

City of Grandville,
Michigan



Year Ended
June 30, 2013

Financial
Statements

CITY OF GRANDVILLE, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

November 15, 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Grandville, Michigan* (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grandville, Michigan as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the City of Grandville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rehmann Lobson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

These financial statements are the responsibility of the City of Grandville's management. We offer readers this narrative overview and analysis for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$59,545,186 (*net position*).
- As of the close of the current fiscal year, the City's governmental funds, which are described in detail below, reported combined ending fund balances of \$4,016,542, a decrease of \$1,123,297 from the prior year. This is mainly due to a \$410,000 Special Revenue Bond debt payment and the use of fund balance to cover budgeted deficits.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,194,978 or 24% of general fund expenditures and transfers out.
- Substantial completion of a renovation and expansion project at the Clean Water Plant.

Overview of the Financial Statements

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

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

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

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

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

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

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer operations, which are considered to be major funds of the City.

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

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis and schedules of funding progress and employer contributions for the City's pension and other postemployment benefits plans.

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

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Grandville, assets and deferred outflows of resources exceeded liabilities by \$59,545,186 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 5,838,325	\$ 7,210,643	\$ 6,805,264	\$ 7,678,589	\$12,643,589	\$14,889,232
Capital assets, net	15,987,356	16,372,191	43,126,794	43,643,878	59,114,150	60,016,069
Total assets	<u>21,825,681</u>	<u>23,582,834</u>	<u>49,932,058</u>	<u>51,322,467</u>	<u>71,757,739</u>	<u>74,905,301</u>
Deferred outflows of resources	107,860	125,534	39,275	64,581	147,135	190,115
Long-term liabilities	5,083,372	5,802,598	6,121,633	6,541,666	11,205,005	12,344,264
Other liabilities	540,992	576,906	613,691	2,142,578	1,154,683	2,719,484
Total liabilities	<u>5,624,364</u>	<u>6,379,504</u>	<u>6,735,324</u>	<u>8,684,244</u>	<u>12,359,688</u>	<u>15,063,748</u>
Net position						
Net investment in capital assets	11,720,897	11,440,324	37,145,392	37,278,500	48,866,289	48,718,824
Restricted	1,289,058	1,663,589	779,853	532,954	2,068,911	2,196,543
Unrestricted	3,299,222	4,224,951	5,310,764	4,891,350	8,609,986	9,116,301
Total net position	<u>\$16,309,177</u>	<u>\$17,328,864</u>	<u>\$43,236,009</u>	<u>\$42,702,804</u>	<u>\$59,545,186</u>	<u>\$60,031,668</u>

By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Grandville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Certain net position of governmental activities at year-end have been restricted, primarily by funding sources for major and local streets and debt service purposes. Of the net position balance at year end, 72% is net investment in capital assets, 8% is restricted for other purposes and 20% is unrestricted and available for general City operations.

