b>	<b>\$10,415,344</b>	<b>\$10,230,962</b>	<b>\$37,651,842</b>	<b>\$37,628,467</b>	<b>\$48,067,186</b>	<b>\$47,859,429</b>

**Governmental Activities** The preceding table shows that the governmental activities increased the City's net position by \$184,382 during this fiscal year. The increase is primarily the result of approximately \$89,000 additional state revenue for personal property tax reimbursement and lower than anticipated expenditures throughout all general fund departments. The decrease in charges for services is due to a change in recording permit revenue and expenditures; the decrease in capital grants and contributions is due to the state funding of the Wilson Ave. repaving project that was completed in 2016-2017.

**Business-type Activities** Business-type activities increased the City's net position by \$23,375 during the year.

## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,101,577, an increase of \$278,432 from the prior year. This was primarily due to an increase in personal property tax reimbursement from the State of Michigan and lower than anticipated expenditures in the general fund. In addition, a large project in the major streets fund was deferred due to better than anticipated condition of the street.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, nonspendable fund balance of \$36,969 relates to prepaid assets and inventory. Amounts restricted by outside sources total \$215,958 and amounts committed and assigned for various purposes totals \$665,267. Unassigned fund balance represents \$2,765,628 of total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 29.1% of total general fund expenditures and transfers.

The major street fund is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on major streets by Act 51. The fund balance increased by \$281,233 during the current fiscal year.

The local street fund is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on local streets by Act 51. The fund balance decreased by \$40,234 during the current fiscal year.

The general obligation bonds debt service fund is used to account for the payment of debt service with amounts received from various sources. The fund accounted for the issuance of a refunding bond during the year.

**Proprietary funds** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's enterprise operation consists of the water and sewer funds which provide services to most residents and businesses of the City.

## Budgetary Highlights

Revenues in the general fund were \$9,555,041, which is 101.2% of the amended budgeted amount for the fiscal year. General fund expenditures and transfers were \$8,963,833, which is 95.4% of the amended budget amount.

In addition, the following are the significant budget amendments made during the year:

- Local Community Stabilization Fund Revenue (personal property tax reimbursement from the State of Michigan) increased by approximately \$90,000
- Assessing Department expenditures were lowered by \$26,000 due to unfilled budgeted positions.
- Planning Department had carryover expenditures of \$14,000 for the Master Plan update.
- Special project fund contractual services increased by \$100,000 for the kayak launch.
- Major street repaving was adjusted due to road conditions and the expenditures were lowered by \$300,000.
- Local streets fund repaved an additional 4 streets costing \$182,000 because of additional funding from the State of Michigan and lower than anticipated construction costs.

## Capital Asset and Debt Administration

**Capital assets** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounted to \$50,328,315 (net of accumulated depreciation).

<b>Capital Assets</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>
Land	\$ 1,810,628	\$ 15,000
Construction in progress	227,511	800,160
Buildings, equipment, infrastructure, and land improvements	13,842,711	33,632,305
<b>Total</b>	<b>\$15,880,850</b>	<b>\$34,447,465</b>

Current year additions consist of boiler control panel upgrades, police records management system, parking lot repaving, several local street projects, clean water plant electrical upgrade, a water main project, and several new vehicles in the motor pool.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

**Long-term debt** At the end of the current fiscal year, the City had bonds outstanding of \$8,270,000. Of this amount, \$3,970,000 was for governmental activities while \$4,300,000 was for business-type activities.

<b>Debt</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>
Accrued employee benefits	\$ 681,316	\$ 120,565
Bonds payable	3,970,000	4,300,000
Unamortized premium (discount)	167,342	(17,417)
<b>Total</b>	<b>\$4,818,658</b>	<b>\$4,403,148</b>

Additional information on the City's long-term debt can be found in Note 7 to the financial statements.

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

The following economic factors were considered in preparing the City's budget for the 2018-19 fiscal year:

- Millage rate increased to 11.05 mills to prepare for future capital expenditures and pension expense.
- General fund revenue budget increase of 5%.
- General fund expenditures budgeted increase of 7%
- Pension funding in the general fund increased \$75,000.
- Additional full-time police officer
- Ivanrest Street paving project \$400,000
- Ten local streets resurfacing budgeted at a cost of \$406,000
- Methane gas management project at the clean water plant for \$1 million
- Ivanrest watermain project budgeted for \$600,000

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, City of Grandville, 3195 Wilson Ave. SW, Grandville, MI 49418.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GRANDVILLE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Primary Government</b>			<b>Downtown Development Authority</b>	<b>Brownfield Redevelopment Authority</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>		
<b>Assets</b>					
Cash and pooled investments	\$ 5,398,435	\$ 8,048,663	\$ 13,447,098	\$ 921,858	\$ -
Accounts receivable	151,906	1,275,941	1,427,847	7,336	-
Due from other governments	703,292	613,223	1,316,515	-	-
Special assessments receivable	61,055	-	61,055	-	-
Long-term due from component unit	1,305,000	-	1,305,000	-	-
Prepaid items	14,254	-	14,254	-	-
Inventory	22,715	-	22,715	-	-
Restricted cash and pooled investments	-	532,888	532,888	-	-
Capital assets					
Land	1,810,628	15,000	1,825,628	264,567	-
Construction in progress	227,511	800,160	1,027,671	-	-
Depreciable capital assets, net	<u>13,842,711</u>	<u>33,632,305</u>	<u>47,475,016</u>	<u>2,920,700</u>	<u>-</u>
<b>Total assets</b>	<u>23,537,507</u>	<u>44,918,180</u>	<u>68,455,687</u>	<u>4,114,461</u>	<u>-</u>
<b>Deferred outflows of resources</b>					
Deferred charge on refunding	78,216	-	78,216	-	-
Deferred outflows related to pensions	376,855	72,317	449,172	-	-
Deferred outflows related to other post-employment benefits	<u>1,293,088</u>	<u>580,953</u>	<u>1,874,041</u>	<u>-</u>	<u>-</u>
<b>Total deferred outflows</b>	<u>1,748,159</u>	<u>653,270</u>	<u>2,401,429</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>					
Accounts payable	727,818	979,092	1,706,910	10,832	-
Accrued liabilities	319,694	94,983	414,677	5,061	-
Accrued interest payable	17,433	27,816	45,249	-	-
Noncurrent liabilities					
Accrued compensated absences	688,516	120,565	809,081	-	-
Net other post-employment benefits liability	2,168,656	974,323	3,142,979	-	-
Net pension liability	6,566,479	1,386,176	7,952,655	-	-
Bond premium (discount)	167,342	(17,417)	149,925	-	-
Long-term due to primary government	-	-	-	1,305,000	-
Due within one year	430,000	190,000	620,000	-	-
Due in more than one year	<u>3,540,000</u>	<u>4,110,000</u>	<u>7,650,000</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>14,625,938</u>	<u>7,865,538</u>	<u>22,491,476</u>	<u>1,320,893</u>	<u>-</u>
<b>Deferred inflows of resources</b>					
Deferred inflows related to pensions	169,422	20,391	189,813	-	-
Deferred inflows related to other post-employment benefits	<u>74,962</u>	<u>33,679</u>	<u>108,641</u>	<u>-</u>	<u>-</u>
<b>Total deferred outflows</b>	<u>244,384</u>	<u>54,070</u>	<u>298,454</u>	<u>-</u>	<u>-</u>
<b>Net position</b>					
Net investment in capital assets	11,743,508	30,164,882	41,908,390	1,880,267	-
Restricted for					
Debt service	-	532,888	532,888	-	-
Streets	1,404,481	-	1,404,481	-	-
Unrestricted (deficit)	<u>(2,732,645)</u>	<u>6,954,072</u>	<u>4,221,427</u>	<u>913,301</u>	<u>-</u>
<b>Total net position</b>	<u>\$ 10,415,344</u>	<u>\$ 37,651,842</u>	<u>\$ 48,067,186</u>	<u>\$ 2,793,568</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRANDVILLE**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>		<b>Capital Grants and Contributions</b>
<b>Primary government</b>					
Governmental activities					
General government	\$ 1,372,000	\$ 312,458	\$ -	\$ -	\$ (1,059,542)
Judicial	1,145,210	580,577	49,112	-	(515,521)
Public safety	4,966,365	261,313	83,710	-	(4,621,342)
Public works	2,790,250	96,678	1,735,451	-	(958,121)
Culture and recreation	1,160,612	105,936	-	31,567	(1,023,109)
Interest on long-term debt	91,500	-	-	-	(91,500)
<b>Total governmental activities</b>	<b>11,525,937</b>	<b>1,356,962</b>	<b>1,868,273</b>	<b>31,567</b>	<b>(8,269,135)</b>
Business-type activities					
Sewer	5,442,960	4,856,762	-	-	(586,198)
Water	2,192,105	2,711,202	-	-	519,097
<b>Total business-type activities</b>	<b>7,635,065</b>	<b>7,567,964</b>	<b>-</b>	<b>-</b>	<b>(67,101)</b>
<b>Total primary government</b>	<b>\$ 19,161,002</b>	<b>\$ 8,924,926</b>	<b>\$ 1,868,273</b>	<b>\$ 31,567</b>	<b>\$ (8,336,236)</b>
<b>Component Units</b>					
Downtown Development Authority	\$ 610,096	\$ 17,490	\$ 32,250	\$ -	\$ (560,356)
Brownfield Redevelopment Authority	12,837	-	-	-	(12,837)
<b>Total component units</b>	<b>\$ 622,933</b>	<b>\$ 17,490</b>	<b>\$ 32,250</b>	<b>\$ -</b>	<b>\$ (573,193)</b>

(Continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF GRANDVILLE**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Primary Government</b>			<b>Downtown Development Authority</b>	<b>Brownfield Redevelopment Authority</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>		
<b>Changes in net position</b>					
<b>Net (expense) revenue</b>	\$ (8,269,135)	\$ (67,101)	\$ (8,336,236)	\$ (560,356)	\$ (12,837)
General revenues					
Property taxes	7,104,071	-	7,104,071	270,810	12,837
State shared revenues	1,323,925	-	1,323,925		-
Unrestricted investment earnings	73,707	84,943	158,650	12,807	-
Other general revenues	20,710	5,533	26,243	-	-
Bond proceeds to component unit	(68,896)	-	(68,896)	68,896	-
Total general revenues and transfers	<u>8,453,517</u>	<u>90,476</u>	<u>8,543,993</u>	<u>352,513</u>	<u>12,837</u>
Change in net position	184,382	23,375	207,757	(207,843)	-
<b>Net position, beginning of year</b>	<u>10,230,962</u>	<u>37,628,467</u>	<u>47,859,429</u>	<u>3,001,411</u>	<u>-</u>
<b>Net position, end of year</b>	<u>\$ 10,415,344</u>	<u>\$ 37,651,842</u>	<u>\$ 48,067,186</u>	<u>\$ 2,793,568</u>	<u>\$ -</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.



**CITY OF GRANDVILLE**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2018**

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>						
Cash and pooled investments	\$ 3,587,621	\$ 973,477	\$ 659,691	\$ 1,003	\$ 13,965	\$ 5,235,757
Accounts receivable	141,525	7,512	2,261	-	48	151,346
Due from other governments	437,382	198,220	67,690	-	-	703,292
Special assessments receivable	-	-	-	-	61,055	61,055
Long-term due from component unit	-	-	-	1,305,000	-	1,305,000
Prepaid items	14,254	-	-	-	-	14,254
Inventory	22,715	-	-	-	-	22,715
<b>Total assets</b>	<b>\$ 4,203,497</b>	<b>\$ 1,179,209</b>	<b>\$ 729,642</b>	<b>\$ 1,306,003</b>	<b>\$ 75,068</b>	<b>\$ 7,493,419</b>
<b>Liabilities, deferred inflows and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 244,051	\$ 10,139	\$ 457,021	\$ -	\$ 1,143	\$ 712,354
Accrued liabilities	275,624	19,384	17,826	-	599	313,433
<b>Total liabilities</b>	<b>519,675</b>	<b>29,523</b>	<b>474,847</b>	<b>-</b>	<b>1,742</b>	<b>1,025,787</b>
<b>Deferred inflows of resources</b>						
Unavailable revenue	-	-	-	1,305,000	61,055	1,366,055
<b>Fund balances</b>						
Non-spendable						
Prepaid items	14,254	-	-	-	-	14,254
Inventory	22,715	-	-	-	-	22,715
Restricted						
Streets	-	1,149,686	254,795	-	-	1,404,481
Drunk driving enforcement	27,298	-	-	-	-	27,298
Drug forfeiture	134,415	-	-	-	-	134,415
Construction code enforcement	48,240	-	-	-	-	48,240
Community policing	4,897	-	-	-	-	4,897
City art	1,108	-	-	-	-	1,108
Committed						
Capital projects	-	-	-	-	12,271	12,271
Cemetery perpetual care	458,585	-	-	-	-	458,585
Park improvements	59,971	-	-	-	-	59,971
DDA parking assessment	51,577	-	-	-	-	51,577
Assigned						
Debt service funds	-	-	-	1,003	-	1,003
Future years expenditures	95,134	-	-	-	-	95,134
Unassigned	2,765,628	-	-	-	-	2,765,628
<b>Total fund balances</b>	<b>3,683,822</b>	<b>1,149,686</b>	<b>254,795</b>	<b>1,003</b>	<b>12,271</b>	<b>5,101,577</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 4,203,497</b>	<b>\$ 1,179,209</b>	<b>\$ 729,642</b>	<b>\$ 1,306,003</b>	<b>\$ 75,068</b>	<b>\$ 7,493,419</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF GRANDVILLE

## RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2018

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<b>Fund balances - total governmental funds</b>	<b>\$ 5,101,577</b>
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	1,810,628
Add - construction in progress	227,511
Add - capital assets (net of accumulated depreciation)	13,322,278
Certain assets are not due and receivable in the current period.	
Add - long-term deferred receivables	1,366,055
Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service funds	652,536
Certain items do not impact current financial resources and therefore are not reported in the funds.	
Deduct - compensated absences payable	(679,106)
Deduct - net pension liability	(6,566,479)
Deduct - other post-employment benefits	(2,168,656)
Deduct - long-term debt	(3,970,000)
Deduct - bond premium	(167,342)
Add - deferred loss on bond refunding	78,216
Add - deferred outflows related to pensions	376,855
Deduct - deferred inflows related to pensions	(169,422)
Add - deferred outflows related to post-employment benefits	1,293,088
Deduct - deferred inflows related to post-employment benefits	(74,962)
Deduct - accrued interest on long-term debt	(17,433)
<b>Net position of governmental activities</b>	<b><u>\$ 10,415,344</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRANDVILLE**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>						
Taxes	\$ 6,488,393	\$ 50,802	\$ 564,876	-	-	\$ 7,104,071
Intergovernmental revenues						
State	1,393,276	1,170,742	509,391	-	-	3,073,409
Licenses and permits	61,277	-	-	-	-	61,277
Charges for services	1,079,124	-	-	-	7,520	1,086,644
Fines	316,175	-	-	-	-	316,175
Investment earnings	56,854	9,606	7,112	-	135	73,707
Miscellaneous	128,375	-	-	-	-	128,375
<b>Total revenues</b>	<u>9,555,041</u>	<u>1,231,150</u>	<u>1,081,379</u>	<u>-</u>	<u>7,655</u>	<u>11,875,225</u>
<b>Expenditures</b>						
Current						
General government	1,382,323	-	-	500	-	1,382,823
Judicial	1,106,063	-	-	-	-	1,106,063
Public safety	4,754,853	-	-	-	-	4,754,853
Public works	737,118	949,917	1,121,613	-	46,973	2,855,621
Culture and recreation	983,476	-	-	-	-	983,476
Debt service						
Principal	-	-	-	420,000	-	420,000
Interest	-	-	-	94,960	-	94,960
<b>Total expenditures</b>	<u>8,963,833</u>	<u>949,917</u>	<u>1,121,613</u>	<u>515,460</u>	<u>46,973</u>	<u>11,597,796</u>
Revenues over (under) expenditures	<u>591,208</u>	<u>281,233</u>	<u>(40,234)</u>	<u>(515,460)</u>	<u>(39,318)</u>	<u>277,429</u>
Other financing sources (uses)						
Issuance of debt	-	-	-	1,375,000	-	1,375,000
Loan to component unit	-	-	-	(1,443,896)	-	(1,443,896)
Bond Premium	-	-	-	69,899	-	69,899
Transfers in	-	-	-	515,460	25,000	540,460
Transfers out	(540,460)	-	-	-	-	(540,460)
Total other financing sources (uses)	<u>(540,460)</u>	<u>-</u>	<u>-</u>	<u>516,463</u>	<u>25,000</u>	<u>1,003</u>
Net changes in fund balances	50,748	281,233	(40,234)	1,003	(14,318)	278,432
<b>Fund balances, beginning of year</b>	<u>3,633,074</u>	<u>868,453</u>	<u>295,029</u>	<u>-</u>	<u>26,589</u>	<u>4,823,145</u>
<b>Fund balances, end of year</b>	<u>\$ 3,683,822</u>	<u>\$ 1,149,686</u>	<u>\$ 254,795</u>	<u>\$ 1,003</u>	<u>\$ 12,271</u>	<u>\$ 5,101,577</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRANDVILLE**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

**Net changes in fund balances - total governmental funds** \$ 278,432

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, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	1,031,717
Deduct - net book value of disposals	(20,064)
Deduct - depreciation expense	(1,164,692)

Certain receivables are long-term in nature and are collectable over several years. However only the current year's receipts are reflected as revenues on the fund statements.

