



CITY OF GRANDVILLE, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF GRANDVILLE

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INDEPENDENT AUDITORS' REPORT

October 23, 2019

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, 2019, 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, 2019, 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 48 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 23, 2019, 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 the effectiveness of 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.

Urodeuxold 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, 2019.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2018-2019 fiscal year as follows:

- General Fund revenue exceeded expenditures by \$636,632.
- Completed the Kayak Launch Project - \$229,866.
- Paved three City owned parking lots - \$86,219.
- Street paving completed - \$793,091.
- Completed the Ultraviolet Disinfection Project at the Clean Water Plant - \$681,090.
- Updated the Antigo Lift Station - \$249,735.

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, major 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 \$49,658,322 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>	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 8,800,143	\$ 6,351,657	\$11,581,160	\$10,470,715	\$20,381,303	\$16,822,372
Long-term assets	16,043,494	17,185,850	33,484,373	34,447,465	49,527,867	51,633,315
Total assets	24,843,637	23,537,507	45,065,533	44,918,180	69,909,170	68,455,687
Deferred outflows of resources	2,219,016	1,748,159	695,923	653,270	2,914,939	2,401,429
Liabilities						
Current liabilities	1,731,856	1,064,945	633,753	1,101,891	2,365,609	2,166,836
Long-term liabilities	13,924,008	13,560,993	6,691,793	6,763,647	20,615,801	20,324,640
Total liabilities	15,655,864	14,625,938	7,325,546	7,865,538	22,981,410	22,491,476
Deferred inflows of resources	127,219	244,384	57,158	54,070	184,377	298,454
Net position						
Net investment in capital assets	12,358,828	11,743,508	29,390,760	30,164,882	41,749,588	41,908,390
Restricted	1,119,705	1,404,481	532,888	532,888	1,652,593	1,937,369
Unrestricted (deficit)	(2,198,963)	(2,732,645)	8,455,104	6,954,072	6,256,141	4,221,427
Total net position	\$11,279,570	\$10,415,344	\$38,378,752	\$37,651,842	\$49,658,322	\$48,067,186

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 \$41,749,588 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 \$1,652,593 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, 2019, was \$21,558,064 while total cost of all programs and services was \$19,966,928. This resulted in an increase in net position of \$1,591,136. 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>	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 1,367,180	\$ 1,406,074	\$8,260,959	\$7,567,964	\$ 9,628,139	\$ 8,974,038
Operating grants and contributions	2,106,424	1,819,161	-	-	2,106,424	1,819,161
Capital grants and contributions	109,779	31,567	-	-	109,779	31,567
General revenues (expenses)						
Property taxes	7,929,473	7,104,071	-	-	7,929,473	7,104,071
State shared revenues	1,381,843	1,323,925	-	-	1,381,843	1,323,925
Other general revenues	3,317	20,710	4,011	5,533	7,328	26,243
Investment earnings	177,472	73,707	217,606	84,943	395,078	158,650
Refunding bond proceeds transferred	-	(68,896)	-	-	-	(68,896)
Total revenues	13,075,488	11,710,319	8,482,576	7,658,440	21,558,064	19,368,759

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Expenses						
General government	\$ 1,456,624	\$ 1,372,000	\$ -	\$ -	\$ 1,456,624	\$ 1,372,000
Judicial	1,199,167	1,145,210	-	-	1,199,167	1,145,210
Public safety	5,024,781	4,966,365	-	-	5,024,781	4,966,365
Public works	3,386,430	2,790,250	-	-	3,386,430	2,790,250
Culture and recreation	1,056,312	1,160,612	-	-	1,056,312	1,160,612
Interest on long-term debt	87,948	91,500	-	-	87,948	91,500
Sewer	-	-	5,558,081	5,442,960	5,558,081	5,442,960
Water	-	-	2,197,585	2,192,105	2,197,585	2,192,105
Total expenses	12,211,262	11,525,937	7,755,666	7,635,065	19,966,928	19,161,002
Increase (decrease) in net position	864,226	184,382	726,910	23,375	1,591,136	207,757
Net position – beginning	10,415,344	10,230,962	37,651,842	37,628,467	48,067,186	47,859,429
Net position – ending	\$11,279,570	\$10,415,344	\$38,378,752	\$37,651,842	\$49,658,322	\$48,067,186

Governmental Activities The preceding table shows that the governmental activities increased the City's net position by \$864,226 during this fiscal year. The increase is primarily the result of additional state revenue as well as an additional millage for property taxes. The increase in operating grants and contributions is due to an increase in State road funding of approximately \$200,000. Also, there is a new State requirement to provide Indigent Defense during arraignment; the increased cost of approximately \$80,000 was paid through State grant funding.

Business-type Activities Business-type activities increased the City's net position by \$726,910 during the year. The increase is primarily due to sewer hookup fees of approximately \$500,000 and a slight increase in water commodity and ready-to-serve charges.

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 \$5,470,627, an increase of \$369,050 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 completed after the end of the 2018-2019 fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, nonspendable fund balance of \$125,537 relates to prepaid assets and inventory. Amounts restricted by outside sources total \$227,560 and amounts committed and assigned for various purposes totals \$906,395. Unassigned fund balance represents \$3,060,962 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 31.2% 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 decreased by \$304,569 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.

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 \$10,434,256 which is 100.2% of the amended budgeted amount for the fiscal year. General fund expenditures and transfers were \$9,797,624, which is 94.0% of the amended budget amount.

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

- Property tax revenue increased approximately \$50,000.
- Local Community Stabilization Fund Revenue (personal property tax reimbursement from the State of Michigan) increased by approximately \$165,000.
- Police Department budget was lowered by approximately \$200,000 due to unfilled budgeted positions.
- Parking Lot Maintenance increased by \$30,000 due to unbudgeted paving of downtown parking lot.
- Special Project Fund Contractual Service increased by \$260,000 due to completion of the Kayak Launch and Library Fundraising Campaign costs.
- Major Street Fund winter maintenance budget increased by \$84,000 due to the icy winter.
- Local Street Fund construction increase by \$110,000 due to carryover construction projects from the 2017-2018 fiscal year.

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, 2019, amounted to \$49,527,867 (net of accumulated depreciation).

Capital Assets		
	Governmental Activities	Business Type Activities
Land	\$ 1,995,881	\$ 15,000
Construction in progress	270,585	1,035,148
Buildings, equipment, infrastructure, and land improvements	13,777,028	32,434,225
Total	\$16,043,494	\$33,484,373

Current year additions consist of parking lot paving, cemetery land and site improvement for expansion, kayak launch, portions of two major streets paved, 11 local streets paved, Clean Water Plant ultraviolet disinfection system, Antigo lift station Improvements, 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 \$7,650,000. Of this amount, \$3,540,000 was for governmental activities while \$4,110,000 was for business-type activities.