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

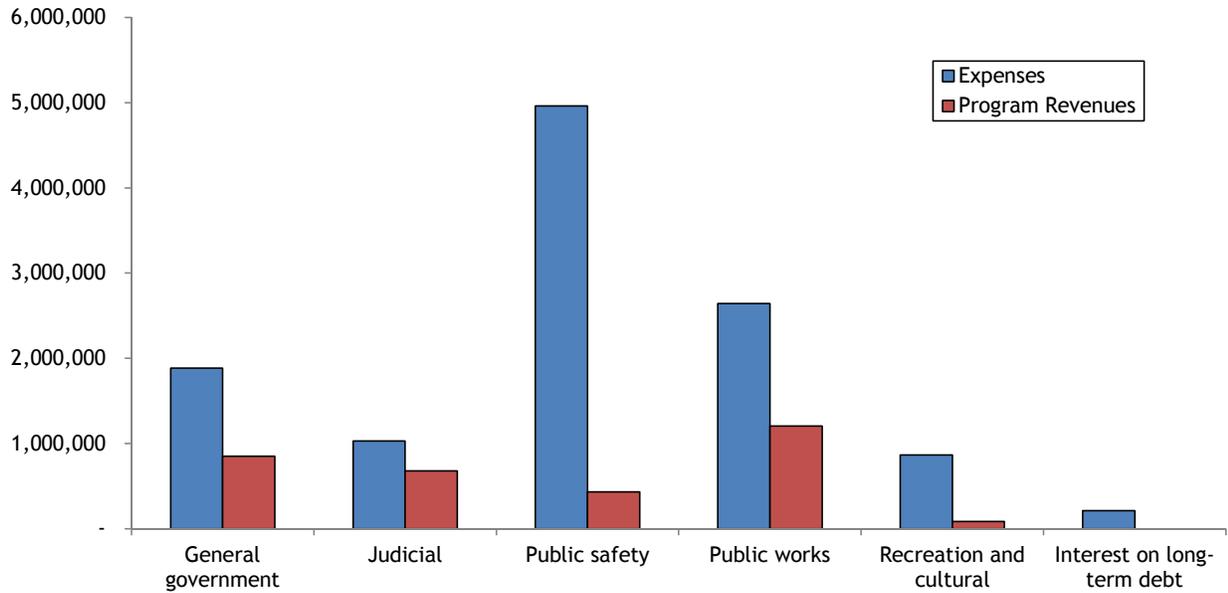
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 2,083,284	\$ 2,205,521	\$ 6,330,287	\$ 6,538,711	\$ 8,413,571	\$ 8,744,232
Operating grants	1,127,187	1,113,758	60,371	26,036	1,187,558	1,139,794
Capital grants	44,280	43,080	655,888	9,068,421	700,168	9,111,501
General revenues:						
Property taxes	5,918,037	6,050,711	-	-	5,918,037	6,050,711
State shared revenue	1,161,530	1,136,377	-	-	1,161,530	1,136,377
Franchise fees	215,264	203,843	-	-	215,264	203,843
Unrestricted investment earnings	42,446	50,705	-	-	42,446	50,705
Total revenues	10,592,028	10,803,995	7,046,546	15,633,168	17,638,574	26,437,163
Expenses						
General government	1,885,460	1,647,540	-	-	1,885,460	1,647,540
Judicial	1,029,813	1,092,679	-	-	1,029,813	1,092,679
Public safety	4,963,523	4,817,966	-	-	4,963,523	4,817,966
Public works	2,641,309	2,472,528	-	-	2,641,309	2,472,528
Recreation and cultural	866,180	841,508	-	-	866,180	841,508
Interest on long-term debt	209,892	236,984	-	-	209,892	236,984
Water	-	-	2,231,815	2,324,280	2,231,815	2,324,280
Sewer	-	-	4,047,820	4,717,984	4,047,820	4,717,984
Total expenses	11,596,177	11,109,205	6,279,635	7,042,264	17,875,812	18,151,469
Change in net position, before transfers	(1,004,149)	(305,210)	766,911	8,590,904	(237,238)	8,285,694
Transfers	50,402	26,474	(50,402)	(26,474)	-	-
Change in net position	(953,747)	(278,736)	716,509	8,564,430	(237,238)	8,285,694
Net position:						
Beginning of year, as restated	17,262,924	17,607,600	42,519,500	34,138,374	59,782,424	51,745,974
End of year	\$16,309,177	\$17,328,864	\$43,236,009	\$42,702,804	\$59,545,186	\$60,031,668

Governmental Activities. Governmental activities decreased the City's net position by \$953,747. This is primarily due to depreciation expense on capital assets exceeding new capital assets purchased.

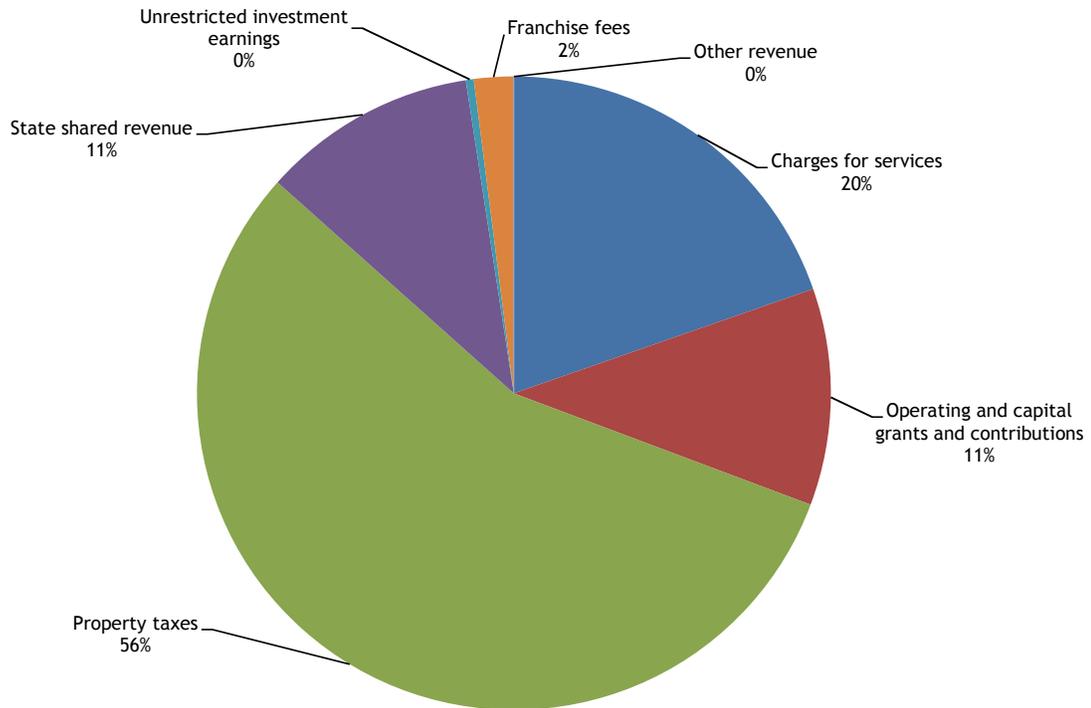
CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