Add - loan to component unit	1,375,000
Deduct - decrease in unavailable revenues	(70,000)

Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position.

Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	420,000
Deduct - bond issue	(1,375,000)
Deduct - bond premium	(69,899)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(58,076)
Deduct - increase in other post-employment benefit liability	(215,979)
Add - amortization of bond premium	19,992
Deduct - increase in accrued interest	(5,358)
Deduct - amortization of deferred charge on refunding	(11,174)
Add - decrease in net pension liability	704,771
Deduct - decrease in deferred outflows related to pensions	(526,963)
Deduct - decrease in deferred outflows related to post-employment benefits	(56,866)

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Deduct - decrease in net position from the internal service funds	(71,459)
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**Change in net position of governmental activities** **\$ 184,382**

The accompanying notes are an integral part of these financial statements.

**CITY OF GRANDVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
<b>Assets</b>				
Current assets				
Cash and pooled investments	\$ 6,606,007	\$ 1,442,656	\$ 8,048,663	\$ 162,678
Accounts receivable	520,998	754,943	1,275,941	560
Due from other governments	471,663	141,560	613,223	-
Total current assets	<u>7,598,668</u>	<u>2,339,159</u>	<u>9,937,827</u>	<u>163,238</u>
Noncurrent assets				
Restricted cash and pooled investments	532,888	-	532,888	-
Capital assets				
Land	15,000	-	15,000	-
Construction in progress	618,028	182,132	800,160	-
Depreciable capital assets, net	26,074,400	7,557,905	33,632,305	520,433
Total noncurrent assets	<u>27,240,316</u>	<u>7,740,037</u>	<u>34,980,353</u>	<u>520,433</u>
<b>Total assets</b>	<u>34,838,984</u>	<u>10,079,196</u>	<u>44,918,180</u>	<u>683,671</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pensions	59,740	12,577	72,317	-
Deferred outflows related to post-employment benefits	393,549	187,404	580,953	-
<b>Total deferred outflows</b>	<u>453,289</u>	<u>199,981</u>	<u>653,270</u>	<u>-</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	561,559	417,533	979,092	15,464
Accrued liabilities	72,122	22,861	94,983	6,261
Accrued interest payable	27,816	-	27,816	-
Current portion of long-term debt	190,000	-	190,000	-
Total current liabilities	<u>851,497</u>	<u>440,394</u>	<u>1,291,891</u>	<u>21,725</u>
Long-term liabilities				
Accrued compensated absences	86,445	34,120	120,565	9,410
Other post-employment benefits obligation	660,026	314,297	974,323	-
Net pension liability	1,190,998	195,178	1,386,176	-
Discount on bonds	(17,417)	-	(17,417)	-
Bonds payable, net of current portion	4,110,000	-	4,110,000	-
Total long-term liabilities	<u>6,030,052</u>	<u>543,595</u>	<u>6,573,647</u>	<u>9,410</u>
<b>Total liabilities</b>	<u>6,881,549</u>	<u>983,989</u>	<u>7,865,538</u>	<u>31,135</u>
<b>Deferred inflows of resources</b>				
Deferred inflows related to pensions	12,123	8,268	20,391	-
Deferred inflows related to post-employment benefits	22,815	10,864	33,679	-
	<u>34,938</u>	<u>19,132</u>	<u>54,070</u>	<u>-</u>
<b>Net position</b>				
Net investment in capital assets	22,424,845	7,740,037	30,164,882	520,433
Restricted for revenue bond requirements	532,888	-	532,888	-
Unrestricted	5,418,053	1,536,019	6,954,072	132,103
<b>Total net position</b>	<u>\$ 28,375,786</u>	<u>\$ 9,276,056</u>	<u>\$ 37,651,842</u>	<u>\$ 652,536</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRANDVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
<b>Operating revenues</b>				
Charges for services	\$ 4,836,972	\$ 2,685,069	\$ 7,522,041	\$ 618,445
Interest and penalties	19,790	26,133	45,923	-
<b>Total operating revenue</b>	<u>4,856,762</u>	<u>2,711,202</u>	<u>7,567,964</u>	<u>618,445</u>
<b>Operating expenses</b>				
Water purchases	-	1,041,571	1,041,571	-
Labor	1,669,141	500,107	2,169,248	167,763
Administrative and general	1,785,587	275,447	2,061,034	393,135
Depreciation	1,815,054	374,980	2,190,034	161,727
<b>Total operating expenses</b>	<u>5,269,782</u>	<u>2,192,105</u>	<u>7,461,887</u>	<u>722,625</u>
Operating income (loss)	<u>(413,020)</u>	<u>519,097</u>	<u>106,077</u>	<u>(104,180)</u>
Non-operating revenues (expenses)				
Gain on sale of capital assets	-	-	-	24,673
Investment earnings	71,712	13,231	84,943	2,043
Other	488	5,045	5,533	6,005
Interest expense	(173,178)	-	(173,178)	-
<b>Total non-operating revenues (expenses)</b>	<u>(100,978)</u>	<u>18,276</u>	<u>(82,702)</u>	<u>32,721</u>
Changes in net position	(513,998)	537,373	23,375	(71,459)
<b>Net position, beginning of year</b>	<u>28,889,784</u>	<u>8,738,683</u>	<u>37,628,467</u>	<u>723,995</u>
<b>Net position, end of year</b>	<u>\$ 28,375,786</u>	<u>\$ 9,276,056</u>	<u>\$ 37,651,842</u>	<u>\$ 652,536</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRANDVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>Cash flows from operating activities</b>				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 624,871
Receipts from customers and users	4,835,839	2,674,769	7,510,608	-
Payments to employees	(1,623,088)	(476,012)	(2,099,100)	(167,964)
Payments to suppliers	(1,739,905)	(1,303,780)	(3,043,685)	(395,859)
<b>Net cash provided by (used in) operating activities</b>	<u>1,472,846</u>	<u>894,977</u>	<u>2,367,823</u>	<u>61,048</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from sale of capital assets	-	-	-	24,673
Interest paid on long-term debt	(173,178)	-	(173,178)	-
Principal paid on long-term debt	(180,000)	-	(180,000)	-
Acquisitions of capital assets	(694,131)	(220,778)	(914,909)	(152,227)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(1,047,309)</u>	<u>(220,778)</u>	<u>(1,268,087)</u>	<u>(127,554)</u>
<b>Cash flows from investing activities</b>				
Interest received	71,712	13,231	84,943	2,043
Net increase (decrease) in cash and pooled investments	497,249	687,430	1,184,679	(64,463)
<b>Cash and pooled investments, beginning of year</b>	<u>6,629,523</u>	<u>746,958</u>	<u>7,376,481</u>	<u>227,141</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 7,138,895</u>	<u>\$ 1,442,656</u>	<u>\$ 8,581,551</u>	<u>\$ 162,678</u>
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ (413,020)	\$ 519,097	\$ 106,077	\$ (104,180)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	1,815,054	374,980	2,190,034	161,727
Amortization	1,030	-	1,030	-
Amortization of deferred inflows related to pensions	12,123	8,268	20,391	-
Amortization of deferred outflows related to pensions	71,412	9,319	80,731	-
Increase in deferred outflows related to OPEB	(5,508)	(2,623)	(8,131)	-
Increase in deferred inflows related to OPEB	22,815	10,864	33,679	-
Miscellaneous revenue	488	5,045	5,533	6,005
Change in operating assets and liabilities which provided (used) cash				
Receivables	(16,928)	(42,609)	(59,537)	421
Due from other governmental units	(4,483)	1,131	(3,352)	-
Prepaid and other assets	-	800	800	-
Accounts payable	6,466	(1,813)	4,653	(5,535)
Accrued liabilities	38,186	14,251	52,437	2,811
Compensated absences	3,323	(1,245)	2,078	(201)
Net OPEB obligation	65,733	31,301	97,034	-
Net pension liability	(111,722)	(23,521)	(135,243)	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,472,846</u>	<u>\$ 894,977</u>	<u>\$ 2,367,823</u>	<u>\$ 61,048</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRANDVILLE**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2018**

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	<b>Other Post-employment Benefit Trust</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and pooled investments	\$ 8,148	\$ 106,835
Funds on deposit with MERS	1,281,388	-
Accounts receivables	<u>2,256</u>	<u>-</u>
<b>Total assets</b>	<u>1,291,792</u>	<u>\$ 106,835</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 2,305
Trust deposits	<u>-</u>	<u>104,530</u>
<b>Total liabilities</b>	<u>-</u>	<u>\$ 106,835</u>
<b>Net position</b>		
Restricted for other post-employment benefits	<u>\$ 1,291,792</u>	

The accompanying notes are an integral part of these financial statements.



