

City of Grandville,
Michigan



Year Ended
June 30, 2014

Financial
Statements

CITY OF GRANDVILLE, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

November 19, 2014

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 the *City of Grandville, Michigan* (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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.

Independent Auditors' 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 auditors' 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 previously 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, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity 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 and schedules of funding progress and employer contributions 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 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 fund financial statements and schedules 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 November 19, 2014, on our consideration of the City of Grandville's internal control over financial reporting and 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 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 the City's internal control over financial reporting and compliance.

Rehmann Johnson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

These financial statements are the responsibility of the City of Grandville's management. We offer readers this narrative overview and analysis for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$57,976,917 (*net position*).
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,479,794 or 17% of general fund expenditures and transfers out.
- Capital contributions for MDOT-administered street projects of approximately \$476,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's 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 assets, deferred outflows of resources and liabilities, with the difference 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 government'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., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) or 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 public safety, judicial, public works, culture and recreation, and general administrative services. The business-type activities of the City include water and sewer services.

The government-wide financial statements include not only the City of Grandville itself (known as the *primary government*), but also a legally separate Downtown Development Authority and a legally separate Brownfield Redevelopment Authority for which the City is financially accountable. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

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 of Grandville, 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 government'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 government's near term financing decisions. Following both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances are reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Grandville maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the general fund and major streets special revenue fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its equipment and vehicles. Because these services predominately benefit governmental rather than business-type functions, they have been included within *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 operations, which are considered to be major funds of the City.

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 statements because the resources of those 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.

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

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 management discussion and analysis and schedules of funding progress and employer contributions for the City's pension and other postemployment benefits plans.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Grandville, assets and deferred outflows of resources exceeded liabilities by \$57,976,917 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,124,549	\$ 5,838,325	\$ 6,649,051	\$ 6,805,264	\$11,773,600	\$12,643,589
Capital assets, net	16,228,937	15,987,356	41,591,227	43,126,794	57,820,164	59,114,150
Total assets	21,353,486	21,825,681	48,240,278	49,932,058	69,593,764	71,757,739
Deferred outflows of resources	91,443	107,860	19,893	39,275	111,336	147,135
Long-term liabilities	4,760,482	5,083,372	5,702,547	6,121,633	10,463,029	11,205,005
Other liabilities	879,220	540,992	385,934	613,691	1,265,154	1,154,683
Total liabilities	5,639,702	5,624,364	6,088,481	6,735,324	11,728,183	12,359,688
Net position						
Net investment in capital assets	12,233,567	11,720,897	36,018,481	37,145,392	48,252,048	48,866,289
Restricted	1,043,149	1,289,058	532,891	779,853	1,576,040	2,068,911
Unrestricted	2,528,511	3,299,222	5,620,318	5,310,764	8,148,829	8,609,986
Total net position	\$15,805,227	\$16,309,177	\$42,171,690	\$43,236,009	\$57,976,917	\$59,545,186

By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Grandville'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.

Certain net position of governmental activities at year-end have been restricted, primarily by funding sources for major and local streets and debt service purposes. Of the net position balance at year end, 77% is net investment in capital assets, 7% is restricted for other purposes and 16% is unrestricted and available for general City operations.

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

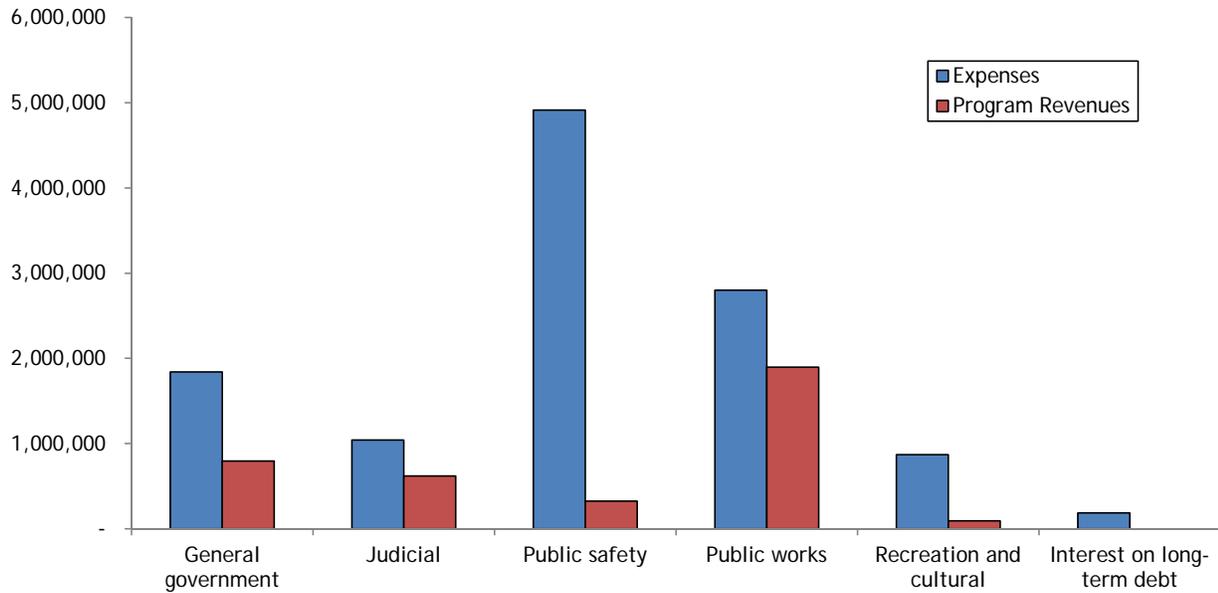
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 1,858,850	\$ 2,083,284	\$ 6,284,542	\$ 6,330,287	\$ 8,143,392	\$ 8,413,571
Operating grants	1,365,836	1,127,187	92,135	60,371	1,457,971	1,187,558
Capital grants	501,567	44,280	-	655,888	501,567	700,168
General revenues:						
Property taxes	5,935,987	5,918,037	-	-	5,935,987	5,918,037
State shared revenue	1,189,619	1,161,530	-	-	1,189,619	1,161,530
Franchise fees	217,689	215,264	-	-	217,689	215,264
Unrestricted investment earnings	28,125	42,446	-	-	28,125	42,446
Total revenues	11,097,973	10,592,028	6,376,677	7,046,546	17,474,650	17,638,574
Expenses						
General government	1,841,013	1,885,460	-	-	1,841,013	1,885,460
Judicial	1,040,144	1,029,813	-	-	1,040,144	1,029,813
Public safety	4,915,759	4,963,523	-	-	4,915,759	4,963,523
Public works	2,800,056	2,641,309	-	-	2,800,056	2,641,309
Recreation and cultural	870,288	866,180	-	-	870,288	866,180
Interest on long-term debt	184,663	209,892	-	-	184,663	209,892
Water	-	-	2,212,495	2,231,815	2,212,495	2,231,815
Sewer	-	-	5,178,501	4,047,820	5,178,501	4,047,820
Total expenses	11,651,923	11,596,177	7,390,996	6,279,635	19,042,919	17,875,812
Change in net position, before transfers	(553,950)	(1,004,149)	(1,014,319)	766,911	(1,568,269)	(237,238)
Transfers	50,000	50,402	(50,000)	(50,402)	-	-
Change in net position	(503,950)	(953,747)	(1,064,319)	716,509	(1,568,269)	(237,238)
Net position:						
Beginning of year	16,309,177	17,262,924	43,236,009	42,519,500	59,545,186	59,782,424
End of year	\$15,805,227	\$16,309,177	\$42,171,690	\$43,236,009	\$57,976,917	\$59,545,186

Governmental Activities. Governmental activities decreased the City's net position by \$503,950. This is primarily due to planned use of fund balance to cover deficits in governmental funds, offset in part by capital contributions for street infrastructure.

