



CITY OF GRANDVILLE, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015



Vredeveld Haefner LLC

CPA's

CITY OF GRANDVILLE

TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position	22
Combining Statement of Net Position - Component Units	23
Combining Statement of Activities - Component Units	24
Notes to Financial Statements	25-45
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	47
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Streets Fund	48
Defined Benefit Pension Plan	
Schedule of Changes in Employers Net Pension Liability and Other Ratios	49
Schedule of Employer Contributions	50
Retiree Health Employee Benefit Plan Schedules	51
Notes to Required Supplementary Information	51
Combining and Individual Fund Statements and Schedules	
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Detail	53-54
Nonmajor Governmental Funds	
Combining Balance Sheet	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	56

CITY OF GRANDVILLE

TABLE OF CONTENTS

	<u>PAGE</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Streets Fund	57
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Storm Sewer Trunkage Fund	58
Fiduciary Funds	
Combining Statement of Assets and Liabilities - Agency Funds	59
Component Units	
Downtown Development Authority	
Balance Sheet/Statement of Net Position	60
Statement of Revenues, Expenditures and Changes in Fund Balance /Statement of Activities	61
INTERNAL CONTROL AND COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	63-64



Vredeveld Haefner LLC

CPA's and Consultants

4001 Granada Ct.

Grand Rapids, MI 49534

FAX (616) 828-0307

Douglas J. Vredeveld, CPA

(616) 446-7474

Peter S. Haefner, CPA

(616) 460-9388

INDEPENDENT AUDITORS' REPORT

November 5, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Grandville, Michigan, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grandville, Michigan, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, and the budgetary comparison information and benefit plan schedules on pages 47 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of the City of Grandville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Grandville, Michigan's internal control over financial reporting and compliance.

Uredawald Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Grandville (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2015 fiscal year as follows:

- General Fund revenue exceeded expenditures by \$198,101 in the 2014/2015 fiscal year.
- The City's millage rate increased to 10.3 mills. Tax revenue increased to \$6.4 million allocated as follows: 88% to General Fund, 6% to Major Streets Fund, 4% to Local Streets Fund, and 2% to Special Project Fund.
- Created a Special Project Fund (which is reported as part of the general fund) to reserve tax revenue for special projects in the future. Funding of approximately \$115,000 in 2014/2015.
- Police department invested \$66,385 installing in-car cameras in all police vehicles.
- Canal Avenue paving project of \$888,178 was completed. Major Streets Fund paid \$287,003, and Federal funding supplied \$601,175 of the costs.
- Five local streets were repaved with a total cost of \$250,751.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$47,025,619 at the close of the most recent fiscal year. The following chart illustrates the composition of net position.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 4,506,433	\$ 5,124,549	\$ 7,107,231	\$ 6,649,051	\$11,613,664	\$11,773,600
Long-term assets	15,954,699	16,228,937	37,832,534	41,591,227	53,787,233	57,820,164
Total assets	20,461,132	21,353,486	44,939,765	48,240,278	65,400,897	69,593,764
Deferred outflows of resources	427,295	91,443	80,143	19,893	507,438	111,336
Liabilities						
Current liabilities	508,979	879,220	563,772	385,934	1,072,751	1,265,154
Long-term liabilities	10,340,616	4,760,482	6,469,349	5,702,547	16,809,965	10,463,029
Total liabilities	10,849,595	5,639,702	7,033,121	6,088,481	17,882,716	11,728,183
Net position (deficit)						
Net investment in capital assets	12,169,786	12,233,567	32,706,628	36,018,481	44,876,414	48,252,048
Restricted	912,080	1,043,149	532,895	532,891	1,444,975	1,576,040
Unrestricted (deficit)	(3,043,034)	2,528,511	4,747,264	5,620,318	1,704,230	8,148,829
Total net position	\$10,038,832	\$15,805,227	\$37,986,787	\$42,171,690	\$48,025,619	\$57,976,917

The City's unrestricted net position in governmental activities is in a deficit position as a result of recording the net pension liability in conjunction with implementation of new accounting standards. Net investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding was \$44,876,414 at the end of the current fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position in the amount of \$1,444,975 represents resources that are subject to external restrictions on how they may be used.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2015, was \$17,675,333 while total cost of all programs and services was \$18,099,828. This resulted in a decrease in net position of \$424,495. The following table presents a summary of the changes in net position for the years ended June 30.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$1,605,135	\$2,076,839	\$6,369,547	\$6,284,542	\$7,974,682	\$8,361,381
Operating grants and contributions	1,329,661	1,365,836	-	92,135	1,329,661	1,457,971
Capital grants and contributions	267,292	501,567	166,826	-	434,118	501,567
General revenues						
Property taxes	6,639,574	5,935,987	-	-	6,639,574	5,935,987
State shared revenues	1,212,399	1,189,619	-	-	1,212,399	1,189,619
Other general revenues	12,695	-	19,554	-	32,249	-
Investment earnings	23,177	28,125	29,473	-	52,650	28,125
Total revenues	11,089,933	11,097,973	6,585,400	6,376,677	17,675,333	17,474,650
Expenses						
General government	1,947,206	1,841,013	-	-	1,947,206	1,841,013
Judicial	994,681	1,040,144	-	-	994,681	1,040,144
Public safety	4,355,789	4,915,759	-	-	4,355,789	4,915,759
Public works	2,530,139	2,800,056	-	-	2,530,139	2,800,056
Culture and recreation	930,743	870,288	-	-	930,743	870,288
Interest on long-term debt	170,005	184,663	-	-	170,005	184,663
Sewer	-	-	5,227,530	5,178,501	5,227,530	5,178,501
Water	-	-	1,943,735	2,212,495	1,943,735	2,212,495
Total expenses	10,928,563	11,651,923	7,171,265	7,390,996	18,099,828	19,042,919
Increase (decrease) in net position						
before transfers	161,370	(553,950)	(585,865)	(1,014,319)	(424,495)	(1,568,269)
Transfers in (out)	45,000	50,000	(45,000)	(50,000)	-	-
Increase (decrease) in net position	206,370	(503,950)	(630,865)	(1,064,319)	(424,495)	(1,568,269)
Net position – beginning, as restated	9,832,462	16,309,177	38,617,652	43,236,009	48,450,114	59,545,186
Net position – ending	\$10,038,832	\$15,805,227	\$37,986,787	\$42,171,690	\$48,025,619	\$57,976,917

Governmental Activities The preceding table shows that the governmental activities increased the City's net position by \$206,370 during this fiscal year. The increase is the result of an increase in property tax revenues during the year due to a millage increase along with expenditures being under budget.

Business-type Activities Business-type activities decreased the City's net position by \$630,865 during the year. This was primarily due to depreciation expense.

Beginning net position of governmental and business-type activities were reduced by \$5,972,765 and \$1,191,538, respectively, to recognize a net pension liability at the beginning of the year in accordance with the implementation of GASB's 68 and 71. In addition, beginning net position of business-type activities was reduced by \$2,362,500 for adjustment of intangible assets.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,546,420, an increase of \$411,171 from the prior year. This was primarily due to savings throughout various departments in the general fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, nonspendable fund balance of \$7,388 relates to prepaid assets. Amounts restricted by outside sources total \$191,815 and amounts committed by City Council for various purposes totals \$593,728. Unassigned fund balance represents \$1,815,551 of total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 20.8% of total general fund expenditures.

The Major Street Fund is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on major streets by Act 51. The fund balance increased by \$143,492 during the current fiscal year.

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

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

Budgetary Highlights

Revenues in the General Fund were \$8,978,947, which is 99.7% of the \$9,007,322 amended budgeted amount for the fiscal year. General Fund property tax revenue was \$6,007,840 or 99.9% collected of the original tax roll.