**CITY OF GRANDVILLE**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Other Post-employment Benefit <u>Trust</u></b>
<b>Additions</b>	
Contributions:	
Employer	\$ 127,000
Plan participants	<u>29,673</u>
Total contributions	156,673
Investment income:	
Net appreciation in fair value of securities	<u>92,766</u>
<b>Total additions</b>	<u>249,439</u>
<b>Deductions</b>	
Health insurance premiums paid	151,169
Administrative expenses	<u>3,008</u>
<b>Total deductions</b>	<u>154,177</u>
Change in net position	95,262
<b>Net position, beginning of year</b>	<u>1,196,530</u>
<b>Net position, end of year</b>	<u>\$ 1,291,792</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Grandville, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

#### ***Reporting Entity***

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City. A separate section of the basic financial statements provides detailed financial information on the discretely presented component units.

#### ***Blended Component Unit***

The Building Authority - The members of the governing board of the Building Authority are appointed by the City Council. The City has significant influence over operations of the Building Authority and is also accountable for its fiscal matters. The Building Authority provides services exclusively to the City but was not used in the current year.

#### ***Discretely Presented Component Units***

The component unit columns in the government-wide financial statements include the financial data of the Downtown Development Authority (DDA) and a Brownfield Redevelopment Authority. These component units provide services to the businesses located within the districts. They are reported in a separate column to emphasize they are legally separate from the City.

The DDA was created to correct and prevent deterioration in the downtown area, encourage historical preservation and promote economic growth within downtown. The DDA governing body consists of nine individuals that are appointed by the City's mayor and confirmed by City Council.

The Brownfield Redevelopment Authority accounts for captured tax revenue on specific properties within the City that have been identified and approved by the State of Michigan as brownfields requiring site reclamation. These revenues are used to reimburse property owners for expenditures incurred for brownfield cleanup. The City Council appoints the governing body of the Brownfield Redevelopment Authority.

The budgets of these Authorities must be approved by the City Council, and the City has the ability to significantly influence their operations. Financial statements are not separately issued for the component units.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### **Government-wide and Fund Financial Statements**

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. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are changes between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other post-employment benefits, and claims and judgments, are recorded only when payment is due.

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment utilization. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Major Streets Fund* accounts for funds specifically intended for the maintenance and construction of major streets. Financing is provided from Public Act 51 state shared gas and weight tax and miscellaneous service revenues.

The *Local Streets Fund* accounts for funds specifically intended for the maintenance and construction of local streets. Financing is provided from Public Act 51 state shared gas and weight tax and miscellaneous service revenues.

The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental activities debt.

The City reports the following major proprietary funds:

The *Sewer Utility Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City and surrounding area on a user charge basis.

The *Water Utility Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City and surrounding area on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Internal Service Fund* is used to account for equipment usage provided to the City departments and funds on a cost reimbursement basis.

The *Other Post-employment Benefits Trust Fund* is used to account for the operations of the City's other post-employment benefits plan which provides other post-employment benefits to the City's employees.

The *Agency Funds* are used to account for the collection and disbursement of funds including property and payroll taxes that are collected on behalf of outside governments or other parties.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for the general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any department must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within dollar limits established by the City Council. The legal level of budgetary control is at the department level. Supplemental appropriations were necessary during the year.

### ***Cash and Cash Equivalents***

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

### ***Investments***

Investments are stated at fair value at the balance sheet date.

State statutes and City policy authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase that are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

### **Restricted Cash and Investments**

Restricted cash and investments of enterprise funds consist of amounts held in accordance with debt covenants.

### **Receivables**

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

### **Due to and Due from Other Funds**

Interfund receivables and payables are short-term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

### **Special Assessments**

Special assessments are recorded as revenue when due not when levied in the governmental fund financial statements. Estimated annual installments not yet available are reflected as deferred inflows of resources.

### **Inventory**

Inventory is accounted for following the consumption method. It is valued at original cost using the first-in/first-out (FIFO) method. Inventory represents road salt.

### **Prepaid Items**

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for following the consumption method.

### **Capital Assets**

Capital assets, which include land, construction in progress, buildings and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Road and sidewalks	10-50
Water and sewer distribution systems	10-100
Land improvements	15-20
Buildings and building improvements	7-46
Vehicles	3-15
Office furnishings	5-20
Other tools and equipment	2-40

#### **Compensated Absences**

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation, paid time off (PTO), and sick leave under formulas and conditions specified in the contracts. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets unless they are due and payable because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

#### **Net Position and Fund Balance Reporting**

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

The City has adopted a policy stating that the City, at a minimum, should maintain an unassigned fund balance in the general fund equal to 15 percent of general fund expenditures. At June 30, 2018 unassigned fund balance of the general fund was equal to 29 percent of general fund expenditures and transfers out.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### ***Net Position and Fund Balance Flow Assumptions***

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/fund balance and unrestricted – net position/fund balance, 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 use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### ***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as an other financing use. Issuance costs are reported as expenditures.

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has items that qualify for reporting in this category related to the net pension liability which are discussed in Note 6, and the net OPEB liability which is discussed in Note 8, and deferred charges from bond refundings which are amortized over the life of the refunding or refunded bonds, whichever is shorter.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has items which arises only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments and long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has items that qualify for reporting in this category related to the net pension liability which are discussed in Note 6, and the net OPEB liability which is discussed in Note 8

### ***Grants and Other Intergovernmental Revenues***

Grants and assistance awards made on the basis of entitlement periods are recorded as due from other governments and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.



# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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#### ***Property Taxes***

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before August 31. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the applicable county for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collect on behalf of other taxing units is accounted for in the agency funds. Property taxes levied in July of each year are recognized as revenue in the year in which they are levied.

#### ***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2018, the City carried commercial insurance to cover the risk of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. The City has not significantly reduced insurance coverage during the past year.

#### ***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Charges between enterprise funds and other functions of the City are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers

#### ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense; information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

## **2. DEFICIT NET POSITION**

At June 30, 2018, the City reported a deficit unrestricted net position in its governmental activities of \$2,732,645.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

#### 3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and pooled investments	\$13,447,098	\$ 921,858	\$ 114,983	\$14,483,939
Funds on deposit with MERS	-	-	1,281,388	1,281,388
Restricted cash and pooled investment	532,888	-	-	532,888
	<u>\$13,979,986</u>	<u>\$ 921,858</u>	<u>\$1,396,371</u>	<u>\$16,298,215</u>

The cash and investments making up the above balances are as follows:

Deposits	\$11,436,705
Pooled investment funds	4,860,809
Petty cash	701
	<u>\$16,298,215</u>

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$8,505,146 of the City's bank balance of \$11,762,677 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

#### Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
MBIA Class	N/A	\$2,559,755	AAAm	S&P
MERS total market portfolio	N/A	1,281,388	Unrated	
Kent County Pool	N/A	1,019,666	Unrated	
		<u>\$4,860,809</u>		

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

The City categorizes its fair value measurements of investments 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.

The City has the following recurring fair value measurements as of year-end.

- The City does not have any investments that report fair value using quoted market prices (Level 1 inputs).
- The MBIA Class, funds on deposit with MERS, and Kent County Pool investments are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

#### **Investment risk**

*Interest Rate Risk.* State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

At June 30, 2018, the balance of the Kent County Public Funds Investment Pool consisted of the following:

<u>Investment</u>	<u>Percentage of pool total</u>	<u>Maturity in years</u>
Government agency securities	18%	0-3
Certificates of deposits	67%	0-2
Deposits, money markets and other pools	15%	Not applicable

At June 30, 2018 the balance of the MBIA Michigan Class investment pool consisted of the following:

<u>Investment</u>	<u>Percentage of pool total</u>	<u>Maturity in years</u>
Commercial paper	91.51%	Not applicable
Collateralized bank deposits	1.67%	Not applicable
Money market funds	4.19%	Not applicable
Repurchase agreements	2.63%	Not applicable

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. For the above funds on deposit with MERS, Kent County public funds, and MBIA Class investments, the City's custodial credit risk exposure cannot be determined because the City's participation in the pools/funds do not consist of specifically identifiable securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

#### 4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2018, consisted of \$515,460 to the general obligation bond fund and \$25,000 to nonmajor governmental funds, totaling \$540,460, from the general fund.