Debt		
	Governmental Activities	Business Type Activities
Accrued employee benefits	\$ 724,568	\$ 86,080
Bonds payable	3,540,000	4,110,000
Unamortized premium (discount)	144,666	(16,387)
Total	\$4,409,234	\$4,179,693

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 2019-20 fiscal year:

- Millage rate remain unchanged at 11.05 mills
- General fund revenue budget increase of 5.1%.
- General fund expenditure budget increase of 4.2%.
- Pension funding increase of \$90,000 – total contribution of approximately \$1.1 million.
- Additional administrative firefighter position.
- Additional police school liaison position.
- Fire Department purchase of mini pumper - \$250,000
- Police/Court building roof repair - \$100,000
- Library fundraising/expansion Project - \$450,000
- Street paving - \$950,000
- Clean Water Plant solids handling/methane gas project - \$8,000,000
- Completion of Ivanrest water main project - \$150,000
- Water main replacement on three local streets - \$230,000
- Water tank exterior painting - \$300,000

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, 2019

	<u>Primary Government</u>			<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>		
Assets					
Cash and pooled investments	\$ 6,652,925	\$ 9,201,287	\$ 15,854,212	\$ 934,292	\$ -
Accounts receivable	172,386	1,315,991	1,488,377	9,585	-
Due from other governments	539,168	504,992	1,044,160	-	-
Special assessments receivable	61,055	-	61,055	-	-
Long-term due from component unit	1,235,000	-	1,235,000	-	-
Prepaid items	94,720	26,002	120,722	915	-
Inventory	44,889	-	44,889	-	-
Restricted cash and pooled investments	-	532,888	532,888	-	-
Capital assets					
Land	1,995,881	15,000	2,010,881	264,567	-
Construction in progress	270,585	1,035,148	1,305,733	-	-
Depreciable capital assets, net	<u>13,777,028</u>	<u>32,434,225</u>	<u>46,211,253</u>	<u>2,716,972</u>	<u>-</u>
Total assets	<u>24,843,637</u>	<u>45,065,533</u>	<u>69,909,170</u>	<u>3,926,331</u>	<u>-</u>
Deferred outflows of resources					
Deferred charge on refunding	67,042	-	67,042	-	-
Deferred outflows related to pensions	1,099,640	223,135	1,322,775	-	-
Deferred outflows related to other post-employment benefits	<u>1,052,334</u>	<u>472,788</u>	<u>1,525,122</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>2,219,016</u>	<u>695,923</u>	<u>2,914,939</u>	<u>-</u>	<u>-</u>
Liabilities					
Accounts payable	1,368,800	508,150	1,876,950	35,377	-
Accrued liabilities	347,173	98,776	445,949	7,097	-
Accrued interest payable	15,883	26,827	42,710	6,175	-
Noncurrent liabilities					
Accrued compensated absences	724,568	86,080	810,648	-	-
Net other post-employment benefits liability	2,176,401	977,802	3,154,203	-	-
Net pension liability	7,338,373	1,534,298	8,872,671	-	-
Bond premium (discount)	144,666	(16,387)	128,279	-	-
Long-term due to primary government	-	-	-	1,235,000	-
Due within one year	440,000	195,000	635,000	-	-
Due in more than one year	<u>3,100,000</u>	<u>3,915,000</u>	<u>7,015,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>15,655,864</u>	<u>7,325,546</u>	<u>22,981,410</u>	<u>1,283,649</u>	<u>-</u>
Deferred inflows of resources					
Deferred inflows related to other post-employment benefits	<u>127,219</u>	<u>57,158</u>	<u>184,377</u>	<u>-</u>	<u>-</u>
Net position					
Net investment in capital assets	12,358,828	29,390,760	41,749,588	1,746,539	-
Restricted for					
Debt service	-	532,888	532,888	-	-
Judicial	77,458	-	77,458	-	-
Streets	931,907	-	931,907	-	-
Capital projects	110,340	-	110,340	-	-
Unrestricted (deficit)	<u>(2,198,963)</u>	<u>8,455,104</u>	<u>6,256,141</u>	<u>896,143</u>	<u>-</u>
Total net position	<u>\$ 11,279,570</u>	<u>\$ 38,378,752</u>	<u>\$ 49,658,322</u>	<u>\$ 2,642,682</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, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
General government	\$ 1,456,624	\$ 363,287	\$ (23)	\$ -
Judicial	1,199,167	572,088	129,243	-
Public safety	5,024,781	262,922	47,424	-
Public works	3,386,430	88,187	1,929,780	-
Culture and recreation	1,056,312	80,696	-	109,779
Interest on long-term debt	87,948	-	-	-
Total governmental activities	<u>12,211,262</u>	<u>1,367,180</u>	<u>2,106,424</u>	<u>109,779</u>
Business-type activities				
Sewer	5,558,081	5,421,994	-	-
Water	2,197,585	2,838,965	-	-
Total business-type activities	<u>7,755,666</u>	<u>8,260,959</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 19,966,928</u>	<u>\$ 9,628,139</u>	<u>\$ 2,106,424</u>	<u>\$ 109,779</u>
Component Units				
Downtown Development Authority	\$ 601,742	\$ 19,895	\$ 34,100	\$ -
Brownfield Redevelopment Authority	19,159	-	-	-
Total component units	<u>\$ 620,901</u>	<u>\$ 19,895</u>	<u>\$ 34,100</u>	<u>\$ -</u>

(Continued)

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

CITY OF GRANDVILLE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	Primary Government			Downtown Development Authority	Brownfield Redevelopment Authority
	Governmental Activities	Business-type Activities	Total		
Changes in net position					
Net (expense) revenue	\$ (8,627,879)	\$ 505,293	\$ (8,122,586)	\$ (547,747)	\$ (19,159)
General revenues					
Property taxes	7,929,473	-	7,929,473	372,347	19,159
State shared revenues	1,381,843	-	1,381,843		-
Unrestricted investment earnings	177,472	217,606	395,078	24,514	-
Other general revenues	3,317	4,011	7,328	-	-
Bond proceeds to component unit	-	-	-	-	-
Total general revenues and transfers	9,492,105	221,617	9,713,722	396,861	19,159
Change in net position	864,226	726,910	1,591,136	(150,886)	-
Net position, beginning of year	10,415,344	37,651,842	48,067,186	2,793,568	-
Net position, end of year	\$ 11,279,570	\$ 38,378,752	\$ 49,658,322	\$ 2,642,682	\$ -

(Concluded)

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

CITY OF GRANDVILLE

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2019

	<u>General</u>	<u>Major Streets</u>	<u>General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,452,306	\$ 1,181,647	\$ 1,003	\$ 686,940	\$ 6,321,896
Accounts receivable	156,138	9,895	-	3,685	169,718
Due from other governments	250,577	215,166	-	73,425	539,168
Special assessments receivable	-	-	-	61,055	61,055
Due from other funds	5,000	-	-	-	5,000
Long-term due from component unit	-	-	1,235,000	-	1,235,000
Prepaid items	80,648	6,169	-	6,004	92,821
Inventory	44,889	-	-	-	44,889
Total assets	\$ 4,989,558	\$ 1,412,877	\$ 1,236,003	\$ 831,109	\$ 8,469,547
Liabilities, deferred inflows and fund balances					
Liabilities					
Accounts payable	\$ 361,972	\$ 547,956	\$ -	\$ 446,471	\$ 1,356,399
Accrued liabilities	307,132	19,804	-	14,530	341,466
Due to other funds	-	-	-	5,000	5,000
Total liabilities	669,104	567,760	-	466,001	1,702,865
Deferred inflows of resources					
Unavailable revenue	-	-	1,235,000	61,055	1,296,055
Fund balances					
Non-spendable					
Prepaid items	80,648	6,169	-	6,004	92,821
Inventory	44,889	-	-	-	44,889
Restricted					
Judicial	-	-	-	77,458	77,458
Streets	-	838,948	-	92,959	931,907
Drunk driving enforcement	26,485	-	-	-	26,485
Drug forfeiture	145,856	-	-	-	145,856
Construction code enforcement	47,031	-	-	-	47,031
Community policing	7,080	-	-	-	7,080
City art	1,108	-	-	-	1,108
Committed					
Capital projects	-	-	-	127,632	127,632
Cemetery perpetual care	298,483	-	-	-	298,483
Park improvements	59,971	-	-	-	59,971
DDA parking assessment	51,577	-	-	-	51,577
Assigned					
Debt service funds	-	-	1,003	-	1,003
Future years expenditures	496,364	-	-	-	496,364
Unassigned	3,060,962	-	-	-	3,060,962
Total fund balances	4,320,454	845,117	1,003	304,053	5,470,627
Total liabilities, deferred inflows and fund balances	\$ 4,989,558	\$ 1,412,877	\$ 1,236,003	\$ 831,109	\$ 8,469,547