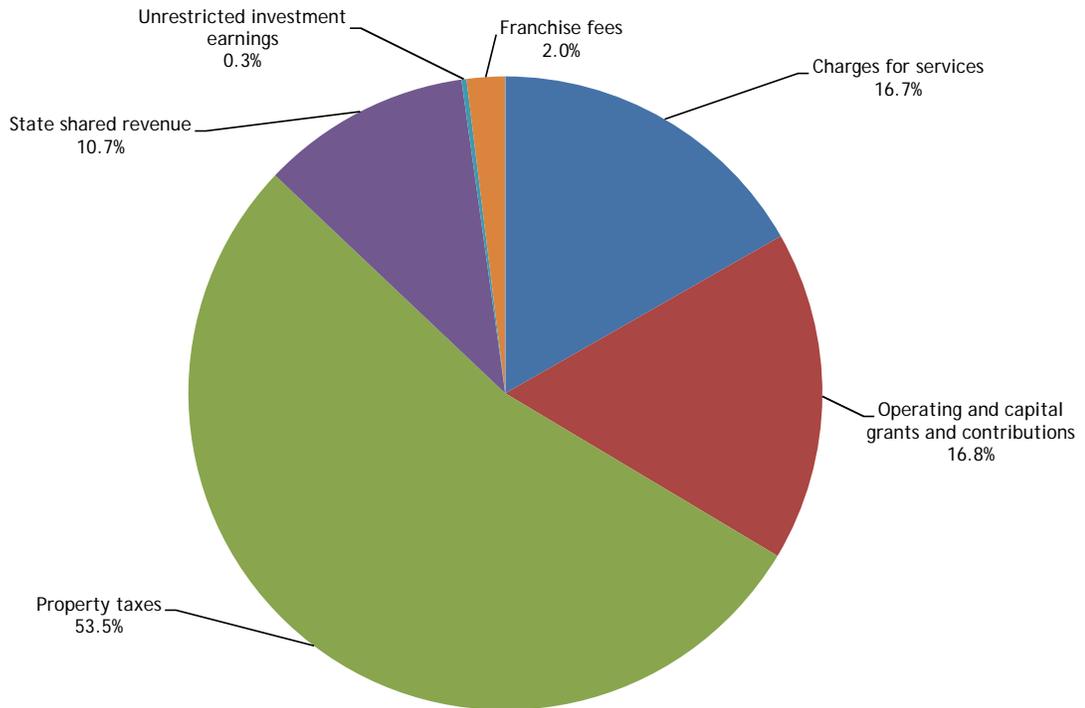
CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



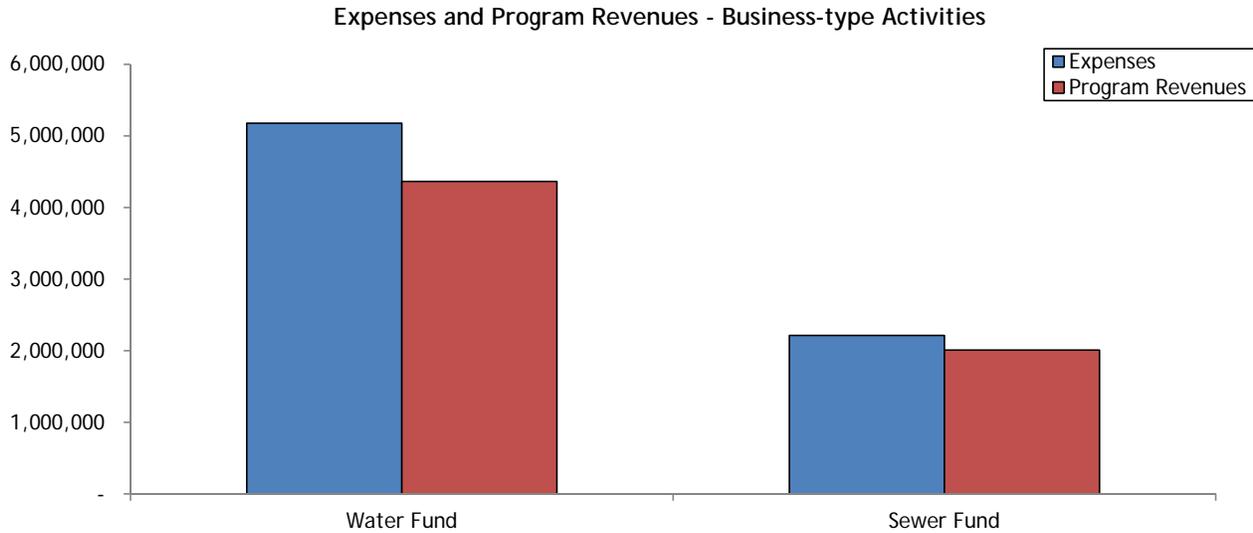
Revenues by Source - Governmental Activities



CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

Business-type Activities. Business-type activities decreased the City's net position by \$1,064,319. The key elements of this decrease are described below in the section on proprietary funds.



Financial Analysis of the County's Funds

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

Governmental Funds. The focus of the City of Grandville'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 of Grandville's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds, which are described in detail below, reported combined ending fund balances of \$3,135,249, a decrease of \$881,293 from the prior year. Elements of the decrease are described below.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,479,794 while total fund balance reached \$2,305,302. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 17% of total general fund expenditures and transfers out, while total fund balance represents 26% of that same amount.

The fund balance of the City of Grandville's general fund decreased by \$565,073 during the current fiscal year. This decrease was mainly related to a planned use of fund balance to cover budget deficits.

The fund balance of the major and local streets special revenue funds decreased by \$170,250 and \$110,451, respectively during the current fiscal year. These decreases were a result of a higher than normal amount of snowfall and icy conditions, resulting in higher overtime wages, salt purchases and equipment rentals.

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

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

Unrestricted net position of the water and sewer funds at the end of the year amounted to \$603,890 and \$5,016,428, respectively. The total changes in net position for these funds were a decrease of \$217,194 and \$847,125, respectively. The decrease in the Water Fund was due to depreciation expense exceeding capital asset additions by approximately \$300,000. The decrease in the Sewer Fund was related to depreciation expense exceeding capital asset additions by approximately \$1.1 million.

General Fund Budgetary Highlights

- Licenses and Permit revenues exceeded the original budget by approximately \$145,000 due to increased demand for permits because of a large commercial development.
- Attorney expenditures were approximately \$211,000 over original budget primarily due to fees related to pending tax tribunal cases.

Capital Asset and Debt Administration

Capital Assets. The City of Grandville's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounted to \$57,820,164 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Various resurfacing projects related to Major and Local Streets
- Wilson/Buck Creek Pedestrian Crossing
- Canal Ave Paving and Sewer Main
- Clean Water Plant Chemical Building
- Fire Department Heavy Rescue Tools and Air Filling Station

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,738,397	\$ 1,738,397	\$ 15,000	\$ 15,000	\$ 1,753,397	\$ 1,753,397
Construction in progress	526,567	25,870	5,948	-	532,515	25,870
Depreciable assets	13,963,973	14,223,089	41,570,279	43,111,794	55,534,252	57,334,883
Total capital assets, net	\$16,228,937	\$15,987,356	\$41,591,227	\$43,126,794	\$57,820,164	\$59,114,150

Additional information on the City of Grandville's capital assets can be found in Note 6 of this report.

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

Long-term Debt. Long-term debt of the City is summarized as follows:

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 4,045,000	\$ 4,325,000	\$ 5,610,000	\$ 6,035,000	\$ 9,655,000	\$10,360,000
Other obligations*	715,482	758,372	92,547	86,633	808,029	845,005
Total long-term debt	\$ 4,760,482	\$ 5,083,372	\$ 5,702,547	\$ 6,121,633	\$10,463,029	\$11,205,005

The City's total debt decreased by \$741,976.

*Additional information on the City of Grandville long-term obligations can be found in Note 7 of this report.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City's budget for the 2014-15 fiscal year:

- Increase millage rate by 1.146 mills to 10.3; 8.8 mills to General Fund, 1.3 mills to Street Funds, and .2 mills to Project Reserve Fund.
- Reduction of 1 full time employee in Treasurer's Department to part time.
- Maintain General Fund expenditure at approximately same level as 2013/2014 budgeted expenditures.
- Maintain the same commodity rate for water and sewer.
- Increase Water Ready-to-Serve charge by \$1 per quarter for 5/8" meters.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF GRANDVILLE, MICHIGAN

Statement of Net Position

June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 3,683,340	\$ 4,453,440	\$ 8,136,780	\$ 971,647
Restricted cash and investments	124,181	532,891	657,072	155,635
Receivables	647,885	1,662,720	2,310,605	15,462
Prepaid expenses	15,984	-	15,984	-
Land held for sale	-	-	-	70,000
Net pension asset	653,159	-	653,159	-
Capital assets not being depreciated	2,264,964	20,948	2,285,912	264,567
Capital assets being depreciated, net	13,963,973	41,570,279	55,534,252	3,758,159
Total assets	21,353,486	48,240,278	69,593,764	5,235,470
Deferred outflows of resources				
Loss on advance bond refundings, net	91,443	19,893	111,336	-
Liabilities				
Accounts payable and accrued liabilities	857,615	385,934	1,243,549	19,573
Long-term debt:				
Due in one year	667,130	551,872	1,219,002	60,000
Due in more than one year	4,093,352	5,150,675	9,244,027	1,615,000
Net other postemployment benefits obligation	21,605	-	21,605	-
Total liabilities	5,639,702	6,088,481	11,728,183	1,694,573
Net position				
Net investment in capital assets	12,233,567	36,018,481	48,252,048	2,347,726
Restricted for:				
Drug law enforcement	123,681	-	123,681	-
Drunk driving caseflow	54,679	-	54,679	-
Community policing	7,204	-	7,204	-
Construction code enforcement	6,822	-	6,822	-
Recreation and culture	9,104	-	9,104	-
Public works	841,659	-	841,659	-
Debt service	-	532,891	532,891	140,200
Unrestricted	2,528,511	5,620,318	8,148,829	1,052,971
Total net position	\$ 15,805,227	\$ 42,171,690	\$ 57,976,917	\$ 3,540,897