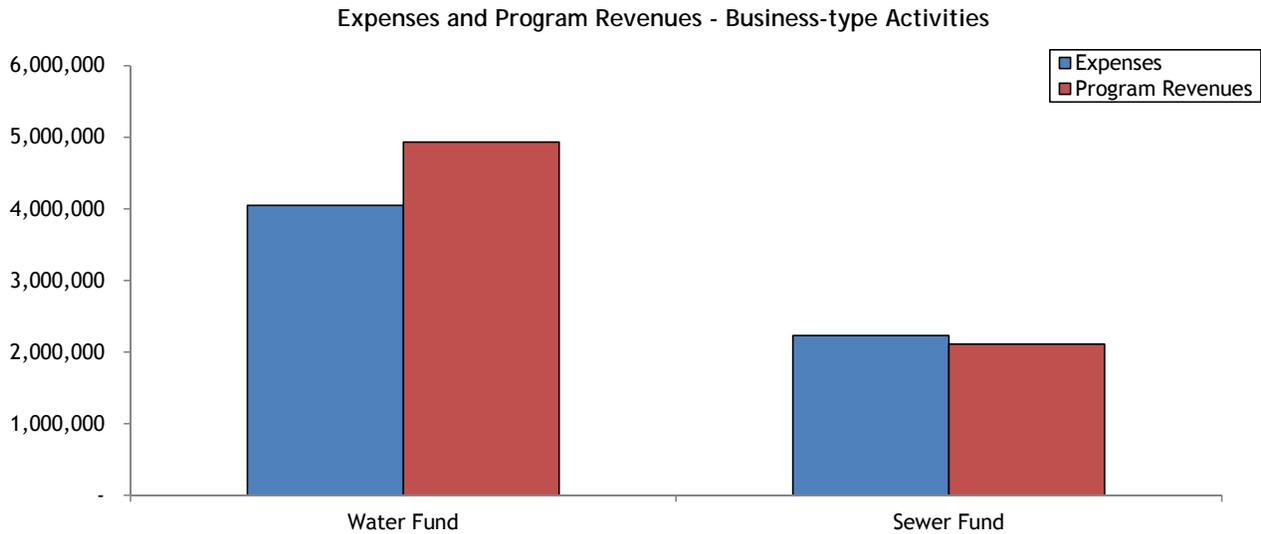
Revenues by Source - Governmental Activities



CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

Business-type Activities. Business-type activities increased the City's net position by \$716,509. The key element of this increase was a capital contribution in the sewer fund of \$655,888 related to expansion of the City's Clean Water Plant, being financed through bonds issued by Ottawa County. These bonds are backed by the full faith and credit of Ottawa County and three municipalities and are not a liability of the City of Grandville.



Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the City of Grandville's governmental funds reported combined ending fund balance of \$4,016,542, a decrease of \$1,123,297 compared with the prior year. This decrease was primarily related to a payoff of a \$410,000 Special Revenue Bond from restricted fund balance and the use of fund balance to cover budget deficits.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,194,978 while total fund balance reached \$2,870,375. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 24% of total general fund expenditures and transfers out, while total fund balance represents 31% of that same amount.

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

The fund balance of the City of Grandville's general fund decreased by \$668,987 during the current fiscal year. This decrease was mainly related to a planned use of fund balance to cover budget deficits.

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

Unrestricted net position of the water and sewer funds at the end of the year amounted to \$476,695 and \$4,834,069, respectively. The total changes in net position for these funds were a decrease of \$127,110 and an increase of \$843,619 respectively. The decrease in the Water Fund was due an increase in commodity costs, purchased at wholesale rates from the City of Wyoming. The increase in the Sewer Fund was related to the cleanwater plant expansion, funded entirely through capital contributions from Ottawa County.