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

- Licensing and permit revenues exceeded the original budget by approximately \$96,000 due to large commercial development and additional residential construction.
- Road salt reimbursements were under original budget by \$50,000 due to a milder winter.
- Assessing legal fees were approximately \$266,000 over original budget due to numerous tax tribunal appeals.
- Major and local street tax revenues were under original budget by approximate \$90,000 in each fund due to large tax tribunal refunds.
- Both major and local streets had additional unbudgeted funding of \$47,000 from the State of Michigan.
- Major street contractual service was \$110,000 over original budget due to the carryover expenses from 2013/2014 for Canal Avenue repaving.

Capital Asset and Debt Administration

Capital assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounted to \$53,787,233 (net of accumulated depreciation).

Capital Assets		
	Governmental Activities	Business Type Activities
Land	\$ 1,738,397	\$ 15,000
Construction in progress	25,570	573,551
Buildings, Equipment, Infrastructure, and Land Improvements	14,190,732	37,243,983
Total	\$15,954,699	\$37,832,534

Current year additions consist of street funding including Canal Avenue paving project along with several local street projects, police in-car cameras, fire turnout gear, boiler upgrades and sidewalk replacement.

Additional information on the City's capital assets can be found in Note 6 to the financial statements.

Long-term debt At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$16,809,965. Of this amount, \$10,340,616 was for governmental activities while \$6,469,349 was for business-type activities.

Debt		
	Governmental Activities	Business Type Activities
Accrued employee benefits	\$ 655,252	\$ 118,864
OPEB Liability	46,534	-
Net pension liability	5,853,917	1,224,579
Bonds payable	3,784,913	5,125,906
Total	\$10,340,616	\$6,469,349

The City's total long-term liabilities increased by approximately \$7,078,000 during the current fiscal year as a result of recording the City's net pension liability in accordance with GASB 68.

Additional information on the City's long-term debt can be found in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2016 fiscal year:

- Millage rate remained at 10.3 allocated as follows: 8.945 to General Fund, 0.2 mills to Special Project Fund, 1.155 to Major and Local Streets
- General Fund expenditures budgeted to increase by 0.5%.
- Major Street budgeted for two paving projects – Wilson Avenue (from Chicago Drive to Rivertown Parkway) and Chicago Drive (from Wilson Avenue to M-11 overpass)
- Increase in Sewer Commodity Charge from \$2.64 to \$3.00 per thousand gallons. Sewer Ready-to-Serve Charge for 5/8" meters to increase from \$7.80 per quarter to \$9.60 per quarter.
- Water charges to remain unchanged.

Requests for Information

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

(This page left intentionally blank)

BASIC FINANCIAL STATEMENTS

CITY OF GRANDVILLE
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 3,833,951	\$ 5,058,673	\$ 8,892,624	\$ 934,415
Accounts receivable	139,643	1,073,665	1,213,308	2,478
Due from other governments	462,231	441,998	904,229	-
Special assessments receivable	63,220	-	63,220	-
Prepaid items	7,388	-	7,388	-
Restricted cash and pooled investments	-	532,895	532,895	155,087
Land held for sale	-	-	-	70,000
Capital assets				
Land	1,738,397	15,000	1,753,397	264,567
Construction in progress	25,570	573,551	599,121	-
Depreciable capital assets, net	<u>14,190,732</u>	<u>37,243,983</u>	<u>51,434,715</u>	<u>3,543,422</u>
Total assets	<u>20,461,132</u>	<u>44,939,765</u>	<u>65,400,897</u>	<u>4,969,969</u>
Deferred outflows of resources				
Deferred charge on refunding	76,353	6,728	83,081	-
Deferred outflows related to pensions	<u>350,942</u>	<u>73,415</u>	<u>424,357</u>	<u>-</u>
Total deferred outflows	<u>427,295</u>	<u>80,143</u>	<u>507,438</u>	<u>-</u>
Liabilities				
Accounts payable	395,972	511,636	907,608	7,838
Accrued liabilities	86,991	19,757	106,748	1,303
Accrued interest payable	26,016	32,379	58,395	14,940
Noncurrent liabilities				
Accrued compensated absences	655,252	118,864	774,116	-
Other post-employment benefits obligation	46,534	-	46,534	-
Net pension liability	5,853,917	1,224,579	7,078,496	-
Bond premium (discount)	34,913	(19,094)	15,819	-
Due within one year	310,000	485,000	795,000	60,000
Due in more than one year	<u>3,440,000</u>	<u>4,660,000</u>	<u>8,100,000</u>	<u>1,555,000</u>
Total liabilities	<u>10,849,595</u>	<u>7,033,121</u>	<u>17,882,716</u>	<u>1,639,081</u>
Net position				
Net investment in capital assets	12,169,786	32,706,628	44,876,414	2,192,989
Restricted for				
Debt service	-	532,895	532,895	155,087
Streets	912,080	-	912,080	-
Unrestricted (deficit)	<u>(3,043,034)</u>	<u>4,747,264</u>	<u>1,704,230</u>	<u>982,812</u>
Total net position	<u>\$ 10,038,832</u>	<u>\$ 37,986,787</u>	<u>\$ 48,025,619</u>	<u>\$ 3,330,888</u>

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

CITY OF GRANDVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 1,947,206	\$ 309,141	\$ 10,778	\$ -	\$ (1,627,287)
Judicial	994,681	650,220	-	-	(344,461)
Public safety	4,355,789	446,210	82,475	-	(3,827,104)
Public works	2,530,139	87,660	1,236,408	267,292	(938,779)
Culture and recreation	930,743	111,904	-	-	(818,839)
Interest on long-term debt	170,005	-	-	-	(170,005)
Total governmental activities	10,928,563	1,605,135	1,329,661	267,292	(7,726,475)
Business-type activities					
Sewer	5,227,530	4,376,900	-	166,826	(683,804)
Water	1,943,735	1,992,647	-	-	48,912
Total business-type activities	7,171,265	6,369,547	-	166,826	(634,892)
Total primary government	\$ 18,099,828	\$ 7,974,682	\$ 1,329,661	\$ 434,118	\$ (8,361,367)
Component Units					
Downtown Development Authority	\$ 473,410	\$ 1,125	\$ 8,994	\$ -	\$ (463,291)
Brownfield Redevelopment Authority	25,330	-	-	-	(25,330)
Total component units	\$ 498,740	\$ 1,125	\$ 8,994	\$ -	\$ (488,621)

(Continued)

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

CITY OF GRANDVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Changes in net position				
Net (expense) revenue	\$ (7,726,475)	\$ (634,892)	\$ (8,361,367)	\$ (488,621)
General revenues				
Property taxes	6,639,574	-	6,639,574	269,894
State shared revenues	1,212,399	-	1,212,399	-
Unrestricted investment earnings	23,177	29,473	52,650	8,718
Other general revenues	12,695	19,554	32,249	-
Transfers - internal activities	45,000	(45,000)	-	-
Total general revenues and transfers	<u>7,932,845</u>	<u>4,027</u>	<u>7,936,872</u>	<u>278,612</u>
Change in net position	206,370	(630,865)	(424,495)	(210,009)
Net position, beginning of year, as restated	<u>9,832,462</u>	<u>38,617,652</u>	<u>48,450,114</u>	<u>3,540,897</u>
Net position, end of year	<u>\$ 10,038,832</u>	<u>\$ 37,986,787</u>	<u>\$ 48,025,619</u>	<u>\$ 3,330,888</u>

(Concluded)