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2014

Function / Program	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,841,013	\$ 795,030	\$ -	\$ -	\$ (1,045,983)
Judicial	1,040,144	569,346	48,881	-	(421,917)
Public safety	4,915,759	291,369	32,473	-	(4,591,917)
Public works	2,800,056	113,918	1,281,059	501,567	(903,512)
Recreation and cultural	870,288	89,187	3,423	-	(777,678)
Interest on long-term debt	184,663	-	-	-	(184,663)
Total governmental activities	11,651,923	1,858,850	1,365,836	501,567	(7,925,670)
Business-type activities:					
Water	2,212,495	2,008,662	1,639	-	(202,194)
Sewer	5,178,501	4,275,880	90,496	-	(812,125)
Total business-type activities	7,390,996	6,284,542	92,135	-	(1,014,319)
Total primary government	\$ 19,042,919	\$ 8,143,392	\$ 1,457,971	\$ 501,567	\$ (8,939,989)
Component unit					
Downtown Development Authority	\$ 534,176	\$ 1,429	\$ -	\$ -	\$ (532,747)
Brownfield Redevelopment Authority	268,945	-	-	-	(268,945)
Total component unit	\$ 803,121	\$ 1,429	\$ -	\$ -	\$ (801,692)

continued...

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2014

Function / Program	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (7,925,670)	\$ (1,014,319)	\$ (8,939,989)	\$ (801,692)
General revenues:				
Property taxes	5,935,987	-	5,935,987	521,281
State shared revenue	1,189,619	-	1,189,619	-
Franchise fees	217,689	-	217,689	-
Unrestricted investment earnings	28,125	-	28,125	5,932
Other revenue	300	-	300	27,739
Transfers	50,000	(50,000)	-	-
Total general revenues and transfers	7,421,720	(50,000)	7,371,720	554,952
Change in net position	(503,950)	(1,064,319)	(1,568,269)	(246,740)
Net position, beginning of year	16,309,177	43,236,009	59,545,186	3,787,637
Net position, end of year	\$ 15,805,227	\$ 42,171,690	\$ 57,976,917	\$ 3,540,897

concluded

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

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CITY OF GRANDVILLE, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2014

	General	Special Revenue		Total
		Major Streets	Nonmajor Funds	
Assets				
Pooled cash and investments	\$ 2,155,842	\$ 532,735	\$ 525,061	\$ 3,213,638
Restricted cash and investments	124,181	-	-	124,181
Accounts receivable	107,137	91	-	107,228
Special assessments receivable	-	-	63,220	63,220
Interest receivable	1,859	427	494	2,780
Due from other governments	247,926	154,325	71,965	474,216
Prepaid expenses	15,984	-	-	15,984
Total assets	\$ 2,652,929	\$ 687,578	\$ 660,740	\$ 4,001,247
Liabilities				
Accounts payable	\$ 226,432	\$ 223,357	\$ 226,409	\$ 676,198
Accrued and other liabilities	121,195	2,775	2,610	126,580
Total liabilities	347,627	226,132	229,019	802,778
Deferred inflows of resources				
Unavailable revenue - special assessments receivable	-	-	63,220	63,220
Fund balances				
Nonspendable	15,984	-	-	15,984
Restricted	201,490	461,446	316,993	979,929
Committed	608,034	-	51,508	659,542
Unassigned	1,479,794	-	-	1,479,794
Total fund balances	2,305,302	461,446	368,501	3,135,249
Total liabilities, deferred inflows of resources and fund balances	\$ 2,652,929	\$ 687,578	\$ 660,740	\$ 4,001,247

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

CITY OF GRANDVILLE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2014

Fund balances - total governmental funds \$ 3,135,249

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	2,264,964
Capital assets being depreciated, net	13,963,973
Capital assets being depreciated, net, recorded in internal service funds	(747,175)

Some items are recorded as revenues and expenditures in the fund statements when paid or when received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned.

Net pension asset	653,159
Net other postemployment benefits obligation	(21,605)
Deferred inflows for long-term special assessments receivable	63,220

Internal service funds are used by management to charge the costs of certain activities, such as equipment usage and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities.

Net position of governmental activities accounted for in internal service funds	1,182,176
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Certain liabilities and deferred outflows of resources, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	(4,045,000)
Unamortized premium on bonds payable	(41,813)
Unamortized deferred loss on bond refunding	91,443
Accrued interest payable on long-term debt	(28,474)
Compensated absences	(664,890)

Net position of governmental activities \$ 15,805,227

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2014

	Special Revenue			Total
	General	Major Streets	Nonmajor Funds	
Revenues				
Property taxes	\$ 5,229,582	\$ 268,434	\$ 437,971	\$ 5,935,987
Licenses and permits	518,265	-	-	518,265
Intergovernmental	1,317,759	863,036	397,067	2,577,862
Fines and forfeitures	505,769	-	-	505,769
Charges for services	532,095	-	5,950	538,045
Interest income	19,724	2,817	3,115	25,656
Rental income	5,500	-	458,086	463,586
Other revenues	54,597	-	-	54,597
Total revenues	8,183,291	1,134,287	1,302,189	10,619,767
Expenditures				
Current:				
General government	2,145,586	-	-	2,145,586
Judicial	609,106	-	-	609,106
Public safety	4,827,254	-	-	4,827,254
Public works	315,375	1,294,537	980,073	2,589,985
Recreation and culture	926,043	-	-	926,043
Debt service:				
Principal	-	-	280,000	280,000
Interest	-	-	178,086	178,086
Total expenditures	8,823,364	1,294,537	1,438,159	11,556,060
Revenues over (under) expenditures	(640,073)	(160,250)	(135,970)	(936,293)
Other financing sources (uses)				
Transfers in	75,000	-	-	75,000
Transfers out	-	(10,000)	(10,000)	(20,000)
Total other financing sources (uses)	75,000	(10,000)	(10,000)	55,000
Net change in fund balances	(565,073)	(170,250)	(145,970)	(881,293)
Fund balances, beginning of year	2,870,375	631,696	514,471	4,016,542
Fund balances, end of year	\$ 2,305,302	\$ 461,446	\$ 368,501	\$ 3,135,249

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

CITY OF GRANDVILLE, MICHIGAN

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2014

Net change in fund balance - total governmental funds \$ (881,293)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	780,746
Capital contributions	475,737
Depreciation expense	(961,255)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term debt	280,000
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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.

Change in the accrual for interest payable on long-term debt	2,334
Amortization of bond premium	7,506
Amortization of deferred loss on bond refunding	(16,417)
Change in the accrual for compensated absences	39,276
Change in the net pension asset	(20,325)
Change in the net other postemployment benefits asset/obligation	(34,924)

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

Loss from governmental activities in internal service funds	<u>(175,335)</u>
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Change in net position of governmental activities \$ (503,950)

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	\$ 5,274,684	\$ 5,229,684	\$ 5,229,582	\$ (102)
Licenses and permits	336,150	496,150	518,265	22,115
Intergovernmental	1,410,091	1,410,091	1,317,759	(92,332)
Fines and forfeitures	608,500	503,500	505,769	2,269
Charges for services	542,937	557,937	532,095	(25,842)
Interest income	16,800	16,800	19,724	2,924
Rental income	3,500	3,500	5,500	2,000
Other revenue	47,957	47,957	54,597	6,640
Total revenues	8,240,619	8,265,619	8,183,291	(82,328)
Expenditures				
Current:				
General government	1,935,922	2,264,972	2,145,586	(119,386)
Judicial	636,539	634,739	609,106	(25,633)
Public safety	4,918,937	5,063,902	4,827,254	(236,648)
Public works	334,198	339,198	315,375	(23,823)
Recreation and culture	1,001,608	997,193	926,043	(71,150)
Total expenditures	8,827,204	9,300,004	8,823,364	(476,640)
Revenues over (under) expenditures	(586,585)	(1,034,385)	(640,073)	394,312
Other financing sources				
Transfers in	82,500	82,500	75,000	(7,500)
Net change in fund balance	(504,085)	(951,885)	(565,073)	386,812
Fund balance, beginning of year	2,870,375	2,870,375	2,870,375	-
Fund balance, end of year	\$ 2,366,290	\$ 1,918,490	\$ 2,305,302	\$ 386,812