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

#### 5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
<b>Governmental Activities</b>					
<b>Capital assets, not being depreciated</b>					
Land	\$ 1,738,397	\$ -	\$ 72,231	\$ -	\$ 1,810,628
Construction in progress	115,000	227,511		115,000	227,511
Total capital assets, not being depreciated	<u>1,853,397</u>	<u>227,511</u>	<u>\$ 72,231</u>	<u>115,000</u>	<u>2,038,139</u>
<b>Capital assets, being depreciated</b>					
Infrastructure	83,717,886	646,063	-	-	84,363,949
Land improvements	778,143	52,102	-	-	830,245
Buildings and improvements	9,716,745	12,584	(94,097)	-	9,635,232
Office furnishings and equipment	5,298,869	360,684	-	243,912	5,415,641
Total capital assets, being depreciated	<u>99,511,643</u>	<u>1,071,433</u>	<u>(94,097)</u>	<u>243,912</u>	<u>100,245,067</u>
Less accumulated depreciation for					
Infrastructure	75,380,718	795,110	-	-	76,175,828
Land improvements	485,280	35,096	-	-	520,376
Buildings and improvements	5,125,559	246,150	(31,366)	-	5,340,343
Office furnishings and equipment	4,330,094	250,063	-	214,348	4,365,809
Total accumulated depreciation	<u>85,321,651</u>	<u>1,326,419</u>	<u>(31,366)</u>	<u>214,348</u>	<u>86,402,356</u>
<b>Net capital assets, being depreciated</b>	<u>14,189,992</u>	<u>(254,986)</u>	<u>(62,731)</u>	<u>29,564</u>	<u>13,842,711</u>
<b>Governmental Activities capital assets, net</b>	<b><u>\$16,043,389</u></b>	<b><u>\$ (27,475)</u></b>	<b><u>\$ 9,500</u></b>	<b><u>\$144,564</u></b>	<b><u>\$15,880,850</u></b>

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>Business-type Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	925,907	783,810	909,557	800,160
Total capital assets, not being depreciated	940,907	783,810	909,557	815,160
<b>Capital assets being depreciated</b>				
Land improvements	31,676	-	-	31,676
Water and sewer distribution systems	46,292,330	955,575	-	47,247,905
Building and building improvements	7,643,896	15,632	-	7,659,528
Other tools and equipment	4,988,202	69,449	8,300	5,049,351
Total capital assets, being depreciated	58,956,104	1,040,656	8,300	59,988,460
Less accumulated depreciation for				
Land improvements	15,837	1,584	-	17,421
Water and sewer distribution systems	16,587,204	1,868,799	-	18,456,003
Building and building improvements	3,697,225	158,610	-	3,855,835
Other tools and equipment	3,874,155	161,041	8,300	4,026,896
Total accumulated depreciation	24,174,421	2,190,034	8,300	26,356,155
<b>Net capital assets, being depreciated</b>	34,781,683	(1,149,378)	-	33,632,305
<b>Business-type Activities capital assets, net</b>	<b>\$35,722,590</b>	<b>\$(365,568)</b>	<b>\$909,557</b>	<b>\$34,447,465</b>
<b>Component units</b>				
Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 264,567	\$ -	\$ -	\$ 264,567
Capital assets being depreciated				
Land improvements	4,603,486	-	-	4,603,486
Less accumulated depreciation for				
Land improvements	1,469,212	213,574	-	1,682,786
<b>Net capital assets, being depreciated</b>	3,134,274	(213,574)	-	2,920,700
<b>Component units capital assets, net</b>	<b>\$3,398,841</b>	<b>\$(213,574)</b>	<b>\$ -</b>	<b>\$3,185,267</b>

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

<b>Governmental Activities</b>	
General government	\$ 143,906
Judicial	116,313
Public safety	506,224
Public works	286,256
Culture and recreation	111,993
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	161,727
<b>Total depreciation expense - governmental activities</b>	<b>\$1,326,419</b>

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

<b>Business-type Activities</b>	
Sewer	\$1,815,054
Water	374,980
<b>Total depreciation expense - business- type activities</b>	<b>\$2,190,034</b>

#### 6. PENSION PLANS

##### Defined Contribution Plan

The City of Grandville provides pension benefits to substantially all of its full-time employees not participating in the defined benefit plan through a defined contribution plan administered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes 10% of eligible earnings for participating employees. Non-union, police sergeant, police rank and file, and public works employees are required to contribute at a rate of 4% while clean water employees are required to contribute at a rate of 5% as defined in the plan document which may be amended by the City Commission. Employee contributions plus investment earnings are fully vested after five years of service. In accordance with these requirements, the City contributed \$463,975 during the year ended June 30, 2018. In addition, employee contributions amounted to \$192,215 during the year ended June 30, 2018.

##### Defined Benefit Plan

###### *Plan Description*

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

###### *Benefits provided*

Benefits provided include plans with multipliers ranging from 2.25 to 2.5. Vesting period of 10 years. Normal retirement age is 60 with early retirement at 55 with 15 years of service. Final average compensation is calculated based on 3 years.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2017):

Active plan members	11
Inactive employees entitled but not yet receiving benefits	7
Inactive employees or beneficiaries currently receiving benefits	63
Total	81

\*This plan is closed to additional participants\*

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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#### **Contributions**

The City is required to contribute at an actuarially determined rate. For divisions closed to new employees the employer has monthly employer contributions amount of \$74,862. Participating employees are required to contribute from 0.00% to 4.24% percent of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

#### **Net Pension Liability**

The employer's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term

Investment rate of return: 7.75%, net of investment expense, including inflation

Mortality rates used were based on the RP-2014 Annuity Mortality Table with a 50% Male and 50% Female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	57.5%	6.27%	3.60%
Global Fixed Income	20.0%	3.43%	0.68%
Real Assets	12.5%	5.48%	0.69%
Diversifying Strategies	10.0%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			8.00%

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

Discount rate. The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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.

#### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2016	\$19,697,773	\$10,905,104	\$8,792,669
Changes for the year:			
Service cost	75,866	-	75,866
Interest	1,515,791	-	1,515,791
Change in benefits	-	-	-
Differences between expected and actual experience	(148,389)	-	(148,389)
Change in assumptions	-	-	-
Contributions: employer	-	880,938	(880,938)
Contributions: employee	-	16,256	(16,256)
Net investment income	-	1,408,445	(1,408,445)
Benefit payments, including refunds	(1,576,642)	(1,576,642)	-
Administrative expense	-	(22,357)	22,357
Other changes	-	-	-
Net Changes	(133,374)	706,640	(840,014)
Balance at December 31, 2017	\$19,564,399	\$11,611,744	\$7,952,655

#### Sensitivity of the Net Pension Liability to changes in the discount rate.

The following presents the net pension liability of the employer, calculated using the discount rate of 8%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (7%) or 1% higher (9%) than the current rate.

	Current		
	1% Decrease	Discount rate	1% increase
Total pension liability	\$21,335,568	\$19,564,399	\$18,029,216
Fiduciary net position	11,611,744	11,611,744	11,611,744
Net pension liability	\$ 9,723,824	\$ 7,952,655	\$ 6,417,472



# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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

For the year ended June 30, 2018 the City recognized pension expense of \$678,408. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Excess (deficit) investment returns	\$ -	\$189,813
Contributions subsequent to the measurement date*	449,172	-
<b>Total</b>	<b>\$449,172</b>	<b>\$189,813</b>

\* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2018.

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

2019	\$ 73,375
2020	32,522
2021	(182,888)
2022	(112,822)
Thereafter	-
<b>Total</b>	<b>\$(189,813)</b>

#### 7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2018:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
2015 Refunding Bonds, due in annual installments of \$345,000 to \$410,000 through 2024, plus interest at 2.00% to 4.00%	\$3,015,000	\$ -	\$350,000	\$2,665,000	\$360,000
2017 Refunding Bonds, due in annual installments of \$70,000 \$110,000 through 2032, plus interest at 3.00%	-	1,375,000	70,000	1,305,000	70,000
Unamortized premium	117,435	69,899	19,992	167,342	-
Compensated absences	630,641	50,675	-	681,316	-
<b>Total Governmental Activities</b>	<b>\$3,763,076</b>	<b>\$1,495,574</b>	<b>\$439,992</b>	<b>\$4,818,658</b>	<b>\$430,000</b>

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
2010 Sewage System Revenue Bonds, due in annual installments of \$25,000 to \$340,000 through 2035, plus interest at 2.25% to 4.25%	\$4,480,000	\$ -	\$ 180,000	\$4,300,000	\$ 190,000
Unamortized discount	(18,447)	-	(1,030)	(17,417)	-
Compensated absences	118,487	2,078	-	120,565	-
<b>Total Business-type Activities</b>	<b><u>\$4,580,040</u></b>	<b><u>\$ 2,078</u></b>	<b><u>\$ 178,970</u></b>	<b><u>\$4,403,148</u></b>	<b><u>\$ 190,000</u></b>
<b>Component Unit – Downtown Development Authority</b>					
2012 Tax increment revenue bonds, refunded during the year	\$1,490,000	\$ -	\$1,490,000	\$ -	\$ -
Long-term obligation to primary government to pay 2017 refunding bonds	-	1,375,000	70,000	1,305,000	70,000
	<b><u>\$1,490,000</u></b>	<b><u>\$1,375,000</u></b>	<b><u>\$1,560,000</u></b>	<b><u>\$1,305,000</u></b>	<b><u>\$70,000</u></b>

Compensated absences of governmental activities are generally liquidated with general fund resources.