General Fund Budgetary Highlights

- Variances between the original and final amended budgets were relatively minor.
- Licenses and permits revenue exceeded original budget by approximately \$231,000. This was primarily related to a rebound in the economy and increased demand for building permits due to a large commercial development.
- Attorney expenditures were approximately \$92,500 over budget primarily due to attorney fees related to pending tax tribunal cases.

Capital Asset and Debt Administration

Capital Assets. The City of Grandville's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounted to \$59,114,150 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Various resurfacing projects related to major and local streets
- Construction and engineering costs related to the clean water system renovation and expansion
- Fire building renovations
- Building security
- Fire department heavy rescue tools

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,738,397	\$ 1,738,397	\$ 15,000	\$ 15,000	\$ 1,753,397	\$ 1,753,397
Construction in progress	25,870	10,596	-	25,091,064	25,870	25,101,660
Depreciable assets	14,223,089	14,623,198	43,111,794	18,537,814	57,334,883	33,161,012
Total capital assets, net	\$15,987,356	\$16,372,191	\$43,126,794	\$43,643,878	\$59,114,150	\$60,016,069

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

CITY OF GRANDVILLE, MICHIGAN

Management's Discussion and Analysis

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

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 4,325,000	\$ 5,000,000	\$ 6,035,000	\$ 6,440,000	\$10,360,000	\$11,440,000
Other obligations*	758,372	802,598	86,633	101,666	845,005	904,264
Total long-term debt	\$ 5,083,372	\$ 5,802,598	\$ 6,121,633	\$ 6,541,666	\$11,205,005	\$12,344,264

The City's total debt decreased by \$1,139,259.

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

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City's budget for the 2013-14 fiscal year:

- Maintain the same millage rate as 2012-13 fiscal year of 9.154.
- Reduction of expenditures of approximately \$275,000.
- Increase of part time Probation Administrative Assistant to full time.
- Allocation of 1.155 mills of general millage to major and local street funds.
- Commodity rates for sewer were decreased from \$2.88 to \$2.64 per 1,000 gallons.
- Commodity rates for water were increased from \$2.11 to \$2.19 per 1,000 gallons.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF GRANDVILLE, MICHIGAN

Statement of Net Position

June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 4,481,719	\$ 4,675,582	\$ 9,157,301	\$ 1,131,658
Restricted cash and investments	101,447	779,853	881,300	154,935
Receivables	567,931	1,349,829	1,917,760	17,584
Prepaid expenses	425	-	425	-
Land held for sale	-	-	-	70,000
Net pension asset	673,484	-	673,484	-
Net other postemployment benefits asset	13,319	-	13,319	-
Capital assets not being depreciated	1,764,267	15,000	1,779,267	264,567
Capital assets being depreciated, net	14,223,089	43,111,794	57,334,883	3,972,896
Total assets	21,825,681	49,932,058	71,757,739	5,611,640
Deferred outflows of resources				
Loss on advance bond refundings, net	107,860	39,275	147,135	-
Liabilities				
Accounts payable and accrued liabilities	540,992	613,691	1,154,683	94,003
Long-term debt:				
Due in one year	666,434	508,099	1,174,533	55,000
Due in more than one year	4,416,938	5,613,534	10,030,472	1,675,000
Total liabilities	5,624,364	6,735,324	12,359,688	1,824,003
Net position				
Net investment in capital assets	11,720,897	37,145,392	48,866,289	2,507,463
Restricted for:				
Drug law enforcement	101,447	-	101,447	-
Drunk driving caseload	51,523	-	51,523	-
Construction code enforcement	12,728	-	12,728	-
Public works	1,123,360	-	1,123,360	-
Debt service	-	779,853	779,853	139,046
Unrestricted	3,299,222	5,310,764	8,609,986	1,141,128
Total net position	\$ 16,309,177	\$ 43,236,009	\$ 59,545,186	\$ 3,787,637

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Activities
For the Year Ended June 30, 2013