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

CITY OF GRANDVILLE

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2015

	<u>General</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,618,195	\$ 494,663	\$ 288,605	\$ 3,401,463
Accounts receivable	136,266	2,798	232	139,296
Due from other governments	267,085	139,700	55,446	462,231
Special assessments receivable	-	-	63,220	63,220
Prepaid items	<u>7,388</u>	<u>-</u>	<u>-</u>	<u>7,388</u>
Total assets	<u>\$ 3,028,934</u>	<u>\$ 637,161</u>	<u>\$ 407,503</u>	<u>\$ 4,073,598</u>
Liabilities, deferred inflows and fund balances				
Liabilities				
Accounts payable	\$ 342,770	\$ 28,508	\$ 7,731	\$ 379,009
Accrued liabilities	<u>77,682</u>	<u>3,715</u>	<u>3,552</u>	<u>84,949</u>
Total liabilities	<u>420,452</u>	<u>32,223</u>	<u>11,283</u>	<u>463,958</u>
Deferred inflows of resources				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>63,220</u>	<u>63,220</u>
Fund balances				
Non-spendable				
Prepaid items	7,388	-	-	7,388
Restricted				
Streets	-	604,938	307,142	912,080
Drunk driving enforcement	58,965	-	-	58,965
Drug forfeiture	111,760	-	-	111,760
Recreation and culture	3,423	-	-	3,423
Construction code enforcement	3,825	-	-	3,825
Park development	292	-	-	292
Cemetery chimes	1,907	-	-	1,907
Library operations	2,374	-	-	2,374
Community policing	8,161	-	-	8,161
City art	1,108	-	-	1,108
Committed				
Capital projects	-	-	25,858	25,858
Retiree health care	6,030	-	-	6,030
Cemetery perpetual care	469,913	-	-	469,913
Park improvements	66,208	-	-	66,208
DDA parking assessment	51,577	-	-	51,577
Unassigned	<u>1,815,551</u>	<u>-</u>	<u>-</u>	<u>1,815,551</u>
Total fund balances	<u>2,608,482</u>	<u>604,938</u>	<u>333,000</u>	<u>3,546,420</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,028,934</u>	<u>\$ 637,161</u>	<u>\$ 407,503</u>	<u>\$ 4,073,598</u>

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

CITY OF GRANDVILLE

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

JUNE 30, 2015

Fund balances - total governmental funds	\$ 3,546,420
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.</p>	
Add - land	1,738,397
Add - construction in progress	25,570
Add - capital assets (net of accumulated depreciation)	13,592,773
<p>Certain assets are not due and receivable in the current period and therefore are offset with unavailable revenue in the funds.</p>	
Add - long-term deferred receivables	63,220
<p>Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.</p>	
Add - net position of governmental activities accounted for in the internal service funds	1,002,763
<p>Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>	
Deduct - compensated absences payable	(646,226)
Deduct - other post-employment benefits	(46,534)
Deduct - long-term debt	(3,750,000)
Deduct - bond premium	(34,913)
Add - deferred loss on bond refunding	76,353
Add - deferred outflows related to pensions	350,942
Deduct - net pension liability	(5,853,917)
Deduct - accrued interest on long-term debt	(26,016)
Net position of governmental activities	<u>\$ 10,038,832</u>

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

CITY OF GRANDVILLE

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 6,007,840	\$ 234,694	\$ 397,040	\$ 6,639,574
Intergovernmental revenues				
State	1,283,709	875,072	319,641	2,478,422
Special assessments	-	-	11,400	11,400
Licenses and permits	218,313	-	-	218,313
Charges for services	1,061,044	-	-	1,061,044
Fines	359,563	-	-	359,563
Investment earnings	20,597	2,860	2,987	26,444
Rental income	-	-	459,273	459,273
Miscellaneous	27,881	-	-	27,881
Total revenues	<u>8,978,947</u>	<u>1,112,626</u>	<u>1,190,341</u>	<u>11,281,914</u>
Expenditures				
Current				
General government	1,800,173	-	-	1,800,173
Judicial	980,198	-	-	980,198
Public safety	4,671,015	-	-	4,671,015
Public works	516,036	963,134	760,569	2,239,739
Culture and recreation	770,345	-	-	770,345
Debt service				
Principal	-	-	295,000	295,000
Interest	-	-	164,273	164,273
Total expenditures	<u>8,737,767</u>	<u>963,134</u>	<u>1,219,842</u>	<u>10,920,743</u>
Revenues over (under) expenditures	<u>241,180</u>	<u>149,492</u>	<u>(29,501)</u>	<u>361,171</u>
Other financing sources (uses)				
Transfers in	62,000	-	-	62,000
Transfers out	-	(6,000)	(6,000)	(12,000)
Total other financing sources (uses)	<u>62,000</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>50,000</u>
Net changes in fund balances	303,180	143,492	(35,501)	411,171
Fund balances, beginning of year	<u>2,305,302</u>	<u>461,446</u>	<u>368,501</u>	<u>3,135,249</u>
Fund balances, end of year	<u>\$ 2,608,482</u>	<u>\$ 604,938</u>	<u>\$ 333,000</u>	<u>\$ 3,546,420</u>

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

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balances - total governmental funds	\$ 411,171
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	879,082
Add - net book value of disposals	181
Deduct - depreciation expense	(1,004,285)
Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Add - principal payments on debt	295,000
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.	
Add - decrease in compensated absences	18,664
Deduct - increase in other post-employment benefit liability	(24,929)
Add - amortization of bond premium	6,900
Add - decrease in accrued interest	2,458
Deduct - amortization of deferred loss on refunding	(15,090)
Deduct - increase in net pension liability	(293,305)
Add - increase in deferred outflows related to pensions	109,936
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
Deduct - decrease in net position from the internal service funds	<u>(179,413)</u>
Change in net position of governmental activities	<u>\$ 206,370</u>

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

CITY OF GRANDVILLE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2015

	Enterprise Funds			Governmental Activities
				Internal Service Fund
	Sewer	Water	Total	
Assets				
Current assets				
Cash and pooled investments	\$ 4,580,416	\$ 478,257	\$ 5,058,673	\$ 432,488
Accounts receivable	478,387	595,278	1,073,665	347
Due from other governments	441,998	-	441,998	-
Total current assets	<u>5,500,801</u>	<u>1,073,535</u>	<u>6,574,336</u>	<u>432,835</u>
Noncurrent assets				
Restricted cash and pooled investments	532,895	-	532,895	-
Capital assets				
Land	15,000	-	15,000	-
Construction in progress	556,682	16,869	573,551	-
Depreciable capital assets, net	29,373,978	7,870,005	37,243,983	597,959
Total noncurrent assets	<u>30,478,555</u>	<u>7,886,874</u>	<u>38,365,429</u>	<u>597,959</u>
Total assets	<u>35,979,356</u>	<u>8,960,409</u>	<u>44,939,765</u>	<u>1,030,794</u>
Deferred outflows of resources				
Deferred charge on refunding	6,728	-	6,728	-
Deferred outflows related to pensions	62,805	10,610	73,415	-
Total deferred outflows	<u>69,533</u>	<u>10,610</u>	<u>80,143</u>	<u>-</u>
Liabilities				
Current liabilities				
Accounts payable	389,111	122,525	511,636	16,963
Accrued liabilities	15,573	4,184	19,757	2,042
Accrued interest payable	32,379	-	32,379	-
Current portion of long-term debt	485,000	-	485,000	-
Total current liabilities	<u>922,063</u>	<u>126,709</u>	<u>1,048,772</u>	<u>19,005</u>
Long-term liabilities				
Accrued compensated absences	84,046	34,818	118,864	9,026
Net pension liability	1,047,617	176,962	1,224,579	-
Discount on bonds	(19,094)	-	(19,094)	-
Bonds payable, net of current portion	4,660,000	-	4,660,000	-
Total long-term liabilities	<u>5,772,569</u>	<u>211,780</u>	<u>5,984,349</u>	<u>9,026</u>
Total liabilities	<u>6,694,632</u>	<u>338,489</u>	<u>7,033,121</u>	<u>28,031</u>
Net position				
Net investment in capital assets	24,819,754	7,886,874	32,706,628	597,959
Restricted for revenue bond requirements	532,895	-	532,895	-
Unrestricted	4,001,608	745,656	4,747,264	404,804
Total net position	<u>\$ 29,354,257</u>	<u>\$ 8,632,530</u>	<u>\$ 37,986,787</u>	<u>\$ 1,002,763</u>