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, 2019

Fund balances - total governmental funds	\$ 5,470,627
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	1,995,881
Add - construction in progress	270,585
Add - capital assets (net of accumulated depreciation)	13,277,772
Certain assets are not due and receivable in the current period.	
Add - long-term deferred receivables	1,296,055
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	808,853
Certain items do not impact current financial resources and therefore are not reported in the funds.	
Deduct - compensated absences payable	(716,677)
Deduct - net pension liability	(7,338,373)
Deduct - other post-employment benefits	(2,176,401)
Deduct - long-term debt	(3,540,000)
Deduct - bond premium	(144,666)
Add - deferred loss on bond refunding	67,042
Add - deferred outflows related to pensions	1,099,640
Add - deferred outflows related to post-employment benefits	1,052,334
Deduct - deferred inflows related to post-employment benefits	(127,219)
Deduct - accrued interest on long-term debt	<u>(15,883)</u>
Net position of governmental activities	<u>\$ 11,279,570</u>

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, 2019

	<u>General</u>	<u>Major Streets</u>	<u>General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 7,299,865	\$ 77,481	-	\$ 552,127	\$ 7,929,473
Intergovernmental revenues					
State	1,448,282	1,424,537	-	530,622	3,403,441
Licenses and permits	61,849	-	-	-	61,849
Charges for services	1,095,051	-	-	17,628	1,112,679
Fines	265,903	-	-	-	265,903
Donations	-	-	-	109,779	109,779
Investment earnings	138,764	25,010	-	13,698	177,472
Miscellaneous	124,542	-	-	-	124,542
Total revenues	<u>10,434,256</u>	<u>1,527,028</u>	<u>-</u>	<u>1,223,854</u>	<u>13,185,138</u>
Expenditures					
Current					
General government	1,481,732	-	1,000	-	1,482,732
Judicial	1,107,322	-	-	6,241	1,113,563
Public safety	4,790,778	-	-	-	4,790,778
Public works	711,217	1,831,597	-	1,228,389	3,771,203
Culture and recreation	1,126,810	-	-	2	1,126,812
Debt service					
Principal	-	-	430,000	-	430,000
Interest	-	-	101,000	-	101,000
Total expenditures	<u>9,217,859</u>	<u>1,831,597</u>	<u>532,000</u>	<u>1,234,632</u>	<u>12,816,088</u>
Revenues over (under) expenditures	<u>1,216,397</u>	<u>(304,569)</u>	<u>(532,000)</u>	<u>(10,778)</u>	<u>369,050</u>
Other financing sources (uses)					
Transfers in	-	-	532,000	47,765	579,765
Transfers out	(579,765)	-	-	-	(579,765)
Total other financing sources (uses)	<u>(579,765)</u>	<u>-</u>	<u>532,000</u>	<u>47,765</u>	<u>-</u>
Net changes in fund balances	636,632	(304,569)	-	36,987	369,050
Fund balances, beginning of year	<u>3,683,822</u>	<u>1,149,686</u>	<u>1,003</u>	<u>267,066</u>	<u>5,101,577</u>
Fund balances, end of year	<u>\$ 4,320,454</u>	<u>\$ 845,117</u>	<u>\$ 1,003</u>	<u>\$ 304,053</u>	<u>\$ 5,470,627</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, 2019

Net changes in fund balances - total governmental funds	\$ 369,050
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because</p>	
<p>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.</p>	
Add - capital outlay	1,403,600
Deduct - depreciation expense	(1,219,779)
<p>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.</p>	
Deduct - decrease in unavailable revenues	(70,000)
<p>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.</p>	
Add - principal payments on debt	430,000
<p>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.</p>	
Deduct - increase in compensated absences	(37,571)
Deduct - increase in other post-employment benefit liability	(7,745)
Add - amortization of bond premium	22,676
Add - decrease in accrued interest	1,550
Deduct - amortization of deferred charge on refunding	(11,174)
Deduct - increase in net pension liability	(771,894)
Add - increase in deferred outflows related to pensions	892,207
Deduct - decrease in deferred outflows related to post-employment benefits	(293,011)
<p>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.</p>	
Deduct - decrease in net position from the internal service funds	<u>156,317</u>
Change in net position of governmental activities	\$ <u>864,226</u>

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

CITY OF GRANDVILLE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2019

	Enterprise Funds			Governmental Activities
				Internal Service Fund
	Sewer	Water	Total	
Assets				
Current assets				
Cash and pooled investments	\$ 7,281,036	\$ 1,920,251	\$ 9,201,287	\$ 331,029
Accounts receivable	586,677	729,314	1,315,991	2,668
Due from other governments	475,194	29,798	504,992	-
Prepaid items	19,953	6,049	26,002	1,899
Total current assets	<u>8,362,860</u>	<u>2,685,412</u>	<u>11,048,272</u>	<u>335,596</u>
Noncurrent assets				
Restricted cash and pooled investments	532,888	-	532,888	-
Capital assets				
Land	15,000	-	15,000	-
Construction in progress	436,713	598,435	1,035,148	-
Depreciable capital assets, net	25,251,301	7,182,924	32,434,225	499,256
Total noncurrent assets	<u>26,235,902</u>	<u>7,781,359</u>	<u>34,017,261</u>	<u>499,256</u>
Total assets	<u>34,598,762</u>	<u>10,466,771</u>	<u>45,065,533</u>	<u>834,852</u>
Deferred outflows of resources				
Deferred outflows related to pensions	189,051	34,084	223,135	-
Deferred outflows related to post-employment benefits	320,276	152,512	472,788	-
Total deferred outflows	<u>509,327</u>	<u>186,596</u>	<u>695,923</u>	<u>-</u>
Liabilities				
Current liabilities				
Accounts payable	410,963	97,187	508,150	12,401
Accrued liabilities	78,717	20,059	98,776	5,707
Accrued interest payable	26,827	-	26,827	-
Current portion of long-term debt	195,000	-	195,000	-
Total current liabilities	<u>711,507</u>	<u>117,246</u>	<u>828,753</u>	<u>18,108</u>
Long-term liabilities				
Accrued compensated absences	65,982	20,098	86,080	7,891
Other post-employment benefits obligation	662,383	315,419	977,802	-
Net pension liability	1,313,360	220,938	1,534,298	-
Discount on bonds	(16,387)	-	(16,387)	-
Bonds payable, net of current portion	3,915,000	-	3,915,000	-
Total long-term liabilities	<u>5,940,338</u>	<u>556,455</u>	<u>6,496,793</u>	<u>7,891</u>
Total liabilities	<u>6,651,845</u>	<u>673,701</u>	<u>7,325,546</u>	<u>25,999</u>
Deferred inflows of resources				
Deferred inflows related to post-employment benefits	38,720	18,438	57,158	-
Net position				
Net investment in capital assets	21,609,401	7,781,359	29,390,760	499,256
Restricted for revenue bond requirements	532,888	-	532,888	-
Unrestricted	6,275,235	2,179,869	8,455,104	309,597
Total net position	<u>\$ 28,417,524</u>	<u>\$ 9,961,228</u>	<u>\$ 38,378,752</u>	<u>\$ 808,853</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, 2019