Function / Program	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,885,460	\$ 850,611	\$ -	\$ -	\$ (1,034,849)
Judicial	1,029,813	627,643	52,145	-	(350,025)
Public safety	4,963,523	372,080	61,443	-	(4,530,000)
Public works	2,641,309	148,298	1,013,599	44,280	(1,435,132)
Recreation and cultural	866,180	84,652	-	-	(781,528)
Interest on long-term debt	209,892	-	-	-	(209,892)
Total governmental activities	11,596,177	2,083,284	1,127,187	44,280	(8,341,426)
Business-type activities:					
Water	2,231,815	2,111,235	1,872	-	(118,708)
Sewer	4,047,820	4,219,052	58,499	655,888	885,619
Total business-type activities	6,279,635	6,330,287	60,371	655,888	766,911
Total primary government	\$ 17,875,812	\$ 8,413,571	\$ 1,187,558	\$ 700,168	\$ (7,574,515)
Component unit					
Downtown Development Authority	\$ 414,038	\$ 1,541	\$ -	\$ 559,068	\$ 146,571
Brownfield Redevelopment Authority	42,122	-	-	-	(42,122)
Total component unit	\$ 456,160	\$ 1,541	\$ -	\$ 559,068	\$ 104,449

continued...

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2013

Function / Program	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (8,341,426)	\$ 766,911	\$ (7,574,515)	\$ 104,449
General revenues:				
Property taxes	5,918,037	-	5,918,037	296,160
State shared revenue	1,161,530	-	1,161,530	-
Franchise fees	215,264	-	215,264	-
Unrestricted investment earnings	42,446	-	42,446	9,370
Transfers	50,402	(50,402)	-	-
Total general revenues and transfers	7,387,679	(50,402)	7,337,277	305,530
Change in net position	(953,747)	716,509	(237,238)	409,979
Net position, beginning of year, as restated	17,262,924	42,519,500	59,782,424	3,377,658
Net position, end of year	\$ 16,309,177	\$ 43,236,009	\$ 59,545,186	\$ 3,787,637

concluded

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

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CITY OF GRANDVILLE, MICHIGAN

Balance Sheet Governmental Funds June 30, 2013

	General	Special Revenue	Nonmajor Funds	Total
		Major Streets		
Assets				
Pooled cash and investments	\$ 2,860,025	\$ 539,720	\$ 473,713	\$ 3,873,458
Restricted cash and investments	101,447	-	-	101,447
Accounts receivable	104,731	-	-	104,731
Special assessments receivable	-	-	63,220	63,220
Interest receivable	3,625	757	664	5,046
Due from other governments	234,397	116,828	42,861	394,086
Prepaid expenses	425	-	-	425
Total assets	\$ 3,304,650	\$ 657,305	\$ 580,458	\$ 4,542,413
Liabilities				
Accounts payable	\$ 391,817	\$ 23,845	\$ 1,024	\$ 416,686
Accrued and other liabilities	42,458	1,764	1,743	45,965
Total liabilities	434,275	25,609	2,767	462,651
Deferred inflows of resources				
Unavailable revenue - special assessment receivable	-	-	63,220	63,220
Fund balances				
Nonspendable	425	-	-	425
Restricted	165,698	631,696	428,444	1,225,838
Committed	509,274	-	86,027	595,301
Unassigned	2,194,978	-	-	2,194,978
Total fund balances	2,870,375	631,696	514,471	4,016,542
Total liabilities, deferred inflows of resources and fund balances	\$ 3,304,650	\$ 657,305	\$ 580,458	\$ 4,542,413

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

CITY OF GRANDVILLE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2013

Fund balances - total governmental funds \$ 4,016,542

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

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

Capital assets not being depreciated	1,764,267
Capital assets being depreciated, net	14,223,089
Capital assets being depreciated, net, recorded in internal service funds	(800,822)

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

Net pension asset	673,484
Net other postemployment benefits asset	13,319
Deferred inflows for long-term special assessments receivable	63,220

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

Net position of governmental activities accounted for in internal service funds	1,357,511
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Certain liabilities and deferred outflows of resources, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	(4,325,000)
Unamortized premium on bonds payable	(49,319)
Unamortized deferred loss on bond refunding	107,860
Accrued interest payable on long-term debt	(30,808)
Compensated absences	(704,166)