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

CITY OF GRANDVILLE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Operating revenues				
Charges for services	\$ 4,359,795	\$ 1,972,916	\$ 6,332,711	\$ 513,157
Interest and penalties	<u>17,105</u>	<u>19,731</u>	<u>36,836</u>	<u>-</u>
Total operating revenue	<u>4,376,900</u>	<u>1,992,647</u>	<u>6,369,547</u>	<u>513,157</u>
Operating expenses				
Water purchases	-	1,156,605	1,156,605	-
Labor	1,506,449	273,580	1,780,029	173,242
Administrative and general	1,735,658	159,029	1,894,687	373,219
Depreciation	<u>1,761,363</u>	<u>354,521</u>	<u>2,115,884</u>	<u>155,166</u>
Total operating expenses	<u>5,003,470</u>	<u>1,943,735</u>	<u>6,947,205</u>	<u>701,627</u>
Operating income (loss)	<u>(626,570)</u>	<u>48,912</u>	<u>(577,658)</u>	<u>(188,470)</u>
Non-operating revenues (expenses)				
Gain on sale of capital assets	-	-	-	11,934
Investment earnings	26,923	2,550	29,473	2,123
Other	15,428	4,126	19,554	-
Interest expense	<u>(224,060)</u>	<u>-</u>	<u>(224,060)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(181,709)</u>	<u>6,676</u>	<u>(175,033)</u>	<u>14,057</u>
Income (loss) before other items	<u>(808,279)</u>	<u>55,588</u>	<u>(752,691)</u>	<u>(174,413)</u>
Transfers and other items				
State grant revenue	166,826	-	166,826	-
Transfers out	<u>(35,000)</u>	<u>(10,000)</u>	<u>(45,000)</u>	<u>(5,000)</u>
Total transfers and other items	<u>131,826</u>	<u>(10,000)</u>	<u>121,826</u>	<u>(5,000)</u>
Changes in net position	(676,453)	45,588	(630,865)	(179,413)
Net position, beginning of year, as restated	<u>30,030,710</u>	<u>8,586,942</u>	<u>38,617,652</u>	<u>1,182,176</u>
Net position, end of year	<u>\$ 29,354,257</u>	<u>\$ 8,632,530</u>	<u>\$ 37,986,787</u>	<u>\$ 1,002,763</u>

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

CITY OF GRANDVILLE

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 513,251
Receipts from customers and users	4,609,471	1,926,687	6,536,158	-
Payments to employees	(1,465,743)	(354,651)	(1,820,394)	(173,242)
Payments to suppliers	(1,528,443)	(1,324,623)	(2,853,066)	(380,330)
Net cash provided by (used in) operating activities	<u>1,615,285</u>	<u>247,413</u>	<u>1,862,698</u>	<u>(40,321)</u>
Cash flows from non-capital financing activities				
Transfers out	(35,000)	(10,000)	(45,000)	(5,000)
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	-	-	12,636
Interest paid on long-term debt	(224,060)	-	(224,060)	-
State grant revenue	166,826	-	166,826	-
Principal paid on long-term debt	(465,000)	-	(465,000)	-
Acquisitions of capital assets	(708,780)	(10,920)	(719,700)	(6,652)
Net cash provided by (used in) capital and related financing activities	<u>(1,231,014)</u>	<u>(10,920)</u>	<u>(1,241,934)</u>	<u>5,984</u>
Cash flows from investing activities				
Interest received	26,923	2,550	29,473	2,123
Net increase (decrease) in cash and pooled investments	376,194	229,043	605,237	(37,214)
Cash and pooled investments, beginning of year	<u>4,737,117</u>	<u>249,214</u>	<u>4,986,331</u>	<u>469,702</u>
Cash and pooled investments, end of year	<u>\$ 5,113,311</u>	<u>\$ 478,257</u>	<u>\$ 5,591,568</u>	<u>\$ 432,488</u>
Cash flows from operating activities				
Operating income (loss)	\$ (626,570)	\$ 48,912	\$ (577,658)	\$ (188,470)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	1,761,363	354,521	2,115,884	155,166
Amortization	11,432	-	11,432	-
Amortization of deferred outflows related to pensions	(20,022)	600	(19,422)	-
Miscellaneous revenue	15,428	4,126	19,554	-
Change in operating assets and liabilities which provided (used) cash				
Receivables	659,141	(70,086)	589,055	94
Due from other governmental units	(441,998)	-	(441,998)	-
Accounts payable	203,520	(11,447)	192,073	(7,867)
Accrued liabilities	(15,488)	1,253	(14,235)	509
Compensated absences	7,751	1,205	8,956	247
Net pension liability	60,728	(81,671)	(20,943)	-
Net cash provided by (used in) operating activities	<u>\$ 1,615,285</u>	<u>\$ 247,413</u>	<u>\$ 1,862,698</u>	<u>\$ (40,321)</u>

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

CITY OF GRANDVILLE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Other Post-employment Benefit Trust	Agency Fund
Assets		
Cash and pooled investments	\$ -	\$ 131,665
Funds on deposit with MERS	<u>1,000,233</u>	<u>-</u>
Total assets	<u>1,000,233</u>	<u>\$ 131,665</u>
Liabilities		
Accounts payable	-	\$ 3,945
Trust deposits	<u>-</u>	<u>127,720</u>
Total liabilities	<u>-</u>	<u>\$ 131,665</u>
Net position		
Restricted for other post-employment benefits	<u>\$ 1,000,233</u>	

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

CITY OF GRANDVILLE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Other Post-employment Benefit <u>Trust</u>
Additions	
Contributions:	
Employer	\$ 179,253
Plan participants	<u>21,118</u>
Total contributions	200,371
Investment income:	
Net appreciation in fair value of securities	29,782
Total additions	<u>230,153</u>
Deductions	
Health insurance premiums paid	200,371
Administrative expenses	<u>1,838</u>
Total deductions	<u>202,209</u>
Change in net position	27,944
Net position, beginning of year	<u>972,289</u>
Net position, end of year	<u>\$ 1,000,233</u>

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

CITY OF GRANDVILLE

COMPONENT UNITS COMBINING STATEMENT OF NET POSITION

JUNE 30, 2015

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and pooled investments	\$ 934,415	\$ -	\$ 934,415
Restricted cash and pooled investments	155,087	-	155,087
Accounts receivable	2,478	-	2,478
Land held for sale	70,000	-	70,000
Capital assets			
Land	264,567	-	264,567
Depreciable capital assets, net	<u>3,543,422</u>	<u>-</u>	<u>3,543,422</u>
Total assets	<u>4,969,969</u>	<u>-</u>	<u>4,969,969</u>
Liabilities			
Accounts payable	7,838	-	7,838
Accrued liabilities	1,303	-	1,303
Accrued interest	14,940	-	14,940
Long-term debt			
Due within one year	60,000	-	60,000
Due in more than one year	<u>1,555,000</u>	<u>-</u>	<u>1,555,000</u>
Total liabilities	<u>1,639,081</u>	<u>-</u>	<u>1,639,081</u>
Net position			
Net investment in capital assets	2,192,989	-	2,192,989
Restricted for debt service	155,087	-	155,087
Unrestricted	<u>982,812</u>	<u>-</u>	<u>982,812</u>
Total net position	<u>\$ 3,330,888</u>	<u>\$ -</u>	<u>\$ 3,330,888</u>