	<u>Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
Operating revenues				
Charges for services	\$ 5,404,212	\$ 2,813,957	\$ 8,218,169	\$ 784,882
Interest and penalties	17,782	25,008	42,790	-
Total operating revenue	<u>5,421,994</u>	<u>2,838,965</u>	<u>8,260,959</u>	<u>784,882</u>
Operating expenses				
Water purchases	-	996,986	996,986	-
Labor	1,768,643	474,945	2,243,588	129,413
Administrative and general	1,751,660	350,674	2,102,334	373,539
Depreciation	1,870,089	374,980	2,245,069	150,088
Total operating expenses	<u>5,390,392</u>	<u>2,197,585</u>	<u>7,587,977</u>	<u>653,040</u>
Operating income (loss)	<u>31,602</u>	<u>641,380</u>	<u>672,982</u>	<u>131,842</u>
Non-operating revenues (expenses)				
Gain on sale of capital assets	-	-	-	8,652
Investment earnings	177,203	40,403	217,606	5,860
Other	622	3,389	4,011	9,963
Interest expense	(167,689)	-	(167,689)	-
Total non-operating revenues (expenses)	<u>10,136</u>	<u>43,792</u>	<u>53,928</u>	<u>24,475</u>
Changes in net position	41,738	685,172	726,910	156,317
Net position, beginning of year	<u>28,375,786</u>	<u>9,276,056</u>	<u>37,651,842</u>	<u>652,536</u>
Net position, end of year	<u>\$ 28,417,524</u>	<u>\$ 9,961,228</u>	<u>\$ 38,378,752</u>	<u>\$ 808,853</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, 2019

	Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 792,737
Receipts from customers and users	5,353,406	2,979,745	8,333,151	-
Payments to employees	(1,716,643)	(449,394)	(2,166,037)	(130,932)
Payments to suppliers	(1,915,573)	(1,676,857)	(3,592,430)	(379,055)
Net cash provided by (used in) operating activities	<u>1,721,190</u>	<u>853,494</u>	<u>2,574,684</u>	<u>282,750</u>
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	-	-	8,652
Interest paid on long-term debt	(167,689)	-	(167,689)	-
Principal paid on long-term debt	(190,000)	-	(190,000)	-
Acquisitions of capital assets	(865,675)	(416,302)	(1,281,977)	(128,911)
Net cash provided by (used in) capital and related financing activities	<u>(1,223,364)</u>	<u>(416,302)</u>	<u>(1,639,666)</u>	<u>(120,259)</u>
Cash flows from investing activities				
Interest received	177,203	40,403	217,606	5,860
Net increase (decrease) in cash and pooled investments	675,029	477,595	1,152,624	168,351
Cash and pooled investments, beginning of year	<u>7,138,895</u>	<u>1,442,656</u>	<u>8,581,551</u>	<u>162,678</u>
Cash and pooled investments, end of year	<u>\$ 7,813,924</u>	<u>\$ 1,920,251</u>	<u>\$ 9,734,175</u>	<u>\$ 331,029</u>
Cash flows from operating activities				
Operating income (loss)	\$ 31,602	\$ 641,380	\$ 672,982	\$ 131,842
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	1,870,089	374,980	2,245,069	150,088
Amortization	1,030	-	1,030	-
Decrease in deferred inflows related to pensions	(12,123)	(8,268)	(20,391)	-
Increase in deferred outflows related to pensions	(129,311)	(21,507)	(150,818)	-
Decrease in deferred outflows related to OPEB	73,273	34,892	108,165	-
Increase in deferred inflows related to OPEB	15,905	7,574	23,479	-
Miscellaneous revenue	622	3,389	4,011	9,963
Change in operating assets and liabilities which provided (used) cash				
Receivables	(65,679)	25,629	(40,050)	(2,108)
Due from other governmental units	(3,531)	111,762	108,231	-
Prepaid and other assets	(19,953)	(6,049)	(26,002)	(1,899)
Accounts payable	(150,596)	(320,346)	(470,942)	(3,063)
Accrued liabilities	5,606	(2,802)	2,804	(554)
Compensated absences	(20,463)	(14,022)	(34,485)	(1,519)
Net OPEB obligation	2,357	1,122	3,479	-
Net pension liability	122,362	25,760	148,122	-
Net cash provided by (used in) operating activities	<u>\$ 1,721,190</u>	<u>\$ 853,494</u>	<u>\$ 2,574,684</u>	<u>\$ 282,750</u>

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

CITY OF GRANDVILLE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Other Post-employment Benefit Trust	Agency Fund
Assets		
Cash and pooled investments	\$ 5,889	\$ 113,532
Funds on deposit with MERS	1,330,957	-
Accounts receivables	2,821	-
Prepaid items	<u>8,052</u>	<u>-</u>
Total assets	<u>1,347,719</u>	<u>\$ 113,532</u>
Liabilities		
Accounts payable	-	\$ 1,102
Trust deposits	<u>-</u>	<u>112,430</u>
Total liabilities	<u>-</u>	<u>\$ 113,532</u>
Net position		
Restricted for other post-employment benefits	<u>\$ 1,347,719</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, 2019

	Other Post-employment Benefit <u>Trust</u>
Additions	
Contributions:	
Employer	\$ 93,000
Plan participants	36,196
Total contributions	<u>129,196</u>
Investment income:	
Net appreciation in fair value of securities	<u>38,216</u>
Total additions	<u>167,412</u>
Deductions	
Health insurance premiums paid	108,786
Administrative expenses	<u>2,699</u>
Total deductions	<u>111,485</u>
Change in net position	55,927
Net position, beginning of year	<u>1,291,792</u>
Net position, end of year	<u>\$ 1,347,719</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, 2019

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, 2019

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, 2019

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 *General Obligation Bonds 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, 2019

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, 2019

- 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, 2019

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, 2019 unassigned fund balance of the general fund was equal to 31 percent of general fund expenditures and transfers out.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 may have 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 may have 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, 2019

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, 2019, 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, 2019, the City reported a deficit unrestricted net position in its governmental activities of \$2,198,963.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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	\$15,854,212	\$934,292	\$ 119,421	\$16,907,925
Funds on deposit with MERS	-	-	1,330,957	1,330,957
Restricted cash and pooled investment	532,888	-	-	532,888
	<u>\$16,387,100</u>	<u>\$934,292</u>	<u>\$1,450,378</u>	<u>\$18,771,770</u>

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

Deposits	\$14,076,426
Pooled investment funds	4,694,342
Petty cash	1,002
Total	<u>\$18,771,770</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, \$9,974,166 of the City's bank balance of \$14,514,606 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	\$2,072,953	AAAm	S&P
US Treasury Note	6/30/19	250,000	Aaa	Moody's
MERS total market portfolio	N/A	1,330,957	Unrated	
Kent County Pool	N/A	1,040,432	Unrated	
		<u>\$4,694,342</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, 2019

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, US Treasury Note, 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, 2019, 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	16%	0-3
Certificates of deposits	62%	0-3
Deposits, money markets and other pools	22%	Not applicable

At June 30, 2019 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	91.29%	Not applicable
U.S. Treasury securities	2.46%	Not applicable
Collateralized bank deposits	1.42%	Not applicable
Money market funds	1.90%	Not applicable
Repurchase agreements	2.93%	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, 2019

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, 2019, consisted of \$532,000 to the general obligation bond fund and \$47,765 to nonmajor governmental funds, totaling \$579,765, 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:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,810,628	\$ 185,253	\$ -	\$ 1,995,881
Construction in progress	227,511	270,585	227,511	270,585
Total capital assets, not being depreciated	<u>2,038,139</u>	<u>455,838</u>	<u>227,511</u>	<u>2,266,466</u>
Capital assets, being depreciated				
Infrastructure	84,376,320	991,390	-	85,367,710
Land improvements	818,236	101,253	-	919,489
Buildings and improvements	9,721,681	-	-	9,721,681
Office furnishings and equipment	5,328,830	211,541	28,172	5,512,199
Total capital assets, being depreciated	<u>100,245,067</u>	<u>1,304,184</u>	<u>28,172</u>	<u>101,521,079</u>
Less accumulated depreciation for				
Infrastructure	76,177,029	843,911	-	77,020,940
Land improvements	519,175	40,159	-	559,334
Buildings and improvements	5,347,169	246,052	-	5,593,221
Office furnishings and equipment	4,358,983	239,745	28,172	4,570,556
Total accumulated depreciation	<u>86,402,356</u>	<u>1,369,867</u>	<u>28,172</u>	<u>87,744,051</u>
Net capital assets, being depreciated	<u>13,842,711</u>	<u>(65,683)</u>	<u>-</u>	<u>13,777,028</u>
Governmental Activities capital assets, net	<u>\$15,880,850</u>	<u>\$ 390,155</u>	<u>\$227,511</u>	<u>\$16,043,494</u>