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Streets Special Revenue Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	\$ 271,393	\$ 271,393	\$ 268,434	\$ (2,959)
Intergovernmental	743,384	743,384	863,036	119,652
Interest income	1,000	1,000	2,817	1,817
Total revenues	1,015,777	1,015,777	1,134,287	118,510
Expenditures				
Current:				
Public works	1,279,286	1,444,286	1,294,537	(149,749)
Revenues over (under) expenditures	(263,509)	(428,509)	(160,250)	268,259
Other financing uses				
Transfers out	(10,000)	(10,000)	(10,000)	-
Net change in fund balance	(273,509)	(438,509)	(170,250)	268,259
Fund balance, beginning of year	631,696	631,696	631,696	-
Fund balance, end of year	\$ 358,187	\$ 193,187	\$ 461,446	\$ 268,259

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Fund
Assets				
Current assets:				
Pooled cash and investments	\$ 249,214	\$ 4,204,226	\$ 4,453,440	\$ 469,702
Restricted cash and investments	-	532,891	532,891	-
Accounts receivable	524,958	1,133,508	1,658,466	-
Interest receivable	234	4,020	4,254	441
Total current assets	<u>774,406</u>	<u>5,874,645</u>	<u>6,649,051</u>	<u>470,143</u>
Noncurrent assets:				
Capital assets not being depreciated	5,948	15,000	20,948	-
Capital assets being depreciated, net	8,224,527	33,345,752	41,570,279	747,175
Total noncurrent assets	<u>8,230,475</u>	<u>33,360,752</u>	<u>41,591,227</u>	<u>747,175</u>
Total assets	<u>9,004,881</u>	<u>39,235,397</u>	<u>48,240,278</u>	<u>1,217,318</u>
Deferred outflows of resources				
Loss on advance bond refundings, net	-	19,893	19,893	-
Liabilities				
Current liabilities:				
Accounts payable	133,972	185,591	319,563	24,830
Accrued liabilities	2,931	63,440	66,371	1,533
Current portion of compensated absences	23,987	61,152	85,139	2,874
Current portion of bonds payable	-	466,733	466,733	-
Total current liabilities	<u>160,890</u>	<u>776,916</u>	<u>937,806</u>	<u>29,237</u>
Noncurrent liabilities:				
Compensated absences, net of current portion	9,626	15,143	24,769	5,905
Bonds payable, net of current portion	-	5,125,906	5,125,906	-
Total noncurrent liabilities	<u>9,626</u>	<u>5,141,049</u>	<u>5,150,675</u>	<u>5,905</u>
Total liabilities	<u>170,516</u>	<u>5,917,965</u>	<u>6,088,481</u>	<u>35,142</u>
Net position				
Net investment in capital assets	8,230,475	27,788,006	36,018,481	747,175
Restricted for debt service	-	532,891	532,891	-
Unrestricted	603,890	5,016,428	5,620,318	435,001
Total net position	<u>\$ 8,834,365</u>	<u>\$ 33,337,325</u>	<u>\$ 42,171,690</u>	<u>\$ 1,182,176</u>

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Fund
Operating revenues				
Charges for services	\$ 1,989,433	\$ 4,259,229	\$ 6,248,662	\$ 612,285
Interest and penalty charges	19,229	16,651	35,880	-
Total operating revenues	<u>2,008,662</u>	<u>4,275,880</u>	<u>6,284,542</u>	<u>612,285</u>
Operating expenses				
Cost of water produced/purchased	1,258,153	-	1,258,153	-
Cost of labor	415,996	1,392,889	1,808,885	178,990
Administrative costs, supplies, and other	183,824	1,697,295	1,881,119	433,122
Depreciation	354,522	1,842,301	2,196,823	172,977
Total operating expenses	<u>2,212,495</u>	<u>4,932,485</u>	<u>7,144,980</u>	<u>785,089</u>
Operating loss	<u>(203,833)</u>	<u>(656,605)</u>	<u>(860,438)</u>	<u>(172,804)</u>
Non-operating revenues (expenses)				
Intergovernmental revenue	-	63,069	63,069	-
Interest income	1,639	27,427	29,066	2,469
Interest expense	-	(246,016)	(246,016)	-
Total non-operating revenues (expenses)	<u>1,639</u>	<u>(155,520)</u>	<u>(153,881)</u>	<u>2,469</u>
Net loss before transfers	<u>(202,194)</u>	<u>(812,125)</u>	<u>(1,014,319)</u>	<u>(170,335)</u>
Transfers				
Transfers out	<u>(15,000)</u>	<u>(35,000)</u>	<u>(50,000)</u>	<u>(5,000)</u>
Change in net position	<u>(217,194)</u>	<u>(847,125)</u>	<u>(1,064,319)</u>	<u>(175,335)</u>
Net position, beginning of year	<u>9,051,559</u>	<u>34,184,450</u>	<u>43,236,009</u>	<u>1,357,511</u>
Net position, end of year	<u>\$ 8,834,365</u>	<u>\$ 33,337,325</u>	<u>\$ 42,171,690</u>	<u>\$ 1,182,176</u>

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 1,999,165	\$ 3,972,486	\$ 5,971,651	\$ -
Payments to suppliers	(1,512,686)	(1,816,421)	(3,329,107)	(454,377)
Payments to employees	(411,929)	(1,425,926)	(1,837,855)	(174,606)
Internal activity - receipts from other funds	-	-	-	612,285
Net cash provided by (used in) operating activities	<u>74,550</u>	<u>730,139</u>	<u>804,689</u>	<u>(16,698)</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(10,133)	(651,123)	(661,256)	(119,330)
Proceeds from capital grant	-	63,069	63,069	-
Principal paid on long-term debt	-	(425,000)	(425,000)	-
Interest paid on long-term debt	-	(229,672)	(229,672)	-
Net cash used in capital and related financing activities	<u>(10,133)</u>	<u>(1,242,726)</u>	<u>(1,252,859)</u>	<u>(119,330)</u>
Cash flows from noncapital financing activities				
Transfers out	(15,000)	(35,000)	(50,000)	(5,000)
Cash flows from investing activities				
Interest income received	1,639	27,427	29,066	2,469
Net change in cash and cash equivalents	51,056	(520,160)	(469,104)	(138,559)
Cash and cash equivalents, beginning of year	198,158	5,257,277	5,455,435	608,261
Cash and cash equivalents, end of year	<u>\$ 249,214</u>	<u>\$ 4,737,117</u>	<u>\$ 4,986,331</u>	<u>\$ 469,702</u>
Cash and investments are presented on the statement of net position as follows				
Pooled cash and investments	\$ 249,214	\$ 4,204,226	\$ 4,453,440	\$ 469,702
Restricted cash and investments	-	532,891	532,891	-
	<u>\$ 249,214</u>	<u>\$ 4,737,117</u>	<u>\$ 4,986,331</u>	<u>\$ 469,702</u>

continued...

CITY OF GRANDVILLE, MICHIGAN

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

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Fund
Cash flows from operating activities				
Operating income (loss)	\$ (203,833)	\$ (656,605)	\$ (860,438)	\$ (172,804)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	354,522	1,842,301	2,196,823	172,977
Changes in assets/liabilities:				
Accounts receivable	(9,540)	(305,910)	(315,450)	-
Interest receivable	43	2,516	2,559	407
Accounts payable	(70,709)	(119,126)	(189,835)	(21,662)
Accrued liabilities	704	(38,626)	(37,922)	492
Compensated absences	3,363	5,589	8,952	3,892
Net cash provided by (used in) operating activities	<u>\$ 74,550</u>	<u>\$ 730,139</u>	<u>\$ 804,689</u>	<u>\$ (16,698)</u>

concluded

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

Assets

Cash and pooled investments	\$ 124,765
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Liabilities

Due to Parks and Recreation Board	\$ 86,528
Due to 59th District Court	35,254
Due to property developers	1,020
Due to other governments	1,963

Total liabilities	\$ 124,765
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The accompanying notes are an integral part of these financial statements.

CITY OF GRANDVILLE, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2014

	Downtown Development Authority	Brownfield Redevelopment Authority	Totals
Assets			
Pooled cash and investments	\$ 971,647	\$ -	\$ 971,647
Restricted cash and investments	155,635	-	155,635
Receivables	15,462	-	15,462
Land held for sale	70,000	-	70,000
Capital assets not being depreciated	264,567	-	264,567
Capital assets being depreciated, net	3,758,159	-	3,758,159
Total assets	5,235,470	-	5,235,470
Liabilities			
Accounts payable and accrued liabilities	19,573	-	19,573
Long-term debt:			
Due in one year	60,000	-	60,000
Due in more than one year	1,615,000	-	1,615,000
Total liabilities	1,694,573	-	1,694,573
Net position			
Net investment in capital assets	2,347,726	-	2,347,726
Restricted for debt service	140,200	-	140,200
Unrestricted	1,052,971	-	1,052,971
Total net position	\$ 3,540,897	\$ -	\$ 3,540,897

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

CITY OF GRANDVILLE, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2014

	Downtown Development Authority	Brownfield Redevelopment Authority	Totals
Expenses			
Downtown Development Authority	\$ 534,176	\$ -	\$ 534,176
Brownfield Redevelopment Authority	-	268,945	268,945
Total expenses	534,176	268,945	803,121
Program revenues			
Charges for services	1,429	-	1,429
Net revenues (expenses)	(532,747)	(268,945)	(801,692)
General revenues			
Property taxes	252,336	268,945	521,281
Unrestricted investment earnings	5,932	-	5,932
Other revenue	27,739	-	27,739
Total general revenues	286,007	268,945	554,952
Net change in net position	(246,740)	-	(246,740)
Net position, beginning of year	3,787,637	-	3,787,637
Net position, end of year	\$ 3,540,897	\$ -	\$ 3,540,897

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

NOTES TO FINANCIAL STATEMENTS

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *City of Grandville, Michigan* (the "City") was incorporated under the provision of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and welfare services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

As required by generally accepted accounting principles, 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, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. A separate section of the financial statements provides detailed financial information on the discretely presented component unit.