Net position of governmental activities \$ 16,309,177

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	Special Revenue			Total
	General	Major Streets	Nonmajor Funds	
Revenues				
Property taxes	\$ 5,213,616	\$ 246,547	\$ 457,874	\$ 5,918,037
Licenses and permits	546,566	-	-	546,566
Intergovernmental	1,321,978	752,153	258,866	2,332,997
Fines and forfeitures	591,109	-	-	591,109
Charges for services	623,657	-	16,991	640,648
Interest income	30,196	4,070	4,498	38,764
Rental income	3,605	-	456,711	460,316
Other revenues	63,975	-	-	63,975
Total revenues	8,394,702	1,002,770	1,194,940	10,592,412
Expenditures				
Current:				
General government	2,965,005	-	-	2,965,005
Judicial	575,568	-	-	575,568
Public safety	4,328,165	-	-	4,328,165
Public works	290,719	1,205,282	554,105	2,050,106
Recreation and culture	961,232	-	-	961,232
Debt service:				
Principal	-	-	675,000	675,000
Interest	-	-	216,035	216,035
Total expenditures	9,120,689	1,205,282	1,445,140	11,771,111
Revenues over (under) expenditures	(725,987)	(202,512)	(250,200)	(1,178,699)
Other financing sources (uses)				
Transfers in	57,000	3,195	429,951	490,146
Transfers out	-	(429,951)	(4,793)	(434,744)
Total other financing sources (uses)	57,000	(426,756)	425,158	55,402
Net change in fund balances	(668,987)	(629,268)	174,958	(1,123,297)
Fund balances, beginning of year	3,539,362	1,260,964	339,513	5,139,839
Fund balances, end of year	\$ 2,870,375	\$ 631,696	\$ 514,471	\$ 4,016,542

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

CITY OF GRANDVILLE, MICHIGAN

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2013

Net change in fund balance - total governmental funds \$ (1,123,297)

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

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

Capital assets purchased/constructed	659,178
Depreciation expense	(962,103)

Special assessments and personal property taxes receivable are long-term in nature and are collectible over several years. However the current receipts are reflected as revenues on the fund statements.

Change in deferred inflows for long-term special assessments receivable	(4,066)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term debt	675,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in the accrual for interest payable on long-term debt	15,735
Amortization of bond premium	8,082
Amortization of deferred loss on bond refunding	(17,674)
Change in the accrual for compensated absences	34,523
Change in the net pension asset	(15,550)
Change in the net other postemployment benefits asset	(676)

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

Loss from governmental activities in internal service funds	<u>(222,899)</u>
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Change in net position of governmental activities	<u>\$ (953,747)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF GRANDVILLE, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	\$ 5,252,530	\$ 5,252,530	\$ 5,213,616	\$ (38,914)
Licenses and permits	315,550	495,550	546,566	51,016
Intergovernmental	1,340,176	1,340,176	1,321,978	(18,198)
Fines and forfeitures	620,200	637,200	591,109	(46,091)
Charges for services	580,468	580,468	623,657	43,189
Interest income	15,000	15,000	30,196	15,196
Rental income	4,500	4,500	3,605	(895)
Other revenue	59,113	66,113	63,975	(2,138)
Total revenues	8,187,537	8,391,537	8,394,702	3,165
Expenditures				
Current:				
General government	2,720,843	3,040,843	2,965,005	(75,838)
Judicial	654,307	654,307	575,568	(78,739)
Public safety	4,302,205	4,452,205	4,328,165	(124,040)
Public works	357,829	357,829	290,719	(67,110)
Recreation and culture	1,048,235	1,068,235	961,232	(107,003)
Total expenditures	9,083,419	9,573,419	9,120,689	(452,730)
Revenues over (under) expenditures	(895,882)	(1,181,882)	(725,987)	455,895
Other financing sources				
Transfers in	67,000	67,000	57,000	(10,000)
Net change in fund balance	(828,882)	(1,114,882)	(668,987)	445,895
Fund balance, beginning of year	3,539,362	3,539,362	3,539,362	-
Fund balance, end of year	\$ 2,710,480	\$ 2,424,480	\$ 2,870,375	\$ 445,895

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Streets Special Revenue Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	\$ 248,130	\$ 248,130	\$ 246,547	\$ (1,583)
Intergovernmental	737,116	737,116	752,153	15,037
Interest income	2,500	2,500	4,070	1,570
Total revenues	987,746	987,746	1,002,770	15,024
Expenditures				
Current:				
Public works	1,423,022	1,423,022	1,205,282	(217,740)
Revenues over (under) expenditures	(435,276)	(435,276)	(202,512)	232,764
Other financing sources (uses)				
Transfers in	412,873	412,873	3,195	(409,678)
Transfers out	(436,240)	(436,240)	(429,951)	6,289
Total other financing sources (uses)	(23,367)	(23,367)	(426,756)	(403,389)
Net change in fund balance	(458,643)	(458,643)	(629,268)	(170,625)
Fund balance, beginning of year	1,260,964	1,260,964	1,260,964	-
Fund balance, end of year	\$ 802,321	\$ 802,321	\$ 631,696	\$ (170,625)