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

CITY OF GRANDVILLE
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Expenses			
Downtown Development Authority	\$ 473,410	\$ -	\$ 473,410
Brownfield Redevelopment Authority	<u>-</u>	<u>25,330</u>	<u>25,330</u>
Total expenses	<u>473,410</u>	<u>25,330</u>	<u>498,740</u>
Revenues			
Program revenues			
Charges for services	1,125	-	1,125
Operating grants and contributions	8,994	-	8,994
General revenues			
Property taxes	244,564	25,330	269,894
Unrestricted investment earnings	<u>8,718</u>	<u>-</u>	<u>8,718</u>
Total revenues	<u>263,401</u>	<u>25,330</u>	<u>288,731</u>
Change in net position	(210,009)	-	(210,009)
Net position, beginning of year	<u>3,540,897</u>	<u>-</u>	<u>3,540,897</u>
Net position, end of year	<u>\$ 3,330,888</u>	<u>\$ -</u>	<u>\$ 3,330,888</u>

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Blended Component Unit

The Building Authority - The members of the governing board of the Building Authority are appointed by the City Council. The City has significant influence over operations of the Building Authority and is also accountable for its fiscal matters. The Building Authority provides services exclusively to the City.

Discretely Presented Component Units

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

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

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

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

The City reports the following major governmental funds:

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

The *Major Streets Fund* accounts for funds specifically intended for the maintenance and construction of major streets. Financing is provided from Public Act 51 State Shared Gas and Weight Tax and miscellaneous service revenues.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Budgets and Budgetary Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

State statutes authorize the City to invest in:

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Restricted Cash and Investments

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

Receivables

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

Due to and Due from Other Funds

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

Special Assessments

Special assessments are recorded as revenue when due not when levied. Estimated annual installments not yet available are reflected as deferred inflows of resources.

Land Held for Sale

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

Prepaid Items

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

Capital Assets

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at 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. No interest expense has been capitalized on capital assets reported in proprietary funds.

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

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

Compensated Absences

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

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 unassigned fund balance of the general fund was equal to 21 percent of general fund expenditures and transfers out.

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has items that qualify for reporting in this category related to the Net Pension Liability which are discussed in Note 7.

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 government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from delinquent personal property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Grants and Other Intergovernmental Revenues

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

Property Taxes

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

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the City carried commercial insurance to cover the risk of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. The City has not significantly reduced insurance coverage during the past year.

Interfund Transactions

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

Pensions

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense; information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

2. DEFICIT NET POSITION

At June 30, 2015, the City reported a deficit unrestricted net position in its governmental activities of \$3,043,034 due to the adoption of GASB 68.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the department level.

During the year ended June 30, 2015, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government			
Attorney	\$599,297	\$607,045	\$ (7,748)
Public Safety			
Building inspections	170,000	181,795	(11,795)
Culture and Recreation			
Planning and zoning	35,603	36,110	(507)

4. CASH AND INVESTMENTS

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and pooled investments	\$8,892,624	\$ 934,415	\$ 131,665	\$ 9,958,704
Funds on deposit with MERS			1,000,233	1,000,233
Restricted cash and pooled investment	532,895	155,087	-	687,982
	<u>\$9,425,519</u>	<u>\$1,089,502</u>	<u>\$1,131,898</u>	<u>\$11,646,919</u>

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

Deposits	\$ 4,444,684
Certificates of Deposit	5,754,995
Investments	1,446,938
Petty cash	302
Total	<u>\$11,646,919</u>

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$7,200,801 of the City's bank balance of \$10,217,415 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
MBIA Class	N/A	\$ 100,852	AAAm	S&P
Funds on deposit with MERS	N/A	1,000,233	Unrated	
Kent County public funds	N/A	345,853	Unrated	
		\$1,446,938		

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

Investment risk

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

At June 30, 2015 the balance of the Kent County Public Funds Investment Pool consisted of the following:

<u>Investment</u>	<u>Percentage of pool total</u>	<u>Maturity in years</u>
Government agency securities	24%	0-3
Certificates of deposits	76%	0-5

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2015, are as follows:

	Transfers in
<u>Transfer out</u>	General Fund
Major streets fund	\$ 6,000
Nonmajor governmental funds	6,000
Sewer utility	35,000
Water utility	10,000
Internal service funds	5,000
	<hr/>
Total	<u>\$62,000</u>

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

6. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,738,397	\$ -	\$ -	\$ 1,738,397
Construction in progress	526,567	24,095	525,092	25,570
Total capital assets, not being depreciated	<u>2,264,964</u>	<u>24,095</u>	<u>525,092</u>	<u>1,763,967</u>
Capital assets, being depreciated				
Infrastructure	80,407,834	1,232,776	-	81,640,610
Land improvements	755,134	11,000	-	766,134
Buildings and improvements	9,708,245	8,500	-	9,716,745
Office furnishings and equipment	5,030,668	134,455	140,017	5,025,106
Total capital assets, being depreciated	<u>95,901,881</u>	<u>1,386,731</u>	<u>140,017</u>	<u>97,148,595</u>
Less accumulated depreciation for				
Infrastructure	73,274,309	657,121	-	73,931,430
Land improvements	386,606	32,491	-	419,097
Buildings and improvements	4,397,088	246,309	-	4,643,397
Office furnishings and equipment	3,879,905	223,530	139,496	3,963,939
Total accumulated depreciation	<u>81,937,908</u>	<u>1,159,451</u>	<u>139,496</u>	<u>82,957,863</u>
Net capital assets, being depreciated	<u>13,963,973</u>	<u>227,280</u>	<u>521</u>	<u>14,190,732</u>
Governmental Activities capital assets, net	<u>\$16,228,937</u>	<u>\$251,375</u>	<u>\$525,613</u>	<u>\$15,954,699</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	5,948	567,603	-	573,551
Total capital assets, not being depreciated	<u>20,948</u>	<u>567,603</u>	<u>-</u>	<u>588,551</u>
Capital assets being depreciated				
Land improvements	31,676	-	-	31,676
Water and sewer distribution systems	45,813,465	-	-	45,813,465
Building and building improvements	6,345,749	-	-	6,345,749
Other tools and equipment	4,686,175	152,097	-	4,838,272
Total capital assets, being depreciated	<u>56,877,065</u>	<u>152,097</u>	<u>-</u>	<u>57,029,162</u>
Less accumulated depreciation for				
Land improvements	11,087	1,583	-	12,670
Water and sewer distribution systems	11,245,599	1,768,841	-	13,014,440
Building and building improvements	3,135,326	157,830	-	3,293,156
Other tools and equipment	3,277,283	187,630	-	3,464,913
Total accumulated depreciation	<u>17,669,295</u>	<u>2,115,884</u>	<u>-</u>	<u>19,785,179</u>
Net capital assets, being depreciated	<u>39,207,770</u>	<u>(1,963,787)</u>	<u>-</u>	<u>37,243,983</u>
Business-type Activities capital assets, net	<u>\$39,228,718</u>	<u>\$(1,396,184)</u>	<u>\$ -</u>	<u>\$37,832,534</u>

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Component units				
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	824,902	214,737	-	1,039,639
Net capital assets, being depreciated	<u>3,758,159</u>	<u>(214,737)</u>	-	<u>3,543,422</u>
Component units capital assets, net	<u>\$4,022,726</u>	<u>\$(214,737)</u>	\$ -	<u>\$3,807,989</u>

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

Governmental Activities

General government	\$ 77,382
Public safety	126,994
Public works	671,084
Culture and recreation	128,825
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	155,166