Blended Component Unit

Building Authority - The Building Authority is an entity legally separate from the City. For financial reporting purposes, the Building Authority is reported as if it were part of the City's operations because its purpose is to acquire, construct and equip public buildings on behalf of the City.

Discretely Presented Component Units

Downtown Development Authority - The Downtown Development Authority was established to correct and prevent deterioration, encourage historical preservation, and to promote economic growth within the downtown district. The Authority is governed by a nine person Board of Directors appointed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. Accordingly, the City is deemed to have the ability to impose its will on the entity. Separate financial statements are not prepared for the Downtown Development Authority.

Brownfield Redevelopment Authority - The Brownfield Redevelopment Authority was established to account for the redevelopment of environmentally contaminated and other underutilized sites within the City. The Authority is governed by a seven person Board of Directors appointed by the City Council. Accordingly, the City is deemed to have the ability to impose its will on the entity. Separate financial statements are not prepared for the Brownfield Redevelopment Authority.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

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. *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 a 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. After March 1 of each year, the delinquent real property taxes are paid by the City to other units of government and the County is responsible for collecting any outstanding real property taxes as of that date. 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 or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

The City reports the following major governmental fund:

The *general fund* is used to account for and report all financial resources not accounted for and reported 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 City reports the following major proprietary funds:

The *water fund* is used to account for the operation, maintenance and capital improvement of the water system. Financing is provided by user charges and contributions by other funds, municipalities and customers.

The *sewer fund* is used to account for the operation, maintenance and capital improvement of the wastewater system and retirement of related debt. Financing is provided by user charges and contributions by other funds, municipalities and customers.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *internal service fund* is used to account for operations that provide services (such as major machinery and equipment purchases and maintenance) to other departments of the government on a cost reimbursement basis.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted net position is reported for amounts that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. 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 the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The City Manager is authorized to make budget transfers to or from any one appropriation category during the fiscal year within dollar limits established by the City Council. The legal level of budgetary control is at the department level for the general fund and the function level (inclusive of capital outlay) for the special revenue funds.
5. Formal budgetary integration is employed as a management control device during the year for all funds except agency funds. Budget appropriations lapse at year-end.
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2014. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Assets, Deferred Outflows of Resources Liabilities, Deferred Inflows of Resources and Equity

Pooled Cash and Investments

For purposes of the statement of cash flows, the City considers all assets held in highly liquid investments with an original maturity of three months or less to be cash and temporary investments. Investments are stated at fair value in accordance with GASB Statement No. 31.

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

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- 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.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- 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.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Restricted Cash and Investments

Restricted cash and investments of enterprise funds and the Downtown Development Authority component unit consist of amounts held in accordance with debt covenants. Restricted cash and investments in the general fund consist of amounts legally restricted by state statute for drug forfeiture.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances at year-end are considered by management to be immaterial.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Special Assessments

Special assessments are recorded as revenue when due, not when levied. Estimated annual installments not yet available are reflected as deferred inflows of resources. Special assessments do not become due and payable until title to the property is transferred.

Due From Other Governments

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program and capital grants are recorded as receivables and revenue at the time reimbursable costs are incurred. Revenues received in advance of costs being incurred are unearned revenue.

Due To/From Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

Land Held for Sale

The Downtown Development Authority component unit has ownership of a parcel of land that is currently being held for sale.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column 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 year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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.

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Depreciation on capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	Years
Road and sidewalks	10-50
Water and sewer distribution systems	10-100
Land improvements	15-20
Buildings and building improvements	7-45
Vehicles	3-15
Office furnishings	5-20
Other tools and equipment	5-40

Intangible Assets

Intangible assets of business-type activities consist of infrastructure usage rights. The amount is being amortized over 40 years on a straight-line basis.

Deferred Outflows 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 reports deferred outflows of resources in the proprietary fund and government-wide statements for deferred losses on advance bond refundings. The amounts result from the difference in the carrying value of refunded debt and its reacquisition price and are amortized over the shorter of the life of the refunded or refunding debt.

Compensated Absences

The City's policy allows employees to earn and accumulate sick and vacation pay benefits. Accrued compensated absences are reported in the proprietary and governmental fund types to the extent that they will be liquidated with expendable available financial resources, and the long-term balance payable from governmental funds is recorded on the statement of net position.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

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 statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, 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. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

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 governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from special assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

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, 2014, unassigned fund balance of the general fund was equal to 17 percent of general fund expenditures and transfers out.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

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, and winter taxes are levied on December 1 and are due without penalty on or before February 14. The City bills and collects its own property taxes for general governmental services. A portion of the general fund levy is allocated to the major and local streets special revenue funds each year, as determined by the City Council. Additionally, the City collects taxes for Kent County and various townships and school districts. Collections of property taxes and remittances to the appropriate authorities are accounted for in the county and school tax agency fund.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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, 2014, the City carried commercial insurance to cover 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.

Construction Code Fees

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

Cumulative surplus at July 1, 2013	\$	12,728
Building permit revenue		245,299
Related expenses:		
Direct costs		245,955
Estimated indirect costs		5,250
		<hr/>
Cumulative surplus at June 30, 2014	\$	<u>6,822</u>

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

2. EXCESS OF EXPENDITURES OVER BUDGET

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2014, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
General government:			
Treasurer	\$ 170,823	\$ 170,875	\$ 52
Public safety:			
Building inspections	227,000	227,039	39

3. DEPOSITS AND INVESTMENTS

The government-wide and fund financial statement captions relating to cash and investments are as follows:

	Primary Government	Component Units	Fiduciary Funds	Total
Pooled cash and investments	\$ 8,136,780	\$ 971,647	\$ 124,765	\$ 9,233,192
Restricted cash and investments	657,072	155,635	-	812,707
Total	\$ 8,793,852	\$ 1,127,282	\$ 124,765	\$ 10,045,899

These deposits are in 14 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. Deposits and investments are recorded in City records at fair value. Interest is recorded when earned.

Cash and investments are composed of the following at June 30, 2014:

Checking and savings accounts	\$ 3,707,238
Certificates of deposit:	
Due within one year	4,502,360
Due in one to five years	1,492,888
Investments	343,111
Cash on hand	302
Total cash and investments	\$ 10,045,899

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

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. The City believes that due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. As of year-end, \$6,524,279 of the City's bank balance of \$9,935,943 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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 the investment custodial risk. Following is a summary of the City's investments as of June 30, 2014:

Government mutual funds	\$ 100,622
Kent County investment pool	<u>242,489</u>
Total	<u>\$ 343,111</u>

Credit Risk. Statutes and various bond indentures authorized the City to invest in obligations of the U.S. Treasury, governmental agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service, and mutual funds composed of the types of investment vehicles named previously. The City's investment policy does not have specific limits in excess of State law on investment credit risk. Credit risk ratings, where applicable, are summarized as follows:

Standard & Poor's AAAM	\$ 100,622
Unrated	<u>242,489</u>
Total	<u>\$ 343,111</u>

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified under "statutory authority" in 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. None of the investments held by the City at year-end have a specified maturity date.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy requires that not more than 25 percent of the total City funds classified as investments may be invested in commercial paper or investment pools and not more than 10 percent may be invested in repurchase agreements or bankers' acceptances.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES AND PAYABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 107,228	\$ 1,658,466	\$ -
Special assessments	63,220	-	-
Due from other governments	474,216	-	14,550
Interest	3,221	4,254	912
Total	\$ 647,885	\$ 1,662,720	\$ 15,462

Of the amounts reported above, \$63,220 of special assessments receivable reported in nonmajor governmental funds are not expected to be collected within one year.