During fiscal year 2018, the City issued its 2017 refunding bonds in the amount of \$1,375,000 to pay off outstanding 2012 tax increment revenue bonds. This transaction was undertaken to reduce total debt service payments by \$390,040, which resulted in an economic gain of \$312,582.

The DDA has committed to repay the City 2017 refunding bonds with funds from its future tax increments.

The City has pledged future sewer fund revenues, to repay \$4,300,000 in remaining sewer system revenue bonds issued in 2010. Proceeds from the bonds provided financing for sewer system improvements. The bonds are payable solely from sewer fund revenues and are payable through 2035. Annual principal and interest payments on the bonds totaled \$352,298 which amounted to approximately 7% percent of pledged revenues in 2018. Future pledged revenues are expected to exceed debt service requires with a specific coverage percentage being inestimable. The total principal and interest remaining to be paid on the bonds is approximately \$6,030,000. Current year principal and interest paid and pledged revenues were approximately \$352,000 and \$4,929,000, respectively.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

The annual requirements to amortize all debt outstanding (excluding unamortized premiums and discounts and compensated absences) as of June 30, 2018 are as follows:

Year Ending <u>June 30</u>	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 430,000	\$101,000	\$ 190,000	\$ 166,898
2020	440,000	91,650	195,000	160,960
2021	445,000	82,050	200,000	154,622
2022	460,000	72,300	205,000	148,122
2023	465,000	62,250	215,000	141,204
2024-2028	1,300,000	140,475	1,185,000	585,644
2029-2033	430,000	32,550	1,445,000	329,844
2034-2035	-	-	665,000	42,712
<b>Total</b>	<b>\$3,970,000</b>	<b>\$582,275</b>	<b>\$4,300,000</b>	<b>\$1,730,006</b>

#### 8. OTHER POST-EMPLOYMENT BENEFITS

##### ***Plan Description***

The City maintains a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 6, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance funded on a discretionary basis. The Plan is included as an other post-employment benefits trust fund in the City's financial statements; a stand-alone financial report of the Plan has not been issued.

##### ***Benefits provided***

The City includes pre-Medicare retirees in its insured healthcare plan and pays the monthly premium cost in effect at the date of retirement through the date of eligibility for Medicare. The participant must pay any balance for increases in premiums after the date of retirement. Benefit provisions are established through policy and available to all qualifying fulltime employees.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2018):

Active plan members	81
Retirees and beneficiaries receiving benefits	14
<b>Total</b>	<b>95</b>

##### ***Contributions***

The Plan was established and is being funded under the authority of the City Council. The Plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation. There are no long-term contracts for contributions to the Plan. The plan has no legally required reserves.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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#### **Net OPEB Liability**

The total OPEB liability in the June 30, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 2.5%

Investment rate of return: 7.75%

Healthcare cost trend rates: 8.0% in 2018 graded down .5% per year to an ultimate rate of 5%

20-year Aa municipal bond yield: 3.1%

Mortality rates used IRS 2017 annuitant and non-annuitant, sex distinct mortality tables

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on OPEB plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Global equity	55.5%	6.15%
Global fixed income	18.5	1.26
Real assets	13.5	7.22
Diversifying strategies	12.5	5.00

The sum of each target benefit times its long-term expected real rate is 5.25%. The long-term expected rate of return is 7.75% with 2.5% inflation.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 4.44%. For projected benefits that are expected to be covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. As of June 30, 2017, the discount rate used to value OPEB liabilities was 4.93%.

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2017	\$4,021,713	\$1,191,747	\$2,829,966
Changes for the Year:			
Service cost	251,510	-	251,510
Interest	207,102	-	207,102
Change in benefits	-	-	-
Differences between expected and actual experience	(58,616)	-	(58,616)
Change in assumptions	147,356	-	147,356
Contributions: employer	-	-	-
Contributions: employee	-	144,701	(144,701)
Net investment Income	-	92,646	(92,646)
Benefit payments, including refunds	(144,701)	(144,701)	-
Administrative expense	-	(3,008)	3,008
Other changes	-	-	-
Net changes	402,651	89,638	313,013
Balance at June 30, 2018	\$4,424,364	\$1,281,385	\$3,142,979

**Sensitivity of the Net OPEB Liability to changes in the discount rate.**

The following presents the net OPEB liability of the employer, calculated using the discount rate of 4.44%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current discount rate	1% Increase
Total OPEB liability	\$4,738,745	\$4,424,364	\$4,128,397
Fiduciary net position	1,281,385	1,281,385	1,281,385
Net OPEB liability	\$3,457,360	\$3,142,979	\$2,847,012
Plan fiduciary position as a percentage of the total OPEB liability	29.0%		

**Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.**

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 8.0%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current healthcare cost trend rate	1% Increase
Total OPEB liability	\$4,007,243	\$4,424,364	\$4,912,580
Fiduciary net position	1,281,385	1,281,385	1,281,385
Net OBEB liability	\$2,725,858	\$3,142,979	\$3,631,195

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

#### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plan**

For the year ended June 30, 2018 the employer recognized OPEB expense of \$540,128. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences in experience	\$ 373,088	\$ 53,657
Changes in assumptions	1,500,953	-
Excess(deficit) investment returns	-	54,984
	<b>\$1,874,041</b>	<b>\$108,641</b>

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

2018	\$ 161,825
2019	161,825
2020	161,824
2021	177,666
2022	179,531
Thereafter	922,729
Total	<b>\$1,765,400</b>

#### **9. CONSTRUCTION CODE FEES**

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

Cumulative surplus – July 1, 2017	\$ 60,634
Current year building permit revenues	336,650
Related Expenses	
Direct costs	340,174
Indirect Costs	8,870
Total construction code expenses	349,044
Cumulative surplus – June 30, 2018	<b>\$ 48,240</b>

# CITY OF GRANDVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### 10. CONTINGENCY

In the normal course of its operations, the City has become a party in various legal actions. The City has also become a party in various property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses, if any, related to legal actions are undetermined and have not been included as a liability in the financial statements.

### 11. COMMITMENTS

At year-end, the City had outstanding commitments of approximately \$1,050,000 related to various construction projects.

### 12. TAX ABATEMENTS

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Tax Exemption (IFTE) certificate entitles the facility to a partial exemption from ad valorem real and/or personal property taxes for a term of 12 years for real property and 6 years for personal property as determined by the local unit of government. The IFTE is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement cease operations and no successor employer is providing employment during the term of the abatement.

For the year ended June 30, 2018 the City abated property tax revenues of approximately \$34,000.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF GRANDVILLE**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 6,362,774	\$ 6,470,774	\$ 6,488,393	\$ 17,619
Intergovernmental revenues				
State	1,317,550	1,317,550	1,393,276	75,726
Licenses and permits	33,500	56,000	61,277	5,277
Charges for services	1,055,162	1,034,162	1,079,124	44,962
Fines	308,800	278,800	316,175	37,375
Investment earnings	26,500	46,500	56,854	10,354
Miscellaneous	151,285	239,785	128,375	(111,410)
<b>Total revenues</b>	<u>9,255,571</u>	<u>9,443,571</u>	<u>9,555,041</u>	<u>111,470</u>
<b>Expenditures</b>				
Current				
General government	1,480,422	1,453,922	1,382,323	71,599
Judicial	1,146,869	1,146,869	1,106,063	40,806
Public safety	4,908,713	4,915,713	4,754,853	160,860
Public works	584,653	776,653	737,118	39,535
Culture and recreator	992,507	1,106,507	983,476	123,031
<b>Total expenditures</b>	<u>9,113,164</u>	<u>9,399,664</u>	<u>8,963,833</u>	<u>435,831</u>
<b>Revenues over (under) expenditures</b>	142,407	43,907	591,208	547,301
Other financing sources (uses)				
Transfers out	(444,750)	(540,750)	(540,460)	290
Net changes in fund balance	(302,343)	(496,843)	50,748	547,591
<b>Fund balance, beginning of year</b>	<u>3,633,074</u>	<u>3,633,074</u>	<u>3,633,074</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 3,330,731</u>	<u>\$ 3,136,231</u>	<u>\$ 3,683,822</u>	<u>\$ 547,591</u>

**CITY OF GRANDVILLE**

**MAJOR STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 50,567	\$ 50,567	\$ 50,802	\$ 235
Intergovernmental revenues				
State	1,139,697	1,139,697	1,170,742	31,045
Investment earnings	<u>3,000</u>	<u>3,000</u>	<u>9,606</u>	<u>6,606</u>
<b>Total revenues</b>	1,193,264	1,193,264	1,231,150	37,886
<b>Expenditures</b>				
Current				
Public works	<u>1,536,500</u>	<u>1,282,500</u>	<u>949,917</u>	<u>332,583</u>
Net changes in fund balance	(343,236)	(89,236)	281,233	370,469
<b>Fund balance, beginning of year</b>	<u>868,453</u>	<u>868,453</u>	<u>868,453</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 525,217</u>	<u>\$ 779,217</u>	<u>\$ 1,149,686</u>	<u>\$ 370,469</u>