Total depreciation expense - governmental activities **\$1,159,451**

Business-type Activities

Water	\$1,761,363
Sewer	354,521

Total depreciation expense - business- type activities **\$2,115,884**

7. PENSION PLAN

Defined Benefit Plan

Plan Description

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Benefits provided

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

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2014):

Active plan members	12
Inactive employees entitled but not yet receiving benefits	10
Inactive employees or beneficiaries currently receiving benefits	<u>62</u>
Total	<u>84</u>

This plan is closed to additional participants

Contributions

The City is required to contribute at an actuarially determined rate. For divisions closed to new employees the employer has monthly employer contributions amount of \$48,330. Participating employees are required to contribute from 1.71% to 4.24% percent of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.25%, net of investment expense, including inflation

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate. The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a)-(b)</u>
Balance at 1/1/14	\$18,462,768	\$11,656,634	\$6,806,134
Changes for the Year:			
Service cost	77,171	-	77,171
Interest	1,468,963	-	1,468,963
Change in benefits	-	-	-
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions : employer	-	555,936	(555,936)
Contributions: employee	-	21,478	(21,478)
Net investment income	-	722,739	(722,739)
Benefit payments, including refunds	(1,391,493)	(1,391,493)	-
Administrative expense	-	(26,381)	26,381
Other changes	-	-	-
Net Cchanges	154,641	(117,721)	272,362
Balance at 12/31/14	\$18,617,409	\$11,538,913	\$7,078,496

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease	Current Discount rate	1% increase
Total Pension Liability	\$20,322,048	\$18,617,409	\$17,141,163
Fiduciary Net Position	11,538,913	11,538,913	11,538,913
Net Pension Liability	\$ 8,783,135	\$ 7,078,496	\$ 5,602,250

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2015 the City recognized pension expense of \$664,887. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	\$ -
Differences in assumptions	-
Excess(Deficit) Investment Returns	163,411
Contributions subsequent to the Measurement date*	260,946
Total	<u>\$424,357</u>

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2016.

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

2016	\$ 40,853
2017	40,853
2018	40,853
2019	40,852
2020	-
Thereafter	-
Total	<u>\$163,411</u>

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

8. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities					
2005 Building Authority Refunding Bonds, due in annual installments of \$25,000 to \$450,000 through 2024, plus interest at 3.25% to 5.00%	\$4,045,000	\$ -	\$295,000	\$3,750,000	\$ 310,000
Unamortized premium	41,813	-	6,900	34,913	-
Compensated absences	673,669	-	18,417	655,252	-
Total Governmental Activities	\$4,760,482	\$ -	\$320,317	\$4,440,165	\$310,000
Business-type Activities					
2006 Sewage System Revenue Bonds, series 2001, due in annual installments of \$335,000 to \$460,000 through April 2016; plus interest at 4.00%	\$ 900,000	\$ -	\$ 440,000	\$ 460,000	\$ 460,000
2010 Sewage System Revenue Bonds, due in annual installments of \$25,000 to \$340,000 through 2035, plus interest at 2.25% to 4.25%	4,710,000	-	25,000	4,685,000	25,000
	5,610,000	-	465,000	5,145,000	485,000
Unamortized premium	4,176	-	2,763	1,413	-
Unamortized discount	(21,537)	-	(1,030)	(20,507)	-
Compensated absences	109,908	8,956	-	118,864	-
Total Business-type Activities	\$5,702,547	\$8,956	\$466,733	\$5,244,770	\$485,000
Component Unit – Downtown Development Authority					
2012 Tax increment revenue bonds, payable in annual installments of \$55,000 to \$145,000, plus interest at 4.95% to 5.95% through 2032	\$1,675,000	\$ -	\$60,000	\$1,615,000	\$60,000

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

The annual requirements to amortize all debt outstanding as of June 30, 2015 are as follows:

Year Ending <u>June 30</u>	Governmental Activities		Business-type Activities		Component Unit	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 310,000	\$ 148,345	\$ 485,000	\$ 196,272	\$60,000	\$89,643
2017	325,000	134,095	180,000	177,248	65,000	86,673
2018	335,000	120,895	180,000	172,298	70,000	83,455
2019	350,000	107,195	190,000	166,898	70,000	79,990
2020	365,000	92,895	195,000	160,960	75,000	76,525
2021-2025	2,065,000	223,703	1,070,000	703,604	430,000	320,973
2026-2030	-	-	1,275,000	493,056	565,000	187,520
2031-2035	-	-	1,570,000	205,488	280,000	25,286
Total	\$3,750,000	\$827,128	\$5,145,000	\$2,275,824	\$1,615,000	\$950,065

Compensated absences and other post-employment benefits of governmental activities are generally liquidated with general fund resources.

9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The City has elected to provide post-employment health benefits to all full-time employees upon retirement. As of the most recent actuarial valuation, 16 retirees were eligible for and receiving post-employment health benefits and 80 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. The Retiree Health Plan does not issue a publicly available financial report and a legal trust has not been established for the plan.

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, 2015, the City paid post-employment healthcare premiums of \$179,253, 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 \$21,118, 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.

The City’s annual other post-employment benefit (OPEB) cost (expense) 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 45 for employers 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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 OPEB obligation to the plan.

Annual required contribution	\$204,183
Interest on Net OPEB obligation	146
Adjustment to annual required contribution	(147)
Annual OPEB cost (expense)	204,182
Contribution made	179,253
Increase in net OPEB obligation	24,929
Net OPEB obligation, beginning of year	21,605
Net OPEB obligation, end of year	\$ 46,534

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/13	\$257,970	100%	\$(13,319)
6/30/14	183,489	80.97%	21,605
6/30/15	204,183	87.79%	46,534

Schedule of Funding Progress

<u>Valuation Date</u>	<u>Market Value of Assets (a)</u>	<u>Accrued Liability (AL) (b)</u>	<u>Unfunded AL (UAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAL as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/15	\$1,000,233	\$1,915,836	\$915,603	52%	\$4,843,023	18.91%

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the June 30, 2015 valuation, the Plan utilized the entry age actuarial cost method; closed amortization period; and an amortization period of 30 years. The assumptions included a 5% return on plan net asset, a discount rate of 5.5%, 3% inflation and a 5% medical inflation rate.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

10. CONSTRUCTION CODE FEES

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

Cumulative surplus – July 1, 2014	<u>\$ 6,822</u>
Current year building permit revenues	196,003
Related Expenses	
Direct costs	196,168
Indirect Costs	<u>2,832</u>
Total construction code expenses	<u>199,000</u>
Cumulative surplus – June 30, 2015	<u>\$ 3,825</u>

11. CONTINGENCY

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

12. PRIOR PERIOD ADJUSTMENT

Beginning net position of the City was decreased to record the net pension liability in accordance with the implementation of Governmental Accounting Standards Board Statement No. 68 as follows:

<u>Opinion Unit</u>	
Governmental Activities	\$6,213,771
Sewer Fund	986,889
Water Fund	258,633

Beginning net position of the City was increased to record deferred outflows in accordance with the implementation of Governmental Accounting Standards Board Statement No. 71 as follows:

<u>Opinion Unit</u>	
Governmental Activities	\$241,006
Sewer Fund	42,774
Water Fund	11,210

Beginning net position of the Sewer fund and business-type activities were decreased to remove intangible assets in the amount of \$2,362,500.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

13. COMMITMENTS

At year-end, the City had outstanding commitments of approximately \$990,000 related to various construction projects.