Accounts payable and accrued liabilities in the government-wide financial statements are as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 251,262	\$ 319,563	\$ 3,383
Accrued liabilities	577,879	30,632	755
Accrued interest on long-term debt	28,474	35,739	15,435
Total	\$ 857,615	\$ 385,934	\$ 19,573

5. INTERFUND TRANSACTIONS

For the year ended June 30, 2014, interfund transfers consisted of the following:

Transfers Out	Transfers In
	General
Major streets	\$ 10,000
Nonmajor governmental	10,000
Water enterprise	15,000
Sewer enterprise	35,000
Internal service	5,000
Totals	\$ 75,000

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) reimburse the general fund for administrative expenses incurred.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 1,738,397	\$ -	\$ -	\$ -	\$ 1,738,397
Construction in progress	25,870	525,924	-	(25,227)	526,567
	<u>1,764,267</u>	<u>525,924</u>	<u>-</u>	<u>(25,227)</u>	<u>2,264,964</u>
Capital assets, being depreciated:					
Infrastructure	79,625,096	662,235	-	-	80,287,331
Land improvements	1,541,802	-	-	-	1,541,802
Buildings and improvements	9,099,849	-	-	-	9,099,849
Office furnishings and equipment	4,868,909	187,654	(108,891)	25,227	4,972,899
	<u>95,135,656</u>	<u>849,889</u>	<u>(108,891)</u>	<u>25,227</u>	<u>95,901,881</u>
Less accumulated depreciation for:					
Infrastructure	(72,099,729)	(622,208)	-	-	(72,721,937)
Land improvements	(1,122,607)	(31,941)	-	-	(1,154,548)
Buildings and improvements	(3,875,094)	(265,053)	-	-	(4,140,147)
Office furnishings and equipment	(3,815,137)	(215,030)	108,891	-	(3,921,276)
	<u>(80,912,567)</u>	<u>(1,134,232)</u>	<u>108,891</u>	<u>-</u>	<u>(81,937,908)</u>
Total capital assets being depreciated, net	<u>14,223,089</u>	<u>(284,343)</u>	<u>-</u>	<u>25,227</u>	<u>13,963,973</u>
Governmental activities capital assets, net	<u>\$ 15,987,356</u>	<u>\$ 241,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,228,937</u>

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Construction in progress	-	5,948	-	-	5,948
	<u>15,000</u>	<u>5,948</u>	<u>-</u>	<u>-</u>	<u>20,948</u>
Capital assets, being depreciated:					
Land improvements	31,676	-	-	-	31,676
Water and sewer distribution systems	45,736,530	76,935	-	-	45,813,465
Intangible assets	4,500,000	-	-	-	4,500,000
Buildings and building improvements	7,223,838	557,383	-	-	7,781,221
Other tools and equipment	3,229,722	20,990	-	-	3,250,712
	<u>60,721,766</u>	<u>655,308</u>	<u>-</u>	<u>-</u>	<u>61,377,074</u>
Less accumulated depreciation for:					
Land improvements	(9,503)	(1,584)	-	-	(11,087)
Water and sewer distribution systems	(9,540,129)	(1,768,840)	-	-	(11,308,969)
Intangible assets	(2,025,000)	(112,500)	-	-	(2,137,500)
Buildings and building improvements	(3,168,980)	(157,829)	-	-	(3,326,809)
Other tools and equipment	(2,866,360)	(156,070)	-	-	(3,022,430)
	<u>(17,609,972)</u>	<u>(2,196,823)</u>	<u>-</u>	<u>-</u>	<u>(19,806,795)</u>
Total capital assets being depreciated, net	<u>43,111,794</u>	<u>(1,541,515)</u>	<u>-</u>	<u>-</u>	<u>41,570,279</u>
Business-type activities capital assets, net	<u>\$ 43,126,794</u>	<u>\$ (1,535,567)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,591,227</u>

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component Unit - Downtown Development Authority					
Capital assets, not being depreciated:					
Land	\$ 264,567	\$ -	\$ -	\$ -	\$ 264,567
Capital assets, being depreciated:					
Land improvements	4,583,061	-	-	-	4,583,061
Less accumulated depreciation for:					
Land improvements	(610,165)	(214,737)	-	-	(824,902)
Total capital assets being depreciated, net	3,972,896	(214,737)	-	-	3,758,159
Net Downtown Development Authority capital assets					
	<u>\$ 4,237,463</u>	<u>\$ (214,737)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,022,726</u>

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

Governmental activities

General government	\$ 31,257
Judicial	46,004
Public safety	113,706
Public works	636,438
Recreation and culture	133,850
Depreciation charged to internal service fund	<u>172,977</u>

Total depreciation expense - governmental activities \$ 1,134,232

Business-type activities

Water	\$ 354,522
Sewer	<u>1,842,301</u>

Total depreciation expense - business-type activities \$ 2,196,823

At June 30, 2014, the City had outstanding commitments for the completion of construction projects of approximately \$87,000.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

7. LONG-TERM DEBT

The following is a summary of debt transactions of the City of the year ended June 30, 2014:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
2005 Building Authority Refunding Bonds; payable in annual installments of \$25,000 to \$450,000 through 2025 with interest payable semi-annually at 3.25% to 5.00%.	\$ 4,325,000	\$ -	\$ (280,000)	\$ 4,045,000	\$ 295,000
Unamortized premium	49,319	-	(7,506)	41,813	6,900
Compensated absences	709,053	329,847	(365,231)	673,669	365,230
Total governmental activities	\$ 5,083,372	\$ 329,847	\$ (652,737)	\$ 4,760,482	\$ 667,130
Business-type activities					
2006 Sewage System Revenue Bonds; payable in annual installments of \$335,000 to \$460,000 through 2016 with interest payable semi-annually at 4.00%.	\$ 1,325,000	\$ -	\$ (425,000)	\$ 900,000	\$ 440,000
2010 Sewage System Revenue Bonds; payable in annual installments of \$25,000 to \$340,000 through 2035 with interest payable semi-annually at 2.25% to 4.25%.	4,710,000	-	-	4,710,000	25,000
Total installment debt	6,035,000	-	(425,000)	5,610,000	465,000
Unamortized bond premiums	8,244	-	(4,068)	4,176	2,763
Unamortized bond discounts	(22,567)	-	1,030	(21,537)	(1,030)
Compensated absences	100,956	94,091	(85,139)	109,908	85,139
Total business-type activities	\$ 6,121,633	\$ 94,091	\$ (513,177)	\$ 5,702,547	\$ 551,872

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Component unit - Downtown Development Authority 2012 Tax Increment Revenue Bonds; payable in annual installments of \$55,000 to \$145,000 through 2032, with interest payable semi-annually at 4.95% to 5.95%.	\$ 1,730,000	\$ -	\$ (55,000)	\$ 1,675,000	\$ 60,000

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 295,000	\$ 85,423	\$ 465,000	\$ 214,436
2016	310,000	78,048	485,000	196,272
2017	325,000	70,298	180,000	177,248
2018	335,000	63,798	180,000	172,298
2019	350,000	57,098	190,000	166,898
2020-2024	1,980,000	173,787	1,035,000	738,586
2025-2029	450,000	9,563	1,230,000	540,966
2030-2034	-	-	1,505,000	269,106
2035-2036	-	-	340,000	14,450
	<u>\$ 4,045,000</u>	<u>\$ 538,015</u>	<u>\$ 5,610,000</u>	<u>\$ 2,490,260</u>

Year Ended June 30,	Component Unit	
	Principal	Interest
2015	\$ 60,000	\$ 92,612
2016	60,000	89,642
2017	65,000	86,672
2018	70,000	83,456
2019	70,000	79,990
2020-2024	410,000	342,542
2025-2029	535,000	218,380
2030-2033	405,000	49,386
	<u>\$ 1,675,000</u>	<u>\$ 1,042,680</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

8. PENSION PLANS

Defined Benefit Pension Plan

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The Plan is closed to new members. The System is administered by the MERS retirement board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute a fixed monthly rate per bargaining unit. Participating employees are required to contribute at a rate of 0% to 4.24%, based on bargaining unit, to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

For the year ended June 30, 2014, the City's annual pension cost for MERS was \$610,305, however actual contributions equaled \$589,980, reducing the City's net pension asset. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. Since the plan is closed, the City's required contribution is expressed as a fixed monthly rate instead of a percentage of covered payroll. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment of 10% of the difference between assumed earnings and market value (ten year seniority) to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, the date of the latest actuarial valuation, was eleven years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2012	\$ 873,117	97%	\$ 689,034
2013	1,011,706	98%	673,484
2014	610,305	97%	653,159

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

The net pension asset is calculated as follows:

Annual required contribution	\$ 589,980
Interest on net pension asset	(53,879)
Adjustment to annual required contribution	74,204
Net pension cost	<u>610,305</u>
Contributions made	<u>(589,980)</u>
Decrease in net pension asset	(20,325)
Net pension asset, beginning of the year	<u>673,484</u>
 Net pension asset, end of year	 <u><u>\$ 653,159</u></u>

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was 67 percent funded. The actuarial accrued liability for benefits was \$18,457,890, and the actuarial value of assets was \$12,377,481, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,080,409. The covered payroll (annual payroll of active employees covered by the plan) was \$1,026,307 and the ratio of the UAAL to the covered payroll was 592 percent.