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	800,160	745,606	510,618	1,035,148
Total capital assets, not being depreciated	815,160	745,606	510,618	1,050,148
Capital assets being depreciated				
Land improvements	31,676	-	-	31,676
Water and sewer distribution systems	47,245,524	930,825	-	48,176,349
Building and building improvements	7,659,528	-	-	7,659,528
Other tools and equipment	5,051,732	116,164	-	5,167,896
Total capital assets, being depreciated	59,988,460	1,046,989	-	61,035,449
Less accumulated depreciation for				
Land improvements	17,421	1,584	-	19,005
Water and sewer distribution systems	18,496,469	1,915,280	-	20,411,749
Building and building improvements	3,944,245	158,611	-	4,102,856
Other tools and equipment	3,898,020	169,594	-	4,067,614
Total accumulated depreciation	26,356,155	2,245,069	-	28,601,224
Net capital assets, being depreciated	33,632,305	(1,198,080)	-	32,434,225
Business-type Activities capital assets, net	\$34,447,465	\$ (452,474)	\$510,618	\$33,484,373
Component units				
Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 264,567	\$ -	\$ -	\$ 264,567
Capital assets being depreciated				
Land improvements	4,603,486	10,000	-	4,613,486
Less accumulated depreciation for				
Land improvements	1,682,786	213,728	-	1,896,514
Net capital assets, being depreciated	2,920,700	(203,728)	-	2,716,972
Component units capital assets, net	\$3,185,267	\$(203,728)	\$ -	\$2,981,539

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

Governmental Activities	
General government	\$ 33,364
Judicial	46,654
Public safety	141,670
Public works	847,259
Culture and recreation	150,832
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	150,088
Total depreciation expense - governmental activities	\$1,369,867

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Business-type Activities	
Sewer	\$1,870,089
Water	374,980
Total depreciation expense - business- type activities	\$2,245,069

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 Council. Employee contributions plus investment earnings are fully vested after five years of service. In accordance with these requirements, the City contributed \$480,823 during the year ended June 30, 2019. In addition, employee contributions amounted to \$204,508 during the year ended June 30, 2019.

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.

This plan is closed to new entrants.

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, 2018):

Active plan members	11
Inactive employees entitled but not yet receiving benefits	5
Inactive employees or beneficiaries currently receiving benefits	64
Total	80

This plan is closed to additional participants

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was \$84,895 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 0% 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, 2018, 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, 2018 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, 2019

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, 2017	\$19,564,399	\$11,611,744	\$7,952,655
Changes for the year:			
Service cost	78,367	-	78,367
Interest	1,505,008	-	1,505,008
Change in benefits	-	-	-
Differences between expected and actual experience	(126,202)	-	(126,202)
Change in assumptions	-	-	-
Contributions: employer	-	981,851	(981,851)
Contributions: employee	-	16,025	(16,025)
Net investment income	-	(438,597)	438,597
Benefit payments, including refunds	(1,581,963)	(1,581,963)	-
Administrative expense	-	(22,122)	22,122
Other changes	-	-	-
Net Changes	(124,790)	(1,044,806)	920,016
Balance at December 31, 2018	\$19,439,609	\$10,566,938	\$8,872,671

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	\$21,163,389	\$19,439,609	\$17,942,125
Fiduciary net position	10,566,938	10,566,938	10,566,938
Net pension liability	\$10,596,451	\$ 8,872,671	\$ 7,375,187

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2019 the City recognized pension expense of \$900,611. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (deficit) investment returns	\$ 811,443	\$ -
Contributions subsequent to the measurement date*	511,332	-
Total	\$1,322,775	\$ -

* 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 2020.

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

2020	\$301,180
2021	85,770
2022	155,836
2023	268,657
Thereafter	-
Total	\$811,443

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Activities					
2015 Refunding Bonds, due in annual installments of \$345,000 to \$410,000 through 2024, plus interest at 2.00% to 4.00%	\$2,665,000	\$ -	\$360,000	\$2,305,000	\$365,000
2017 Refunding Bonds, due in annual installments of \$70,000 \$110,000 through 2032, plus interest at 3.00%	1,305,000	-	70,000	1,235,000	75,000
Unamortized premium	167,342	-	22,676	144,666	-
Compensated absences	688,516	36,052	-	724,568	-
Total Governmental Activities	\$4,825,858	\$36,052	\$452,676	\$4,409,234	\$440,000

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1,</u> <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2019</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-type Activities					
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%	\$4,300,000	\$ -	\$ 190,000	\$4,110,000	\$ 195,000
Unamortized discount	(17,417)	-	(1,030)	(16,387)	-
Compensated absences	120,565	-	34,485	86,080	-
Total Business-type Activities	<u>\$4,403,148</u>	<u>\$ -</u>	<u>\$ 223,455</u>	<u>\$4,179,693</u>	<u>\$ 195,000</u>
Component Unit – Downtown Development Authority					
Long-term obligation to primary government to pay 2017 refunding bonds	<u>\$1,305,000</u>	<u>\$ -</u>	<u>\$70,000</u>	<u>\$1,235,000</u>	<u>\$75,000</u>

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. The Downtown Development Authority 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 \$4,110,000 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 \$356,898 which amounted to approximately 6.4% percent of pledged revenues in 2019. 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 \$5,319,000. Current year principal and interest paid and pledged revenues were approximately \$357,000 and \$5,599,000, respectively.

All outstanding debt of the City consists of publicly sold bonds. The debt documents contain various provisions that in the event of default, the City shall be required to use money from its general fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

The annual requirements to amortize all debt outstanding (excluding unamortized premiums and discounts and compensated absences) as of June 30, 2019 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>
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	485,000	50,075	220,000	133,678
2025-2029	920,000	103,300	1,230,000	540,966
2030-2034	325,000	19,650	1,505,000	269,106
2035	-	-	340,000	14,450
Total	\$3,540,000	\$481,275	\$4,110,000	\$1,563,108

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, 2019):

Active plan members	84
Retirees and beneficiaries receiving benefits	8
Total	92

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, 2019

Net OPEB Liability

The total OPEB liability in the June 30, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.5%

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: 2.79%

Mortality rates used general/public safety 2010 employee and healthy retiree, headcount weighted, 2018 improvement scale 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, 2019 was 3.03%. 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, 2018, the discount rate used to value OPEB liabilities was 4.44%.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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, 2018	\$4,424,364	\$1,281,385	\$3,142,979
Changes for the Year:			
Service cost	271,591	-	271,591
Interest	206,810	-	206,810
Change in benefits	-	-	-
Differences between expected and actual experience	(516,246)	-	(516,246)
Change in assumptions	174,800	-	174,800
Contributions: employer	-	14,100	(14,100)
Contributions: benefits paid from general operating funds	-	76,159	(76,159)
Net investment Income	-	38,171	(38,171)
Benefit payments, including refunds	(76,159)	(76,159)	-
Administrative expense	-	(2,699)	2,699
Other changes	-	-	-
Net changes	60,796	49,572	11,224
Balance at June 30, 2019	\$4,485,160	\$1,330,957	\$3,154,203