(This page left intentionally blank)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 6,030,616	\$ 6,007,616	\$ 6,007,840	\$ 224
Intergovernmental revenues				
State	1,282,393	1,282,393	1,283,709	1,316
Licenses and permits	118,500	198,500	218,313	19,813
Charges for services	1,002,013	1,036,513	1,061,044	24,531
Fines	343,000	355,000	359,563	4,563
Investment earnings	13,800	13,800	20,597	6,797
Miscellaneous	103,500	113,500	27,881	(85,619)
Total revenues	<u>8,893,822</u>	<u>9,007,322</u>	<u>8,978,947</u>	<u>(28,375)</u>
Expenditures				
Current				
General government	1,628,660	1,852,160	1,800,173	51,987
Judicial	1,045,986	1,045,986	980,198	65,788
Public safety	4,784,843	4,879,398	4,671,015	208,383
Public works	522,507	554,507	516,036	38,471
Culture and recreation	820,355	789,855	770,345	19,510
Total expenditures	<u>8,802,351</u>	<u>9,121,906</u>	<u>8,737,767</u>	<u>384,139</u>
Revenues over (under) expenditures	91,471	(114,584)	241,180	355,764
Other financing sources (uses)				
Transfers in	62,000	62,000	62,000	-
Net changes in fund balance	153,471	(52,584)	303,180	355,764
Fund balance, beginning of year	<u>2,305,302</u>	<u>2,305,302</u>	<u>2,305,302</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,458,773</u>	<u>\$ 2,252,718</u>	<u>\$ 2,608,482</u>	<u>\$ 355,764</u>

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 329,885	\$ 239,885	\$ 234,694	\$ (5,191)
Intergovernmental revenues				
State	771,866	818,866	875,072	56,206
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>2,860</u>	<u>1,860</u>
Total revenues	1,102,751	1,059,751	1,112,626	52,875
Expenditures				
Current				
Public works	<u>910,176</u>	<u>1,009,176</u>	<u>963,134</u>	<u>46,042</u>
Revenues over (under) expenditures	192,575	50,575	149,492	98,917
Other financing sources				
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Net changes in fund balance	186,575	44,575	143,492	98,917
Fund balance, beginning of year	<u>461,446</u>	<u>461,446</u>	<u>461,446</u>	<u>-</u>
Fund balance, end of year	<u>\$ 648,021</u>	<u>\$ 506,021</u>	<u>\$ 604,938</u>	<u>\$ 98,917</u>

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2015

	2014
Total pension liability	
Service cost	\$ 77,171
Interest	1,468,963
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments including employee refunds	(1,391,493)
Other	-
Net change in total pension liability	154,641
Total pension liability, beginning of year	18,462,768
Total pension liability, ending of year	\$ 18,617,409
 Plan Fiduciary Net Position	
Contributions-employer	\$ 555,936
Contributions-employee	21,478
Net Investment income	722,739
Benefit payments including employee refunds	(1,391,493)
Administrative expense	(26,381)
Net change in plan fiduciary net position	(117,721)
Plan fiduciary net position, beginning of year	11,656,634
Plan fiduciary net position, ending of year	\$ 11,538,913
 Employer net pension liability	 \$ 7,078,496
 Plan fiduciary net position as a percentage of the total pension liability	 62%
 Covered employee payroll	 \$ 787,329
 Employer's net pension liability as a percentage of covered employee payroll	 899%

Notes to schedule:

Above data is based on a December 31, 2014 measurement date.

CITY OF GRANDVILLE

DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Actuarial determined contributions	\$ 521,892
Contributions in relation to the actuarially determined contribution	<u>521,892</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered employee payroll	\$ 787,329
Contributions as a percentage of covered employee payroll	66%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Investment rate of return	8.25%
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male 1994 group annuity mortality table

CITY OF GRANDVILLE

RETIREE HEALTH OTHER POST-EMPLOYMENT BENEFIT PLAN

JUNE 30, 2015

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Value of Assets	Accrued Liability (AL)	Unfunded AL (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
6/30/2011	\$ 460,164	\$ 1,908,407	\$ 1,448,243	24.11%	n/a	n/a
6/30/2014	954,980	1,958,623	1,003,643	48.76%	4,821,754	20.8%
6/30/2015	1,000,233	1,915,836	915,603	52.21%	4,843,023	18.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual OPEB Cost	Actual Contribution	Percent Contributed
2013	\$ 257,970	\$ 257,970	100.0%
2014	183,489	148,571	81.0%
2015	204,183	179,253	87.8%

Note to required supplementary information

Budgets and Budgetary Accounting

The City adopts an annual budget for the general and each special revenue fund following the GAAP basis of accounting. Unexpended appropriations lapse at year-end.

(This page left intentionally blank)

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes				
Property taxes	\$ 6,030,616	\$ 6,007,616	\$ 6,007,840	\$ 224
Intergovernmental revenues				
State	1,282,393	1,282,393	1,283,709	1,316
Licenses and permits	118,500	198,500	218,313	19,813
Charges for services	1,002,013	1,036,513	1,061,044	24,531
Fines	343,000	355,000	359,563	4,563
Investment earnings	13,800	13,800	20,597	6,797
Miscellaneous	103,500	113,500	27,881	(85,619)
Total revenues	<u>8,893,822</u>	<u>9,007,322</u>	<u>8,978,947</u>	<u>(28,375)</u>
Expenditures				
Current				
General government				
Legislative	64,718	64,718	60,509	4,209
City Manager	181,413	175,413	172,925	2,488
Elections	58,117	58,117	50,966	7,151
Attorney	344,297	599,297	607,045	(7,748)
Assessor	246,807	253,807	249,497	4,310
Clerk	176,432	165,932	154,358	11,574
Treasurer	168,509	151,509	140,953	10,556
General office	203,931	198,931	183,234	15,697
Retiree healthcare premiums	184,436	184,436	180,686	3,750
	<u>1,628,660</u>	<u>1,852,160</u>	<u>1,800,173</u>	<u>51,987</u>
Judicial				
District Court	654,379	654,379	606,789	47,590
Probation	352,398	352,398	335,061	17,337
Shared costs	39,209	39,209	38,348	861
	<u>1,045,986</u>	<u>1,045,986</u>	<u>980,198</u>	<u>65,788</u>
Public safety				
Police	3,241,258	3,241,258	3,060,747	180,511
Fire	984,565	999,065	964,928	34,137
Public safety building	459,220	459,275	459,273	2
Building inspections	90,000	170,000	181,795	(11,795)
Narcotics enforcement	9,800	9,800	4,272	5,528
	<u>4,784,843</u>	<u>4,879,398</u>	<u>4,671,015</u>	<u>208,383</u>
Public works				
Highways, streets and bridges	221,150	263,150	258,796	4,354
Sidewalks	17,501	17,501	15,218	2,283
Parking lots	45,983	35,983	28,977	7,006
Cemetery	210,673	210,673	189,598	21,075
Sanitation and other	27,200	27,200	23,447	3,753
	<u>522,507</u>	<u>554,507</u>	<u>516,036</u>	<u>38,471</u>

(continued)

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Culture and recreation				
Parks	\$ 397,086	\$ 367,086	\$ 367,029	\$ 57
Library	126,598	153,598	149,433	4,165
Special projects	104,800	109,800	109,378	422
Planning and zoning	58,103	35,603	36,110	(507)
Other	133,768	123,768	108,395	15,373
	<u>820,355</u>	<u>789,855</u>	<u>770,345</u>	<u>19,510</u>
Total expenditures	<u>8,802,351</u>	<u>9,121,906</u>	<u>8,737,767</u>	<u>384,139</u>
Revenues over (under) expenditures	91,471	(114,584)	241,180	355,764
Other financing sources (uses)				
Transfers in	<u>62,000</u>	<u>62,000</u>	<u>62,000</u>	<u>-</u>
Net changes in fund balances	153,471	(52,584)	303,180	355,764
Fund balances, beginning of year	<u>2,305,302</u>	<u>2,305,302</u>	<u>2,305,302</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,458,773</u>	<u>\$ 2,252,718</u>	<u>\$ 2,608,482</u>	<u>\$ 355,764</u>