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

Defined Contribution Pension Plan

The City provides pension benefits to all of its full-time employees not participating in the defined benefit plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes 10 percent of non-union, police sergeant, police rank and file, public works, cleanwater employees' eligible earnings, as defined in the Plan document. Employees contribute at a rate of 4 percent of eligible earnings. Employee contributions plus interest allocated to the employees' account, are fully vested after five years of service. Employer and employee contributions during the current year were \$382,175 and \$159,901, respectively.

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The City has elected to provide postemployment health benefits to all full-time employees upon retirement. As of the most recent actuarial valuation, 15 retirees were eligible for and receiving postemployment health benefits and 79 active employees were included in the plan. 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. Effective June 22, 2009, the City began advance funding this obligation through the Michigan Municipal Employees' Retirement Systems (MERS) Retiree Health Funding Vehicle.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Funding Policy. Retiree healthcare costs are recognized when paid by the City on a “pay-as-you-go basis”. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2014, the City paid postemployment healthcare premiums of \$148,565, all of which funded current retiree healthcare premiums. The City will, at its discretion, contribute amounts determined annually using the actuarial report. Retirees receiving benefits contributed \$20,074, or approximately 12 percent of the total premiums, through their required contribution of inflationary increases in healthcare premiums from the rate at the date of retirement.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employer in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City’s net OPEB asset (obligation):

Annual required contribution	\$ 183,505
Interest on net OPEB asset	(733)
Adjustment to annual required contribution	<u>717</u>
Net OPEB cost (expense)	183,489
Contributions made	<u>(148,565)</u>
Decrease in net OPEB asset	(34,924)
Net OPEB asset (obligation), beginning of year	<u>13,319</u>
Net OPEB asset (obligation), end of year	<u><u>\$ (21,605)</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for 2014 and the two preceding years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Obligation) Asset
2012	\$ 256,235	100%	\$ 13,995
2013	257,970	100%	13,319
2014	183,489	81%	(21,605)

Funded Status and Funding Progress. As of June 30, 2014, the most recent actuarial valuation date, the plan was 49 percent funded. The actuarial accrued liability for benefits was \$1,958,623, and the actuarial value of assets was \$954,980, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,003,643. The covered payroll (annual payroll of the active employees covered by the Plan) was \$4,821,754 and the ratio of the UAAL to covered payroll was 21 percent.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2006 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections by City management. A rate of 2.9% percent was for used for fiscal year 2015, increased to a rate of 5.0 percent thereafter.

Health insurance premiums - 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 3.0 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in The 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation. Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 5.50 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 11 years.

10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for employees; as such, the plan assets and liabilities are not included in this report. At June 30, 2014, \$3,107,267 was held in trust for employees.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

11. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balances primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Major Streets	Nonmajor Governmental Funds	Total
Nonspendable:				
Prepaid expenses	\$ 15,984	\$ -	\$ -	\$ 15,984
Restricted for:				
Major and local streets	-	461,446	316,993	778,439
Drunk driving caseflow	54,679	-	-	54,679
Drug law enforcement	123,681	-	-	123,681
Recreation and culture	3,423	-	-	3,423
Construction code enforcement	6,822	-	-	6,822
Park development	292	-	-	292
Cemetery chimes	1,907	-	-	1,907
Library operations	2,374	-	-	2,374
Community policing	7,204	-	-	7,204
City art	1,108	-	-	1,108
Total restricted	201,490	461,446	316,993	979,929
Committed for:				
Retiree healthcare (OPEB)	9,710	-	-	9,710
Cemetery perpetual care	480,539	-	-	480,539
Storm sewer maintenance	-	-	51,508	51,508
Park improvements	66,208	-	-	66,208
DDA parking assessment	51,577	-	-	51,577
	608,034	-	51,508	659,542
Unassigned	1,479,794	-	-	1,479,794
Total fund balances, governmental funds	\$ 2,305,302	\$ 461,446	\$ 368,501	\$ 3,135,249

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

12. NET INVESTMENT IN CAPITAL ASSETS

The composition of the net investment in capital assets as of June 30, 2014, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 2,264,964	\$ 20,948	\$ 264,567
Capital assets being depreciated, net	13,963,973	41,570,279	3,758,159
	<u>16,228,937</u>	<u>41,591,227</u>	<u>4,022,726</u>
Related debt:			
Total bonds and notes payable	4,045,000	5,610,000	1,675,000
Net bond premium/discount	41,813	(17,361)	-
Deferred loss on advance refunding	(91,443)	(19,893)	-
	<u>3,995,370</u>	<u>5,572,746</u>	<u>1,675,000</u>
Net investment in capital assets	<u>\$ 12,233,567</u>	<u>\$ 36,018,481</u>	<u>\$ 2,347,726</u>

13. LITIGATION

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment 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 and, therefore, has not reflected loss reserves in the financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRANDVILLE, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2008	\$11,432,259	\$ 16,563,234	\$ 5,130,975	69.0%	\$ 1,496,770	342.8%
12/31/2009	11,585,134	16,909,249	5,324,115	68.5%	1,489,196	357.5%
12/31/2010	11,785,439	17,050,089	5,264,650	69.1%	1,288,311	408.6%
12/31/2011	11,942,089	17,731,137	5,789,048	67.4%	1,243,369	465.6%
12/31/2012	12,182,215	18,003,628	5,821,413	67.7%	1,062,239	548.0%
12/31/2013	12,377,481	18,457,890	6,080,409	67.1%	1,026,307	592.5%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage of ARC Contributed	Net Pension (Obligation) Asset
06/30/2009	\$ 692,442	96%	\$ 738,780
06/30/2010	671,076	100%	746,607
06/30/2011	703,750	100%	717,243
06/30/2012	844,908	100%	689,034
06/30/2013	996,156	100%	673,484
06/30/2014	589,980	100%	653,159

CITY OF GRANDVILLE, MICHIGAN

Required Supplementary Information

Single Employer Defined Benefit Other Postemployment Benefits Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2008	\$ -	\$ 1,833,834	\$ 1,833,834	0.0%	*	*
06/30/2011	460,164	1,908,407	1,448,243	24.1%	*	*
06/30/2014	954,980	1,958,623	1,003,643	48.8%	\$ 4,821,754	20.81%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB (Obligation) Asset
06/30/2012	\$ 256,678	100%	\$ 13,995
06/30/2013	257,970	100%	13,319
06/30/2014	183,505	81%	(21,605)

* Information not available

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

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GENERAL FUND

CITY OF GRANDVILLE, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	\$ 5,274,684	\$ 5,229,684	\$ 5,229,582	\$ (102)
Licenses and permits	336,150	496,150	518,265	22,115
Intergovernmental	1,410,091	1,410,091	1,317,759	(92,332)
Fines and forfeitures	608,500	503,500	505,769	2,269
Charges for services	542,937	557,937	532,095	(25,842)
Interest income	16,800	16,800	19,724	2,924
Rental income	3,500	3,500	5,500	2,000
Other revenues	47,957	47,957	54,597	6,640
Total revenues	8,240,619	8,265,619	8,183,291	(82,328)
Expenditures				
Current:				
General government:				
Legislative	46,173	64,173	63,270	(903)
Assessor	212,342	252,342	236,837	(15,505)
Attorney	351,797	563,297	562,591	(706)
Clerk	163,071	163,071	159,052	(4,019)
Treasurer	165,823	170,823	170,875	52
Elections	53,367	48,367	43,194	(5,173)
Executive	168,049	168,049	166,145	(1,904)
Probation	352,257	354,057	344,049	(10,008)
Court	39,171	44,831	41,007	(3,824)
General administration	218,458	230,548	215,791	(14,757)
Retiree healthcare premiums and administration	165,414	205,414	142,775	(62,639)
Total general government	1,935,922	2,264,972	2,145,586	(119,386)
Judicial	636,539	634,739	609,106	(25,633)
Public safety:				
Public safety building	458,095	458,095	458,086	(9)
Building inspections	92,000	227,000	227,039	39
Narcotics enforcement	9,100	9,100	8,615	(485)
Police	3,355,613	3,355,158	3,151,341	(203,817)
Fire	1,004,129	1,014,549	982,173	(32,376)
Total public safety	4,918,937	5,063,902	4,827,254	(236,648)

continued...