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 3.03%, 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	\$4,765,182	\$4,485,160	\$4,216,351
Fiduciary net position	1,330,957	1,330,957	1,330,957
Net OPEB liability	\$3,434,225	\$3,154,203	\$2,885,394
Plan fiduciary position as a percentage of the total OPEB liability		29.7%	

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	\$4,101,186	\$4,485,160	\$4,932,151
Fiduciary net position	1,330,957	1,330,957	1,330,957
Net OBEB liability	\$2,770,229	\$3,154,203	\$3,601,194

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

For the year ended June 30, 2019 the employer recognized OPEB expense of \$526,138. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$184,377
Changes in assumptions	1,513,138	-
Excess(deficit) investment returns	11,984	-
	\$1,525,122	\$184,377
Total	\$1,525,122	\$184,377

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

2020	\$ 144,786
2021	144,785
2022	160,627
2023	162,494
2024	150,177
Thereafter	577,876
Total	\$1,340,745

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, 2018	\$ 48,240
Current year building permit revenues	359,204
Related Expenses	
Direct costs	351,967
Indirect Costs	8,446
Total construction code expenses	360,413
Cumulative surplus – June 30, 2019	\$ 47,031

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 \$862,000 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, 2019 the City abated property tax revenues of approximately \$43,000.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

For the year ended June 30, 2019 the City abated property tax revenues of approximately \$19,159.

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, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 7,087,461	\$ 7,304,961	\$ 7,299,865	\$ (5,096)
Intergovernmental revenues				
State	1,408,267	1,430,767	1,448,282	17,515
Licenses and permits	31,500	56,500	61,849	5,349
Charges for services	1,105,167	1,050,167	1,095,051	44,884
Fines	298,340	273,340	265,903	(7,437)
Investment earnings	48,500	98,500	138,764	40,264
Miscellaneous	199,150	199,150	124,542	(74,608)
Total revenues	<u>10,178,385</u>	<u>10,413,385</u>	<u>10,434,256</u>	<u>20,871</u>
Expenditures				
Current				
General government	1,539,224	1,574,224	1,481,732	92,492
Judicial	1,193,238	1,168,238	1,107,322	60,916
Public safety	5,219,150	5,066,850	4,790,778	276,072
Public works	648,254	824,254	711,217	113,037
Culture and recreator	974,697	1,208,697	1,126,810	81,887
Total expenditures	<u>9,574,563</u>	<u>9,842,263</u>	<u>9,217,859</u>	<u>624,404</u>
Revenues over (under) expenditures	603,822	571,122	1,216,397	645,275
Other financing sources (uses)				
Transfers out	(577,000)	(577,000)	(579,765)	(2,765)
Net changes in fund balance	26,822	(5,878)	636,632	642,510
Fund balance, beginning of year	<u>3,683,822</u>	<u>3,683,822</u>	<u>3,683,822</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,710,644</u>	<u>\$ 3,677,944</u>	<u>\$ 4,320,454</u>	<u>\$ 642,510</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, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 103,360	\$ 103,360	\$ 77,481	\$ (25,879)
Intergovernmental revenues				
State	1,199,028	1,199,028	1,424,537	225,509
Investment earnings	<u>6,000</u>	<u>6,000</u>	<u>25,010</u>	<u>19,010</u>
Total revenues	1,308,388	1,308,388	1,527,028	218,640
Expenditures				
Current				
Public works	<u>1,756,019</u>	<u>1,932,019</u>	<u>1,831,597</u>	<u>100,422</u>
Net changes in fund balance	(447,631)	(623,631)	(304,569)	319,062
Fund balance, beginning of year	<u>1,149,686</u>	<u>1,149,686</u>	<u>1,149,686</u>	<u>-</u>
Fund balance, end of year	<u>\$ 702,055</u>	<u>\$ 526,055</u>	<u>\$ 845,117</u>	<u>\$ 319,062</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, 2019

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability					
Service cost	\$ 77,171	\$ 80,268	\$ 82,506	\$ 75,866	\$ 78,367
Interest	1,468,963	1,476,837	1,513,938	1,515,791	1,505,008
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	-	164,446	(30,639)	(148,389)	(126,202)
Changes in assumptions	-	808,006	-	-	-
Benefit payments including employee refunds	(1,391,493)	(1,512,979)	(1,502,019)	(1,576,642)	(1,581,963)
Other	-	-	-	-	-
Net change in total pension liability	<u>154,641</u>	<u>1,016,578</u>	<u>63,786</u>	<u>(133,374)</u>	<u>(124,790)</u>
Total pension liability, beginning of year	<u>18,462,768</u>	<u>18,617,409</u>	<u>19,633,987</u>	<u>19,697,773</u>	<u>19,564,399</u>
Total pension liability, end of year	<u>\$ 18,617,409</u>	<u>\$ 19,633,987</u>	<u>\$ 19,697,773</u>	<u>\$ 19,564,399</u>	<u>\$ 19,439,609</u>
Plan Fiduciary Net Position					
Contributions-employer	\$ 555,936	\$ 613,908	\$ 784,728	\$ 880,938	\$ 981,851
Contributions-employee	21,478	16,518	16,962	16,256	16,025
Net investment income	722,739	(162,504)	1,158,952	1,408,445	(438,597)
Benefit payments including employee refunds	(1,391,493)	(1,512,979)	(1,502,019)	(1,576,642)	(1,581,963)
Administrative expense	(26,381)	(24,459)	(22,916)	(22,357)	(22,122)
Net change in plan fiduciary net position	<u>(117,721)</u>	<u>(1,069,516)</u>	<u>435,707</u>	<u>706,640</u>	<u>(1,044,806)</u>
Plan fiduciary net position, beginning of year	<u>11,656,634</u>	<u>11,538,913</u>	<u>10,469,397</u>	<u>10,905,104</u>	<u>11,611,744</u>
Plan fiduciary net position, end of year	<u>\$ 11,538,913</u>	<u>\$ 10,469,397</u>	<u>\$ 10,905,104</u>	<u>\$ 11,611,744</u>	<u>\$ 10,566,938</u>
Employer net pension liability	<u>\$ 7,078,496</u>	<u>\$ 9,164,590</u>	<u>\$ 8,792,669</u>	<u>\$ 7,952,655</u>	<u>\$ 8,872,671</u>
Plan fiduciary net position as a percentage of the total pension liability	62%	53%	55%	59%	54%
Covered employee payroll	\$ 787,329	\$ 819,146	\$ 845,600	\$ 778,623	\$ 781,993
Employer's net pension liability as a percentage of covered employee payroll	899%	1119%	1040%	1021%	1135%

CITY OF GRANDVILLE
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2015	2016	2017	2018	2019
Actuarial determined contributions	\$ 521,892	\$ 705,924	\$ 863,532	\$ 898,344	\$ 1,018,740
Contributions in relation to the actuarially determined contribution	<u>521,892</u>	<u>705,924</u>	<u>863,532</u>	<u>898,344</u>	<u>1,044,011</u>
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ 25,271
Covered employee payroll	\$ 787,329	\$ 819,146	\$ 845,600	\$ 778,623	\$ 781,993
Contributions as a percentage of covered employee payroll	66%	86%	102%	115%	134%