**CITY OF GRANDVILLE**

**LOCAL STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 562,267	\$ 562,267	\$ 564,876	\$ 2,609
Intergovernmental revenues				
State	389,283	389,283	509,391	120,108
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>7,112</u>	<u>5,112</u>
<b>Total revenues</b>	953,550	953,550	1,081,379	127,829
<b>Expenditures</b>				
Current				
Public works	<u>1,055,052</u>	<u>1,260,552</u>	<u>1,121,613</u>	<u>138,939</u>
Net changes in fund balance	(101,502)	(307,002)	(40,234)	266,768
<b>Fund balance, beginning of year</b>	<u>295,029</u>	<u>295,029</u>	<u>295,029</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 193,527</u>	<u>\$ (11,973)</u>	<u>\$ 254,795</u>	<u>\$ 266,768</u>

**CITY OF GRANDVILLE**

**DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION  
LIABILITY AND RELATED RATIOS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Total pension liability</b>				
Service cost	\$ 77,171	\$ 80,268	\$ 82,506	\$ 75,866
Interest	1,468,963	1,476,837	1,513,938	1,515,791
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	-	164,446	(30,639)	(148,389)
Changes in assumptions	-	808,006	-	-
Benefit payments including employee refunds	(1,391,493)	(1,512,979)	(1,502,019)	(1,576,642)
Other	-	-	-	-
<b>Net change in total pension liability</b>	<u>154,641</u>	<u>1,016,578</u>	<u>63,786</u>	<u>(133,374)</u>
<b>Total pension liability, beginning of year</b>	<u>18,462,768</u>	<u>18,617,409</u>	<u>19,633,987</u>	<u>19,697,773</u>
<b>Total pension liability, end of year</b>	<u>\$ 18,617,409</u>	<u>\$ 19,633,987</u>	<u>\$ 19,697,773</u>	<u>\$ 19,564,399</u>
<b>Plan Fiduciary Net Position</b>				
Contributions-employer	\$ 555,936	\$ 613,908	\$ 784,728	\$ 880,938
Contributions-employee	21,478	16,518	16,962	16,256
Net investment income	722,739	(162,504)	1,158,952	1,408,445
Benefit payments including employee refunds	(1,391,493)	(1,512,979)	(1,502,019)	(1,576,642)
Administrative expense	(26,381)	(24,459)	(22,916)	(22,357)
<b>Net change in plan fiduciary net position</b>	<u>(117,721)</u>	<u>(1,069,516)</u>	<u>435,707</u>	<u>706,640</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>11,656,634</u>	<u>11,538,913</u>	<u>10,469,397</u>	<u>10,905,104</u>
<b>Plan fiduciary net position, end of year</b>	<u>\$ 11,538,913</u>	<u>\$ 10,469,397</u>	<u>\$ 10,905,104</u>	<u>\$ 11,611,744</u>
<b>Employer net pension liability</b>	<u>\$ 7,078,496</u>	<u>\$ 9,164,590</u>	<u>\$ 8,792,669</u>	<u>\$ 7,952,655</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	62%	53%	55%	59%
<b>Covered employee payroll</b>	\$ 787,329	\$ 819,146	\$ 845,600	\$ 778,623
<b>Employer's net pension liability as a percentage of covered employee payroll</b>	899%	1119%	1040%	1021%

**CITY OF GRANDVILLE**

**DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarial determined contributions	\$ 521,892	\$ 705,924	\$ 863,532	\$ 898,344
Contributions in relation to the actuarially determined contribution	<u>521,892</u>	<u>705,924</u>	<u>863,532</u>	<u>898,344</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 787,329	\$ 819,146	\$ 845,600	\$ 778,623
Contributions as a percentage of covered employee payroll	66%	86%	102%	115%

**Notes to schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed (10 years for 2014)
Inflation	2.5% (3-4% for 2014)
Salary increases	3.75% (4.5 for 2014)
Investment rate of return	7.75% (8.00 for 2014)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

# CITY OF GRANDVILLE

## OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB LIABILITY AND RELATED RATIOS

**FOR THE YEAR ENDED JUNE 30, 2018**

	2017	2018
<b>Total OPEB liability</b>		
Service cost	\$ 141,255	\$ 251,510
Interest	101,060	207,102
Changes in benefit terms	-	-
Difference between expected and actual experience	446,894	(58,616)
Changes in assumptions	1,636,304	147,356
Benefit payments including employee refunds	(183,447)	(144,701)
Other	-	-
<b>Net change in total OPEB liability</b>	2,142,066	402,651
<b>Total OPEB liability, beginning of year</b>	1,879,647	4,021,713
<b>Total OPEB liability, end of year</b>	\$ 4,021,713	\$ 4,424,364
 <b>Plan Fiduciary Net Position</b>		
Contributions-employer	\$ 175,000	\$ 127,000
Contributions-employee	8,447	17,701
Net investment income	137,273	92,646
Benefit payments including employee refunds	(183,447)	(144,701)
Administrative expense	(2,770)	(3,008)
Other	-	-
<b>Net change in plan fiduciary net position</b>	134,503	89,638
<b>Plan fiduciary net position, beginning of year</b>	1,057,244	1,191,747
<b>Plan fiduciary net position, end of year</b>	\$ 1,191,747	\$ 1,281,385
 <b>Employer net OPEB liability</b>	\$ 2,829,966	\$ 3,142,979
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	29.6%	29.0%
 <b>Covered employee payroll</b>	\$ 5,203,932	\$ 5,449,832
 <b>Employer's net OPEB liability as a percentage of covered employee payroll</b>	54.4%	57.7%

# CITY OF GRANDVILLE

## **OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	2017	2018
Actuarial determined contributions	\$ 401,525	\$ 428,908
Contributions in relation to the actuarially determined contribution	183,447	144,701
Contribution excess (deficiency)	\$ (218,078)	\$ (284,207)
 Covered employee payroll	 \$ 5,203,932	 \$ 5,449,832
 Contributions as a percentage of covered employee payroll	 3.5%	 2.7%

**Notes to schedule**

Actuarial cost method	Entry Age Normal (level percent)
Amortization method	Level percent, closed
Remaining amortization period	15 years (average future service)
Asset valuation method	Market value
Inflation	2.49%
Salary increases	2.50%
Investment rate of return	7.00%
20-year Aa Municipal bond yield	3.10%
Healthcare cost trend rates	8.0% for 2018 graded down .5% annually to rate of 5.0%
Retirement age	Varies depending on plan adoption
Mortality	IRS 2017 annuitant/non-annuitant mortality

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Basis of Accounting**

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Pension and OPEB data**

The data presented on the schedule of changes in employers net pension liability schedule is based on a December 31 measurement date.

The data presented on the schedule of changes in employers net OPEB liability schedule is based on a June 30 measurement date.

The pension and OPEB schedules are being accumulated prospectively until 10 years of information is presented.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**CITY OF GRANDVILLE**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL DETAIL**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Taxes				
Property taxes	\$ 6,362,774	\$ 6,470,774	\$ 6,488,393	\$ 17,619
Intergovernmental revenues				
Federal	-	-	31,567	31,567
State	1,317,550	1,317,550	1,393,276	75,726
Licenses and permits	33,500	56,000	61,277	5,277
Charges for services	1,055,162	1,034,162	1,079,124	44,962
Fines	308,800	278,800	316,175	37,375
Investment earnings	26,500	46,500	56,854	10,354
Miscellaneous	151,285	239,785	128,375	(111,410)
<b>Total revenues</b>	<u>9,255,571</u>	<u>9,443,571</u>	<u>9,555,041</u>	<u>111,470</u>
<b>Expenditures</b>				
Current				
General government				
Legislative	62,254	65,254	63,656	1,598
City Manager	198,078	193,078	189,886	3,192
Elections	66,029	56,029	48,453	7,576
Attorney	270,000	270,000	268,378	1,622
Assessor	203,633	177,633	162,054	15,579
Clerk	159,631	159,631	148,056	11,575
Treasurer	186,783	186,783	169,919	16,864
General office	244,014	255,514	241,921	13,593
Retiree healthcare premiums	90,000	90,000	90,000	-
	<u>1,480,422</u>	<u>1,453,922</u>	<u>1,382,323</u>	<u>71,599</u>
Judicial				
District Court	724,113	724,113	693,551	30,562
Probation	373,669	373,669	367,742	5,927
Shared costs	49,087	49,087	44,770	4,317
	<u>1,146,869</u>	<u>1,146,869</u>	<u>1,106,063</u>	<u>40,806</u>
Public safety				
Police	3,701,374	3,701,374	3,565,676	135,698
Fire	1,197,639	1,204,639	1,179,805	24,834
Narcotics enforcement	9,700	9,700	9,372	328
	<u>4,908,713</u>	<u>4,915,713</u>	<u>4,754,853</u>	<u>160,860</u>
Public works				
Highways, streets and bridges	232,550	232,550	236,777	(4,227)
Sidewalks	23,925	28,925	26,464	2,461
Parking lots	89,509	89,509	81,399	8,110
Cemetery	221,469	406,469	376,499	29,970
Sanitation and other	17,200	19,200	15,979	3,221
	<u>584,653</u>	<u>776,653</u>	<u>737,118</u>	<u>39,535</u>