CITY OF GRANDVILLE, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures (concluded)				
Current (concluded):				
Public works:				
Sidewalk maintenance	\$ 16,610	\$ 26,610	\$ 25,002	\$ (1,608)
Parking lot maintenance	40,888	45,888	43,110	(2,778)
Highways, streets, and bridges	237,600	242,600	228,556	(14,044)
Sanitation and other	39,100	24,100	18,707	(5,393)
Total public works	<u>334,198</u>	<u>339,198</u>	<u>315,375</u>	<u>(23,823)</u>
Recreation and culture:				
Cemetery	212,668	202,453	182,091	(20,362)
Special projects	107,300	114,600	113,395	(1,205)
Planning and zoning	31,557	35,057	31,879	(3,178)
Parks and recreation	383,259	368,259	352,809	(15,450)
Library	129,656	139,656	130,099	(9,557)
Other	137,168	137,168	115,770	(21,398)
Total recreation and culture	<u>1,001,608</u>	<u>997,193</u>	<u>926,043</u>	<u>(71,150)</u>
Total expenditures	<u>8,827,204</u>	<u>9,300,004</u>	<u>8,823,364</u>	<u>(476,640)</u>
Revenues over (under) expenditures	(586,585)	(1,034,385)	(640,073)	394,312
Other financing sources				
Transfers in	<u>82,500</u>	<u>82,500</u>	<u>75,000</u>	<u>(7,500)</u>
Net change in fund balance	(504,085)	(951,885)	(565,073)	386,812
Fund balance, beginning of year	<u>2,870,375</u>	<u>2,870,375</u>	<u>2,870,375</u>	-
Fund balance, end of year	<u>\$ 2,366,290</u>	<u>\$ 1,918,490</u>	<u>\$ 2,305,302</u>	<u>\$ 386,812</u>

concluded

Note: For financial statement presentation, cemetery operations and other postemployment benefit (retiree health) activities are combined with the general fund.

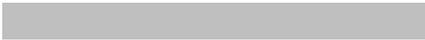
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NONMAJOR GOVERNMENTAL FUNDS

CITY OF GRANDVILLE, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue		
	Local Streets	Revolving	Storm Sewer Trunkage
Assets			
Pooled cash and investments	\$ 472,982	\$ -	\$ 52,079
Special assessments receivable	-	63,220	-
Interest receivable	445	-	49
Due from other governments	71,965	-	-
Total assets	\$ 545,392	\$ 63,220	\$ 52,128
Liabilities			
Accounts payable	\$ 225,883	\$ -	\$ 526
Accrued and other liabilities	2,516	-	94
Total liabilities	228,399	-	620
Deferred inflows of resources			
Unavailable revenue - special assessments receivable	-	63,220	-
Fund balances			
Restricted	316,993	-	-
Committed	-	-	51,508
Total fund balances	316,993	-	51,508
Total liabilities, deferred inflows of resources and fund balances	\$ 545,392	\$ 63,220	\$ 52,128



Debt Service	
Building Authority	Totals
\$ -	\$ 525,061
-	63,220
-	494
-	71,965
<hr/>	
\$ -	\$ 660,740
<hr/>	
\$ -	\$ 226,409
-	2,610
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-	229,019
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-	63,220
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-	316,993
-	51,508
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-	368,501
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\$ -	\$ 660,740
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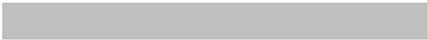
CITY OF GRANDVILLE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

June 30, 2014

	Special Revenue		
	Local Streets	Revolving	Storm Sewer Trunkage
Revenues			
Property taxes	\$ 437,971	\$ -	\$ -
Intergovernmental	397,067	-	-
Charges for services	-	-	5,950
Interest income	2,827	-	288
Rental income	-	-	-
Total revenues	837,865	-	6,238
Expenditures			
Current:			
Public works	939,316	-	40,757
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	939,316	-	40,757
Revenues over (under) expenditures	(101,451)	-	(34,519)
Other financing uses			
Transfers out	(10,000)	-	-
Net change in fund balances	(111,451)	-	(34,519)
Fund balances, beginning of year	428,444	-	86,027
Fund balances, end of year	\$ 316,993	\$ -	\$ 51,508



Debt Service	
Building Authority	Totals
\$ -	\$ 437,971
-	397,067
-	5,950
-	3,115
<u>458,086</u>	<u>458,086</u>
<u>458,086</u>	<u>1,302,189</u>
-	980,073
280,000	280,000
<u>178,086</u>	<u>178,086</u>
<u>458,086</u>	<u>1,438,159</u>
<u>-</u>	<u>(135,970)</u>
<u>-</u>	<u>(10,000)</u>
-	(145,970)
<u>-</u>	<u>514,471</u>
<u>\$ -</u>	<u>\$ 368,501</u>

CITY OF GRANDVILLE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	Local Streets			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	\$ 442,799	\$ 442,799	\$ 437,971	\$ (4,828)
Intergovernmental	256,756	256,756	397,067	140,311
Charges for services	-	-	-	-
Interest income	680	680	2,827	2,147
Total revenues	700,235	700,235	837,865	137,630
Expenditures				
Current:				
Public works	760,568	981,268	939,316	(41,952)
Revenues over (under) expenditures	(60,333)	(281,033)	(101,451)	179,582
Other financing uses				
Transfers out	(10,000)	(10,000)	(10,000)	-
Net change in fund balances	(70,333)	(291,033)	(111,451)	179,582
Fund balances, beginning of year	428,444	428,444	428,444	-
Fund balances, end of year	\$ 358,111	\$ 137,411	\$ 316,993	\$ 179,582

CITY OF GRANDVILLE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	Storm Sewer Trunkage			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	1,500	1,500	5,950	4,450
Interest income	225	225	288	63
Total revenues	1,725	1,725	6,238	4,513
Expenditures				
Current:				
Public works	75,683	75,683	40,757	(34,926)
Revenues over (under) expenditures	(73,958)	(73,958)	(34,519)	39,439
Other financing uses				
Transfers out	-	-	-	-
Net change in fund balances	(73,958)	(73,958)	(34,519)	39,439
Fund balances, beginning of year	86,027	86,027	86,027	-
Fund balances, end of year	\$ 12,069	\$ 12,069	\$ 51,508	\$ 39,439

concluded

AGENCY FUNDS

CITY OF GRANDVILLE, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

	Trust and Agency	County and School Tax	Totals
Assets			
Cash and cash equivalents	\$ 122,802	\$ 1,963	\$ 124,765
Liabilities			
Due to Parks and Recreation Board	\$ 86,528	\$ -	\$ 86,528
Due to 59th District Court	35,254	-	35,254
Due to property developers	1,020	-	1,020
Due to other governments	-	1,963	1,963
Total liabilities	\$ 122,802	\$ 1,963	\$ 124,765

COMPONENT UNITS

CITY OF GRANDVILLE, MICHIGAN

Balance Sheet

Downtown Development Authority - Governmental Fund

June 30, 2014

Assets

Pooled cash and investments	\$	971,647
Restricted cash and investments		155,635
Receivables		14,550
Interest receivable		912
Land held for sale		70,000

Total assets \$ 1,212,744

Liabilities

Accounts payable	\$	3,383
Accrued liabilities		755

Total liabilities 4,138

Fund balance

Nonspendable		70,000
Restricted for debt service		155,635
Unassigned		982,971

Total fund balance 1,208,606

Total liabilities and fund balance \$ 1,212,744

CITY OF GRANDVILLE, MICHIGAN

Reconciliation

Fund Balance for the Governmental Fund
to Net Position of Governmental Activities
Downtown Development Authority
June 30, 2014

Fund balances - total governmental fund	\$ 1,208,606
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.

Capital assets not being depreciated	264,567
Capital assets being depreciated, net	3,758,159

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	(1,675,000)
Interest payable on long-term debt	<u>(15,435)</u>

Net position of governmental activities	<u><u>\$ 3,540,897</u></u>
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CITY OF GRANDVILLE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Downtown Development Authority - Governmental Fund

For the Year Ended June 30, 2014

Revenues	
Taxes	\$ 252,336
Charges for services	1,429
Interest	5,932
Other revenue	<u>27,739</u>
Total revenues	<u>287,436</u>
Expenditures	
Current:	
Community and economic development	196,530
Debt service:	
Principal	55,000
Interest	95,335
Capital outlay	<u>28,028</u>
Total expenditures	<u>374,893</u>
Net change in fund balance	(87,457)
Fund balance, beginning of year	<u>1,296,063</u>
Fund balance, end of year	<u><u>\$ 1,208,606</u></u>

CITY OF GRANDVILLE, MICHIGAN

Reconciliation

Net Change in Fund Balance of the Governmental Fund
to Change in Net Position of Governmental Activities
Downtown Development Authority
For the Year Ended June 30, 2014

Net changes in fund balance - total governmental fund \$ (87,457)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (214,737)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term debt 55,000

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 funds.

Change in accrued interest payable on long-term debt 454

Change in net position of governmental activities \$ (246,740)

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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***

November 19, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2014.

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 from 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.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.