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Fund
Assets				
Current assets:				
Pooled cash and investments	\$ 198,158	\$ 4,477,424	\$ 4,675,582	\$ 608,261
Restricted cash and investments	-	779,853	779,853	-
Accounts receivable	515,418	827,598	1,343,016	-
Interest receivable	277	6,536	6,813	848
Total current assets	<u>713,853</u>	<u>6,091,411</u>	<u>6,805,264</u>	<u>609,109</u>
Noncurrent assets:				
Capital assets not being depreciated	-	15,000	15,000	-
Capital assets being depreciated, net	8,574,864	34,536,930	43,111,794	800,822
Total noncurrent assets	<u>8,574,864</u>	<u>34,551,930</u>	<u>43,126,794</u>	<u>800,822</u>
Total assets	<u>9,288,717</u>	<u>40,643,341</u>	<u>49,932,058</u>	<u>1,409,931</u>
Deferred outflows of resources				
Loss on advance bond refundings, net	-	39,275	39,275	-
Liabilities				
Current liabilities:				
Accounts payable	204,681	304,717	509,398	46,492
Accrued liabilities	2,227	102,066	104,293	1,041
Current portion of compensated absences	18,909	61,152	80,061	4,887
Current portion of bonds payable	-	428,038	428,038	-
Total current liabilities	<u>225,817</u>	<u>895,973</u>	<u>1,121,790</u>	<u>52,420</u>
Noncurrent liabilities:				
Compensated absences, net of current portion	11,341	9,554	20,895	-
Bonds payable, net of current portion	-	5,592,639	5,592,639	-
Total noncurrent liabilities	<u>11,341</u>	<u>5,602,193</u>	<u>5,613,534</u>	<u>-</u>
Total liabilities	<u>237,158</u>	<u>6,498,166</u>	<u>6,735,324</u>	<u>52,420</u>
Net position				
Net investment in capital assets	8,574,864	28,570,528	37,145,392	800,822
Restricted for debt service	-	779,853	779,853	-
Unrestricted	476,695	4,834,069	5,310,764	556,689
Total net position	<u>\$ 9,051,559</u>	<u>\$ 34,184,450</u>	<u>\$ 43,236,009</u>	<u>\$ 1,357,511</u>

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Fund
Operating revenues				
Charges for services	\$ 2,090,450	\$ 4,201,449	\$ 6,291,899	\$ 499,939
Intergovernmental revenue	-	28,791	28,791	-
Interest and penalty charges	20,785	17,603	38,388	-
Total operating revenues	2,111,235	4,247,843	6,359,078	499,939
Operating expenses				
Cost of water produced/purchased	1,238,024	-	1,238,024	-
Cost of labor	439,361	1,385,919	1,825,280	171,226
Administrative costs, supplies, and other	200,188	1,223,377	1,423,565	390,448
Depreciation	354,242	1,172,094	1,526,336	159,846
Total operating expenses	2,231,815	3,781,390	6,013,205	721,520
Operating income (loss)	(120,580)	466,453	345,873	(221,581)
Non-operating revenues (expenses)				
Interest income	1,872	29,708	31,580	3,682
Interest expense	-	(266,430)	(266,430)	-
Total non-operating revenues (expenses)	1,872	(236,722)	(234,850)	3,682
Net loss before transfers	(118,708)	229,731	111,023	(217,899)
Transfers				
Transfers in	1,598	-	1,598	-
Transfers out	(10,000)	(42,000)	(52,000)	(5,000)
Total transfers	(8,402)	(42,000)	(50,402)	(5,000)
Capital contributions	-	655,888	655,888	-
Change in net position	(127,110)	843,619	716,509	(222,899)
Net position, beginning of year, as restated	9,178,669	33,340,831	42,519,500	1,580,410
Net position, end of year	\$ 9,051,559	\$ 34,184,450	\$ 43,236,009	\$ 1,357,511