(continued)

**CITY OF GRANDVILLE**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL DETAIL**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Culture and recreation				
Parks	\$ 450,965	\$ 450,965	\$ 414,171	\$ 36,794
Library	138,285	138,285	133,430	4,855
Special projects	195,800	295,800	240,729	55,071
Planning and zoning	52,629	66,629	63,155	3,474
Other	154,828	154,828	131,991	22,837
	<u>992,507</u>	<u>1,106,507</u>	<u>983,476</u>	<u>123,031</u>
<b>Total expenditures</b>	<u>9,113,164</u>	<u>9,399,664</u>	<u>8,963,833</u>	<u>435,831</u>
Revenues over (under) expenditures	<u>142,407</u>	<u>43,907</u>	<u>591,208</u>	<u>547,301</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(444,750)</u>	<u>(540,750)</u>	<u>(540,460)</u>	<u>290</u>
Net changes in fund balances	<u>(302,343)</u>	<u>(496,843)</u>	<u>50,748</u>	<u>547,591</u>
<b>Fund balances, beginning of year</b>	<u>3,633,074</u>	<u>3,633,074</u>	<u>3,633,074</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 3,330,731</u>	<u>\$ 3,136,231</u>	<u>\$ 3,683,822</u>	<u>\$ 547,591</u>

(concluded)

**CITY OF GRANDVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

JUNE 30, 2018

	<b>Special Revenue</b>		
	<b>Revolving</b>	<b>Storm Sewer Trunkage</b>	<b>Total</b>
<b>Assets</b>			
Cash and pooled investments	\$ -	\$ 13,965	\$ 13,965
Accounts receivable	-	48	48
Special assessments receivable	61,055	-	61,055
<b>Total assets</b>	<b>\$ 61,055</b>	<b>\$ 14,013</b>	<b>\$ 75,068</b>
<b>Liabilities, deferred inflows and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 1,143	\$ 1,143
Accrued liabilities	-	599	599
<b>Total liabilities</b>	-	1,742	1,742
<b>Deferred inflows of resources</b>			
Unavailable revenue	61,055	-	61,055
<b>Fund balances</b>			
Committed			
Capital projects	-	12,271	12,271
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 61,055</b>	<b>\$ 14,013</b>	<b>\$ 75,068</b>

**CITY OF GRANDVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Special Revenue</u>		
	<u>Revolving</u>	<u>Storm Sewer Trunkage</u>	<u>Total</u>
<b>Revenues</b>			
Charges for services	\$ -	\$ 7,520	\$ 7,520
Investment earnings	-	135	135
<b>Total revenues</b>	-	7,655	7,655
<b>Expenditures</b>			
Current			
Public works	-	46,973	46,973
Revenues over (under) expenditures	-	(39,318)	(39,318)
Other financing sources (uses)			
Transfers in	-	25,000	25,000
Net changes in fund balances	-	(14,318)	(14,318)
<b>Fund balances, beginning of year</b>	-	26,589	26,589
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 12,271</u>	<u>\$ 12,271</u>

**CITY OF GRANDVILLE**

**STORM SEWER TRUNKAGE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 2,000	\$ 2,000	\$ 7,520	\$ 5,520
Investment earnings	100	100	135	35
<b>Total revenues</b>	<u>2,100</u>	<u>2,100</u>	<u>7,655</u>	<u>5,555</u>
<b>Expenditures</b>				
Current				
Public works	<u>50,211</u>	<u>53,211</u>	<u>46,973</u>	<u>6,238</u>
Revenues over (under) expenditures	(48,111)	(51,111)	(39,318)	11,793
Other financing sources (uses)				
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net changes in fund balance	(23,111)	(26,111)	(14,318)	11,793
<b>Fund balance, beginning of year</b>	<u>26,589</u>	<u>26,589</u>	<u>26,589</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 3,478</u>	<u>\$ 478</u>	<u>\$ 12,271</u>	<u>\$ 11,793</u>

**CITY OF GRANDVILLE**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**JUNE 30, 2018**

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	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 2,305	\$ 104,530	\$ 106,835
	<u>\$ 2,305</u>	<u>\$ 104,530</u>	<u>\$ 106,835</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 2,305	\$ -	\$ 2,305
Deposits	<u>-</u>	<u>104,530</u>	<u>104,530</u>
	<u>\$ 2,305</u>	<u>\$ 104,530</u>	<u>\$ 106,835</u>
<b>Total liabilities</b>			

**CITY OF GRANDVILLE**

**DOWNTOWN DEVELOPMENT AUTHORITY  
BALANCE SHEET/STATEMENT OF NET POSITION**

**JUNE 30, 2018**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>			
Cash and pooled investments	\$ 921,858	\$ -	\$ 921,858
Accounts receivable	7,336	-	7,336
Capital assets			
Land	-	264,567	264,567
Depreciable capital assets, net	-	2,920,700	2,920,700
<b>Total assets</b>	<u>\$ 929,194</u>	<u>3,185,267</u>	<u>4,114,461</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 10,832	-	10,832
Accrued liabilities	5,061	-	5,061
Long-term due to primary government	-	1,305,000	1,305,000
<b>Total liabilities</b>	<u>15,893</u>	<u>1,305,000</u>	<u>1,320,893</u>
<b>Fund balances</b>			
Unassigned	<u>913,301</u>	<u>(913,301)</u>	
<b>Total fund balance</b>	<u>913,301</u>	<u>(913,301)</u>	
<b>Total liabilities and fund balances</b>	<u>\$ 929,194</u>		
<b>Net position</b>			
Net investment in capital assets			1,880,267
Unrestricted			<u>913,301</u>
<b>Total net position</b>		<u>\$ 2,793,568</u>	<u>\$ 2,793,568</u>
<b>Reconciliation of fund balances to net position</b>			
<b>Fund balance of the governmental fund</b>			\$ 913,301
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund.			
Add - land			264,567
Add - capital assets (net of accumulated depreciation)			2,920,700
Certain liabilities are not due and payable in the current period and therefore are not reported in the fund.			
Deduct - long-term due to primary government			<u>(1,305,000)</u>
<b>Net position of governmental activities</b>			<u>\$ 2,793,568</u>



**CITY OF GRANDVILLE**

**DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE/STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Taxes	\$ 270,810	\$ -	\$ 270,810
Investment earnings	12,807	-	12,807
Miscellaneous	49,740	-	49,740
<b>Total revenues</b>	<u>333,357</u>	<u>-</u>	<u>333,357</u>
<b>Expenditures/expenses</b>			
Salaries	74,100	-	74,100
Administration	22,455	-	22,455
Operations	177,470	24,805	202,275
Depreciation	-	213,574	213,574
Debt service payment to primary government	96,010	(70,000)	26,010
Bond costs	71,682	-	71,682
<b>Total expenditures/expenses</b>	<u>441,717</u>	<u>168,379</u>	<u>610,096</u>
Revenues over (under) expenditures/expenses:	<u>(108,360)</u>	<u>168,379</u>	<u>(276,739)</u>
Other financing sources (uses)			
Refunding paid to escrow	(1,528,714)	1,528,714	-
Proceeds of loan from primary government	1,443,896	(1,375,000)	68,896
<b>Total other financing sources (uses)</b>	<u>(84,818)</u>	<u>153,714</u>	<u>68,896</u>
Net changes in fund balance	(193,178)	193,178	
Change in net position		(361,557)	(207,843)
<b>Fund balance/net position, beginning of year</b>	<u>1,106,479</u>		<u>3,001,411</u>
<b>Fund balance/net position, end of year</b>	<u>\$ 913,301</u>		<u>\$ 2,793,568</u>
<b>Reconciliation of changes in fund balance to change in net position</b>			
<b>Net changes in fund balance of governmental fund</b>			\$ (193,178)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.			
Deduct - depreciation expense			(213,574)
Repayment of bond or note principal is an expenditure in the governmental fund, but the repayment reduces the long-term liabilities in the statement of net position.			
Deduct - premium and other bond costs			153,714
Add - principal payments on payment to primary government			70,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the fund.			
Deduct bond costs			(24,805)
<b>Change in net position of governmental activities</b>			<u>\$ (207,843)</u>

## **INTERNAL CONTROL AND COMPLIANCE**



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

October 30, 2018

Honorable Mayor and Members of the City Council  
City of Grandville, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grandville, Michigan, (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2018.

#### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

*Orlando Haefner LLC*