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, 2019

	2017	2018	2019
Total OPEB liability			
Service cost	\$ 141,255	\$ 251,510	\$ 271,591
Interest	101,060	207,102	206,810
Changes in benefit terms	-	-	-
Difference between expected and actual experience	446,894	(58,616)	(516,246)
Changes in assumptions	1,636,304	147,356	174,800
Benefit payments including employee refunds	(183,447)	(144,701)	(76,159)
Other	-	-	-
Net change in total OPEB liability	<u>2,142,066</u>	<u>402,651</u>	<u>60,796</u>
Total OPEB liability, beginning of year	<u>1,879,647</u>	<u>4,021,713</u>	<u>4,424,364</u>
Total OPEB liability, end of year	<u>\$ 4,021,713</u>	<u>\$ 4,424,364</u>	<u>\$ 4,485,160</u>
 Plan Fiduciary Net Position			
Contributions-employer	\$ 175,000	\$ 127,000	\$ 14,100
Contributions-benefits paid from general operating funds	8,447	17,701	76,159
Net investment income	137,273	92,646	38,171
Benefit payments including employee refunds	(183,447)	(144,701)	(76,159)
Administrative expense	(2,770)	(3,008)	(2,699)
Other	-	-	-
Net change in plan fiduciary net position	<u>134,503</u>	<u>89,638</u>	<u>49,572</u>
Plan fiduciary net position, beginning of year	<u>1,057,244</u>	<u>1,191,747</u>	<u>1,281,385</u>
Plan fiduciary net position, end of year	<u>\$ 1,191,747</u>	<u>\$ 1,281,385</u>	<u>\$ 1,330,957</u>
 Employer net OPEB liability	 <u>\$ 2,829,966</u>	 <u>\$ 3,142,979</u>	 <u>\$ 3,154,203</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 29.6%	 29.0%	 29.7%
 Covered employee payroll	 \$ 5,203,932	 \$ 5,449,832	 \$ 6,021,905
 Employer's net OPEB liability as a percentage of covered employee payroll	 54.4%	 57.7%	 52.4%

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2019

	2017	2018	2019
Actuarial determined contributions	\$ 401,525	\$ 428,908	\$ 547,751
Contributions in relation to the actuarially determined contribution	<u>183,447</u>	<u>144,701</u>	<u>90,259</u>
Contribution excess (deficiency)	<u>\$ (218,078)</u>	<u>\$ (284,207)</u>	<u>\$ (457,492)</u>
Covered employee payroll	\$ 5,203,932	\$ 5,449,832	\$ 6,021,905
Contributions as a percentage of covered employee payroll	3.5%	2.7%	1.5%

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	2.50%
Salary increases	3.5% (2.5% in 2018)
Investment rate of return	7.75% (7% in 2018)
20-year Aa Municipal bond yield	2.79% (3.1% in 2018)
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	General/public safety 2010 employee and healthy retiree, headcount weighted, 2018 improvement scale mortality tables (IRS 2017 annuitant/non-annuitant mortality for 2018)

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with No. Letter 2018-3	\$ 547,751
Minimum required contribution under PA 202	88,170
Actual contribution	90,259
Contribution for employees hired after June 30, 2018	12,011

State of Michigan PA 202 assumptions, if different from GASB:

- Mortality - PRH 2014 at 2006 with improvement scale MP-2018
- Expected asset return - 7.0%
- Expected salary increase - 3.5%
- Effective discount rate - 3.17%
- Medical trend - Pre-medicare: 8.5% graded down to 4.25% by .25% per year, Post-medicare 7.0% graded to 4.5% by .25% per year

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.

**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, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes				
Property taxes	\$ 7,087,461	\$ 7,304,961	\$ 7,299,865	\$ (5,096)
Intergovernmental revenues				
State	1,408,267	1,430,767	1,448,282	17,515
Licenses and permits	31,500	56,500	61,849	5,349
Charges for services	1,105,167	1,050,167	1,095,051	44,884
Fines	298,340	273,340	265,903	(7,437)
Investment earnings	48,500	98,500	138,764	40,264
Miscellaneous	199,150	199,150	124,542	(74,608)
Total revenues	<u>10,178,385</u>	<u>10,413,385</u>	<u>10,434,256</u>	<u>20,871</u>
Expenditures				
Current				
General government				
Legislative	64,842	64,842	64,903	(61)
City Manager	195,822	195,822	186,687	9,135
Elections	73,800	63,800	51,327	12,473
Attorney	280,000	310,000	308,655	1,345
Assessor	213,566	228,566	215,635	12,931
Clerk	172,581	172,581	161,604	10,977
Treasurer	193,207	193,207	177,714	15,493
General office	285,406	285,406	253,007	32,399
Retiree healthcare premiums	60,000	60,000	62,200	(2,200)
	<u>1,539,224</u>	<u>1,574,224</u>	<u>1,481,732</u>	<u>92,492</u>
Judicial				
District Court	751,594	726,594	673,920	52,674
Probation	390,696	390,696	388,665	2,031
Shared costs	50,948	50,948	44,737	6,211
	<u>1,193,238</u>	<u>1,168,238</u>	<u>1,107,322</u>	<u>60,916</u>
Public safety				
Police	3,951,818	3,749,318	3,530,977	218,341
Fire	1,257,632	1,307,832	1,251,146	56,686
Narcotics enforcement	9,700	9,700	8,655	1,045
	<u>5,219,150</u>	<u>5,066,850</u>	<u>4,790,778</u>	<u>276,072</u>
Public works				
Highways, streets and bridges	234,950	272,950	227,028	45,922
Sidewalks	25,448	25,448	22,386	3,062
Grounds and building maintenance	75,200	110,200	89,937	20,263
Parking lots	56,069	96,069	91,000	5,069
Cemetery	237,387	298,387	260,407	37,980
Sanitation and other	19,200	21,200	20,459	741
	<u>648,254</u>	<u>824,254</u>	<u>711,217</u>	<u>113,037</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, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Culture and recreation				
Parks	\$ 494,453	\$ 469,453	\$ 435,112	\$ 34,341
Library	140,561	140,561	130,283	10,278
Special projects	111,000	371,000	354,498	16,502
Planning and zoning	66,015	65,015	64,732	283
Other	162,668	162,668	142,185	20,483
	<u>974,697</u>	<u>1,208,697</u>	<u>1,126,810</u>	<u>81,887</u>
Total expenditures	<u>9,574,563</u>	<u>9,842,263</u>	<u>9,217,859</u>	<u>624,404</u>
Revenues over (under) expenditures	<u>603,822</u>	<u>571,122</u>	<u>1,216,397</u>	<u>645,275</u>
Other financing sources (uses)				
Transfers out	<u>(577,000)</u>	<u>(577,000)</u>	<u>(579,765)</u>	<u>(2,765)</u>
Net changes in fund balances	26,822	(5,878)	636,632	642,510
Fund balances, beginning of year	<u>3,683,822</u>	<u>3,683,822</u>	<u>3,683,822</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,710,644</u>	<u>\$ 3,677,944</u>	<u>\$ 4,320,454</u>	<u>\$ 642,510</u>

(concluded)

CITY OF GRANDVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2019

	<u>Special Revenue</u>			<u>Capital Projects</u>		<u>Total</u>
	<u>Local Streets</u>	<u>Revolving</u>	<u>Storm Sewer Trunkage</u>	<u>Indigent Defense</u>	<u>Library Construction</u>	
Assets						
Cash and pooled investments	\$ 473,484	\$ -	\$ 18,880	\$ 79,236	\$ 115,340	\$ 686,940
Accounts receivable	3,533	-	152	-	-	3,685
Due from other governments	73,425	-	-	-	-	73,425
Special assessments receivable	-	61,055	-	-	-	61,055
Prepaid items	5,768	-	236	-	-	6,004
Total assets	<u>\$ 556,210</u>	<u>\$ 61,055</u>	<u>\$ 19,268</u>	<u>\$ 79,236</u>	<u>\$ 115,340</u>	<u>\$ 831,109</u>
Liabilities, deferred inflows and fund balances						
Liabilities						
Accounts payable	\$ 443,945	\$ -	\$ 748	\$ 1,778	\$ -	\$ 446,471
Accrued liabilities	13,538	-	992	-	-	14,530
Due to other funds	-	-	-	-	5,000	5,000
Total liabilities	<u>457,483</u>	<u>-</u>	<u>1,740</u>	<u>1,778</u>	<u>5,000</u>	<u>466,001</u>
Deferred inflows of resources						
Unavailable revenue	-	61,055	-	-	-	61,055
Fund balances						
Non-spendable						
Prepaid items	5,768	-	236	-	-	6,004
Restricted						
Judicial	-	-	-	77,458	-	77,458
Streets	92,959	-	-	-	-	92,959
Committed						
Capital projects	-	-	17,292	-	110,340	127,632
Total fund balances	<u>98,727</u>	<u>-</u>	<u>17,528</u>	<u>77,458</u>	<u>110,340</u>	<u>304,053</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 556,210</u>	<u>\$ 61,055</u>	<u>\$ 19,268</u>	<u>\$ 79,236</u>	<u>\$ 115,340</u>	<u>\$ 831,109</u>