(concluded)

CITY OF GRANDVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2015

	<u>Special Revenue</u>			<u>Debt Service</u>	
	<u>Local Streets</u>	<u>Revolving</u>	<u>Storm Sewer Trunkage</u>	<u>Building Authority Bonds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 262,768	\$ -	\$ 25,837	\$ -	\$ 288,605
Accounts receivable	211	-	21	-	232
Due from other governments	55,446	-	-	-	55,446
Special assessments receivable	-	63,220	-	-	63,220
Total assets	<u>\$ 318,425</u>	<u>\$ 63,220</u>	<u>\$ 25,858</u>	<u>\$ -</u>	<u>\$ 407,503</u>
Liabilities, deferred inflows and fund balances					
Liabilities					
Accounts payable	\$ 7,731	\$ -	\$ -	\$ -	\$ 7,731
Accrued liabilities	3,552	-	-	-	3,552
Total liabilities	<u>11,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,283</u>
Deferred inflows of resources					
Unavailable revenue	-	63,220	-	-	63,220
Fund balances					
Restricted					
Streets	307,142	-	-	-	307,142
Committed					
Capital projects	-	-	25,858	-	25,858
Total fund balances	<u>307,142</u>	<u>-</u>	<u>25,858</u>	<u>-</u>	<u>333,000</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 318,425</u>	<u>\$ 63,220</u>	<u>\$ 25,858</u>	<u>\$ -</u>	<u>\$ 407,503</u>

CITY OF GRANDVILLE

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue			Debt Service	Total
	Local Streets	Revolving	Storm Sewer Trunkage	Building Authority Bonds	
Revenues					
Taxes	\$ 397,040	\$ -	\$ -	-	\$ 397,040
Intergovernmental revenues					
State	319,641	-	-	-	319,641
Charges for services	-	-	11,400	-	11,400
Investment earnings	2,844	-	143	-	2,987
Rental income	-	-	-	459,273	459,273
Total revenues	<u>719,525</u>	<u>-</u>	<u>11,543</u>	<u>459,273</u>	<u>1,190,341</u>
Expenditures					
Current					
Public works	723,376	-	37,193	-	760,569
Debt service					
Principal	-	-	-	295,000	295,000
Interest	-	-	-	164,273	164,273
Capital outlay	-	-	-	-	-
Total expenditures	<u>723,376</u>	<u>-</u>	<u>37,193</u>	<u>459,273</u>	<u>1,219,842</u>
Revenues over (under) expenditures	(3,851)	-	(25,650)	-	(29,501)
Other financing sources (uses)					
Transfers out	(6,000)	-	-	-	(6,000)
Net changes in fund balances	(9,851)	-	(25,650)	-	(35,501)
Fund balances, beginning of year	<u>316,993</u>	<u>-</u>	<u>51,508</u>	<u>-</u>	<u>368,501</u>
Fund balances, end of year	<u>\$ 307,142</u>	<u>\$ -</u>	<u>\$ 25,858</u>	<u>\$ -</u>	<u>\$ 333,000</u>

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 494,827	\$ 404,827	\$ 397,040	\$ (7,787)
Intergovernmental revenues				
State	338,622	385,622	319,641	(65,981)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>2,844</u>	<u>1,844</u>
Total revenues	834,449	791,449	719,525	(71,924)
Expenditures				
Current				
Public works	<u>931,271</u>	<u>906,271</u>	<u>723,376</u>	<u>182,895</u>
Revenues over (under) expenditures	(96,822)	(114,822)	(3,851)	110,971
Other financing sources (uses)				
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Net changes in fund balance	(102,822)	(120,822)	(9,851)	110,971
Fund balance, beginning of year	<u>316,993</u>	<u>316,993</u>	<u>316,993</u>	<u>-</u>
Fund balance, end of year	<u>\$ 214,171</u>	<u>\$ 196,171</u>	<u>\$ 307,142</u>	<u>\$ 110,971</u>

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,000	\$ 1,000	\$ 11,400	\$ 10,400
Investment earnings	200	200	143	(57)
Total revenues	1,200	1,200	11,543	10,343
Expenditures				
Current				
Public works	50,989	50,989	37,193	13,796
Net changes in fund balance	(49,789)	(49,789)	(25,650)	24,139
Fund balance, beginning of year	51,508	51,508	51,508	-
Fund balance, end of year	<u>\$ 1,719</u>	<u>\$ 1,719</u>	<u>\$ 25,858</u>	<u>\$ 24,139</u>

CITY OF GRANDVILLE

AGENCY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2015

	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 3,875	\$ 127,790	\$ 131,665
	<u>\$ 3,875</u>	<u>\$ 127,790</u>	<u>\$ 131,665</u>
Total assets			
Liabilities			
Accounts Payable	\$ 3,875	\$ 70	\$ 3,945
Deposits	<u>-</u>	<u>127,720</u>	<u>127,720</u>
	<u>\$ 3,875</u>	<u>\$ 127,790</u>	<u>\$ 131,665</u>
Total liabilities			

CITY OF GRANDVILLE

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

JUNE 30, 2015

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 934,415	\$ -	\$ 934,415
Restricted cash and pooled investments	155,087	-	155,087
Accounts receivable	2,478	-	2,478
Land held for sale	70,000	-	70,000
Capital assets			
Land	-	264,567	264,567
Depreciable capital assets, net	-	3,543,422	3,543,422
Total assets	\$ 1,161,980	3,807,989	4,969,969
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 7,838	\$ -	7,838
Accrued liabilities	1,303	-	1,303
Accrued interest	-	14,940	14,940
Long-term debt			
Due within one year	-	60,000	60,000
Due in more than one year	-	1,555,000	1,555,000
Total liabilities	9,141	1,629,940	1,639,081
Fund balances			
Nonspendable	70,000	(70,000)	
Restricted for debt service	155,087	(155,087)	
Unassigned	927,752	(927,752)	
Total fund balance	1,152,839	(1,152,839)	
Total liabilities and fund balances	\$ 1,161,980		
Net position			
Net investment in capital assets			2,192,989
Restricted for debt service			155,087
Unrestricted			982,812
Total net position		\$ 3,330,888	\$ 3,330,888

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 244,564	\$ -	\$ 244,564
Investment earnings	8,718	-	8,718
Miscellaneous	<u>10,119</u>	<u>-</u>	<u>10,119</u>
Total revenues	<u>263,401</u>	<u>-</u>	<u>263,401</u>
Expenditures/expenses			
Salaries	60,332	-	60,332
Administration	19,775	-	19,775
Operations	86,148	-	86,148
Depreciation	-	214,737	214,737
Debt service			
Principal	60,000	(60,000)	-
Interest	<u>92,913</u>	<u>(495)</u>	<u>92,418</u>
Total expenditures/expenses	<u>319,168</u>	<u>154,242</u>	<u>473,410</u>
Net changes in fund balances	(55,767)	55,767	
Change in net position		(210,009)	(210,009)
Fund balances/net position, beginning of year	<u>1,208,606</u>		<u>3,540,897</u>
Fund balances/net position, end of year	<u>\$ 1,152,839</u>		<u>\$ 3,330,888</u>

(This page left intentionally blank)

INTERNAL CONTROL AND COMPLIANCE



Vredeveld Haefner LLC

CPA's and Consultants

4001 Granada Ct.

Grand Rapids, MI 49534

FAX (616) 828-0307

Douglas J. Vredeveld, CPA

(616) 446-7474

Peter S. Haefner, CPA

(616) 460-9388

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 5, 2015

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, 2015, 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 5, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wredenold Haefner LLC