CITY OF GRANDVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Special Revenue</u>			<u>Capital Projects</u>		<u>Total</u>
	<u>Local Streets</u>	<u>Revolving</u>	<u>Storm Sewer Trunkage</u>	<u>Indigent Defense</u>	<u>Library Construction</u>	
Revenues						
Taxes	\$ 552,127	\$ -	\$ -	\$ -	\$ -	\$ 552,127
Intergovernmental revenues						
State	449,805	-	-	80,817	-	530,622
Charges for services	-	-	17,628	-	-	17,628
Donations	-	-	-	-	109,779	109,779
Investment earnings	12,785	-	233	117	563	13,698
Total revenues	<u>1,014,717</u>	<u>-</u>	<u>17,861</u>	<u>80,934</u>	<u>110,342</u>	<u>1,223,854</u>
Expenditures						
Current						
Judicial	-	-	-	6,241	-	6,241
Public works	1,170,785	-	57,604	-	-	1,228,389
Culture and recreation	-	-	-	-	2	2
Total expenditures	<u>1,170,785</u>	<u>-</u>	<u>57,604</u>	<u>6,241</u>	<u>2</u>	<u>1,234,632</u>
Revenues over (under) expenditures	(156,068)	-	(39,743)	74,693	110,340	(10,778)
Other financing sources (uses)						
Transfers in	-	-	45,000	2,765	-	47,765
Net changes in fund balances	(156,068)	-	5,257	77,458	110,340	36,987
Fund balances, beginning of year	<u>254,795</u>	<u>-</u>	<u>12,271</u>	<u>-</u>	<u>-</u>	<u>267,066</u>
Fund balances, end of year	<u>\$ 98,727</u>	<u>\$ -</u>	<u>\$ 17,528</u>	<u>\$ 77,458</u>	<u>\$ 110,340</u>	<u>\$ 304,053</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, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 550,081	\$ 550,081	\$ 552,127	\$ 2,046
Intergovernmental revenues				
State	409,688	409,688	449,805	40,117
Investment earnings	4,000	4,000	12,785	8,785
Total revenues	963,769	963,769	1,014,717	50,948
Expenditures				
Current				
Public works	1,085,166	1,224,166	1,170,785	53,381
Net changes in fund balance	(121,397)	(260,397)	(156,068)	104,329
Fund balance, beginning of year	254,795	254,795	254,795	-
Fund balance, end of year	\$ 133,398	\$ (5,602)	\$ 98,727	\$ 104,329

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, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 2,000	\$ 2,000	\$ 17,628	\$ 15,628
Investment earnings	100	100	233	133
Total revenues	2,100	2,100	17,861	15,761
Expenditures				
Current				
Public works	50,041	61,041	57,604	3,437
Revenues over (under) expenditures	(47,941)	(58,941)	(39,743)	19,198
Other financing sources (uses)				
Transfers in	45,000	45,000	45,000	-
Net changes in fund balance	(2,941)	(13,941)	5,257	19,198
Fund balance, beginning of year	12,271	12,271	12,271	-
Fund balance, end of year	<u>\$ 9,330</u>	<u>\$ (1,670)</u>	<u>\$ 17,528</u>	<u>\$ 19,198</u>

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ -	\$ -	\$ 80,817	\$ 80,817
Investment earnings	-	-	117	117
Total revenues	-	-	80,934	80,934
Expenditures				
Current				
Judicial	-	-	6,241	(6,241)
Revenues over (under) expenditures	-	-	74,693	74,693
Other financing sources (uses)				
Transfers in	-	-	2,765	2,765
Net changes in fund balance	-	-	77,458	77,458
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,458</u>	<u>\$ 77,458</u>

CITY OF GRANDVILLE

AGENCY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2019

	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 1,102	\$ 112,430	\$ 113,532
	<u>\$ 1,102</u>	<u>\$ 112,430</u>	<u>\$ 113,532</u>
Total assets			
Liabilities			
Accounts Payable	\$ 1,102	\$ -	\$ 1,102
Deposits	<u>-</u>	<u>112,430</u>	<u>112,430</u>
	<u>\$ 1,102</u>	<u>\$ 112,430</u>	<u>\$ 113,532</u>
Total liabilities			

CITY OF GRANDVILLE

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

JUNE 30, 2019

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 934,292	\$ -	\$ 934,292
Accounts receivable	9,585	-	9,585
Prepaid items	915	-	915
Capital assets			
Land	-	264,567	264,567
Depreciable capital assets, net	-	<u>2,716,972</u>	<u>2,716,972</u>
Total assets	<u>\$ 944,792</u>	<u>2,981,539</u>	<u>3,926,331</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 35,377	-	35,377
Accrued liabilities	7,097	-	7,097
Accrued interest	-	6,175	6,175
Long-term due to primary government	-	<u>1,235,000</u>	<u>1,235,000</u>
Total liabilities	<u>42,474</u>	<u>1,241,175</u>	<u>1,283,649</u>
Fund balances			
Unassigned	<u>902,318</u>	<u>(902,318)</u>	
Total liabilities and fund balances	<u>\$ 944,792</u>		
Net position			
Net investment in capital assets			1,746,539
Unrestricted			<u>896,143</u>
Total net position		<u>\$ 2,642,682</u>	<u>\$ 2,642,682</u>
Reconciliation of fund balances to net position			
Fund balance of the governmental fund			\$ 902,318
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)			2,716,972
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			(1,235,000)
Deduct - accrued interest on debt payable			<u>(6,175)</u>
Net position of governmental activities			<u>\$ 2,642,682</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, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 372,347	\$ -	\$ 372,347
Investment earnings	24,514	-	24,514
Miscellaneous	<u>53,995</u>	<u>-</u>	<u>53,995</u>
Total revenues	<u>450,856</u>	<u>-</u>	<u>450,856</u>
Expenditures/expenses			
Salaries	79,584	-	79,584
Administration	23,366	-	23,366
Operations	249,239	(10,000)	239,239
Depreciation	-	213,728	213,728
Debt service payment to primary government	109,650	(70,000)	39,650
Debt service Interest	<u>-</u>	<u>6,175</u>	<u>6,175</u>
Total expenditures/expenses	<u>461,839</u>	<u>139,903</u>	<u>601,742</u>
Net changes in fund balance	(10,983)	10,983	
Change in net position		(150,886)	(150,886)
Fund balance/net position, beginning of year	<u>913,301</u>		<u>2,793,568</u>
Fund balance/net position, end of year	<u>\$ 902,318</u>		<u>\$ 2,642,682</u>
Reconciliation of changes in fund balance to change in net position			
Net changes in fund balance of governmental fund			\$ (10,983)
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.			
Add - capital outlay			10,000
Deduct - depreciation expense			(213,728)
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.			
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 increase in accrued interest			<u>(6,175)</u>
Change in net position of governmental activities			<u>\$ (150,886)</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 23, 2019

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, 2019, 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 23, 2019.

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.

Ordebold Haefner LLC