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 2,187,593	\$ 4,546,375	\$ 6,733,968	\$ -
Payments to suppliers	(1,508,653)	(2,608,526)	(4,117,179)	(361,767)
Payments to employees	(437,705)	(1,471,623)	(1,909,328)	(172,864)
Internal activity - receipts from other funds	-	-	-	499,939
Net cash provided by (used in) operating activities	241,235	466,226	707,461	(34,692)
Cash flows from capital and related financing activities				
Purchase of capital assets	(36,723)	(972,529)	(1,009,252)	(80,039)
Contributions from Ottawa County	-	655,888	655,888	-
Principal paid on long-term debt	-	(405,000)	(405,000)	-
Interest paid on long-term debt	-	(245,406)	(245,406)	-
Net cash used in capital and related financing activities	(36,723)	(967,047)	(1,003,770)	(80,039)
Cash flows from noncapital financing activities				
Transfers in	1,598	-	1,598	-
Transfers out	(10,000)	(42,000)	(52,000)	(5,000)
Net cash used in noncapital financing activities	(8,402)	(42,000)	(50,402)	(5,000)
Cash flows from investing activities				
Interest income received	1,872	29,708	31,580	3,682
Net change in cash and cash equivalents	197,982	(513,113)	(315,131)	(116,049)
Cash and investments, beginning of year	176	5,770,390	5,770,566	724,310
Cash and investments, end of year	\$ 198,158	\$ 5,257,277	\$ 5,455,435	\$ 608,261
Cash and investments are presented on the statement of net position as follows				
Pooled cash and investments	\$ 198,158	\$ 4,477,424	\$ 4,675,582	\$ 608,261
Restricted cash and investments	-	779,853	779,853	-
	\$ 198,158	\$ 5,257,277	\$ 5,455,435	\$ 608,261

continued...

CITY OF GRANDVILLE, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Fund
Cash flows from operating activities				
Operating income (loss)	\$ (120,580)	\$ 466,453	\$ 345,873	\$ (221,581)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	354,242	1,172,094	1,526,336	159,846
Changes in assets/liabilities:				
Accounts receivable	76,635	300,831	377,466	-
Interest receivable	(277)	(2,299)	(2,576)	66
Accounts payable	(70,441)	(1,385,149)	(1,455,590)	28,615
Accrued liabilities	(251)	(73,046)	(73,297)	(17)
Compensated absences	1,907	(12,658)	(10,751)	(1,621)
Net cash provided by (used in) operating activities	<u>\$ 241,235</u>	<u>\$ 466,226</u>	<u>\$ 707,461</u>	<u>\$ (34,692)</u>

concluded

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

CITY OF GRANDVILLE, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2013

Assets

Cash and pooled investments	\$ 126,074
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Liabilities

Due to Parks and Recreation Board	\$ 67,679
Due to 59th District Court	53,765
Due to property developers	1,020
Due to other governments	3,610

Total liabilities

	\$ 126,074
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The accompanying notes are an integral part of these financial statements.

CITY OF GRANDVILLE, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2013

	Downtown Development Authority	Brownfield Redevelopment Authority	Totals
Assets			
Pooled cash and investments	\$ 1,131,658	\$ -	\$ 1,131,658
Restricted cash and investments	154,935	-	154,935
Receivables	17,584	-	17,584
Land held for sale	70,000	-	70,000
Capital assets not being depreciated	264,567	-	264,567
Capital assets being depreciated, net	3,972,896	-	3,972,896
Total assets	5,611,640	-	5,611,640
Liabilities			
Accounts payable and accrued liabilities	94,003	-	94,003
Long-term debt:			
Due in one year	55,000	-	55,000
Due in more than one year	1,675,000	-	1,675,000
Total liabilities	1,824,003	-	1,824,003
Net position			
Net investment in capital assets	2,507,463	-	2,507,463
Restricted for debt service	139,046	-	139,046
Unrestricted	1,141,128	-	1,141,128
Total net position	\$ 3,787,637	\$ -	\$ 3,787,637

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

CITY OF GRANDVILLE, MICHIGAN

Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2013

	Downtown Development Authority	Brownfield Redevelopment Authority	Totals
Expenses			
Downtown Development Authority	\$ 414,038	\$ -	\$ 414,038
Brownfield Redevelopment Authority	-	42,122	42,122
Total expenses	414,038	42,122	456,160
Program revenues			
Charges for services	1,541	-	1,541
Capital grants and contributions	559,068	-	559,068
Total program revenues	560,609	-	560,609
Net revenues (expenses)	146,571	(42,122)	104,449
General revenues			
Property taxes	283,178	12,982	296,160
Unrestricted investment earnings	9,370	-	9,370
Total general revenues	292,548	12,982	305,530
Net change in net position	439,119	(29,140)	409,979
Net position, beginning of year, as restated	3,348,518	29,140	3,377,658
Net position, end of year	\$ 3,787,637	\$ -	\$ 3,787,637

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

NOTES TO FINANCIAL STATEMENTS

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. A separate section of the financial statements provides detailed financial information on the discretely presented component unit.

Blended Component Unit

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

Discretely Presented Component Units

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

Brownfield Redevelopment Authority - The Brownfield Redevelopment Authority was established to account for the redevelopment of environmentally contaminated and other underutilized sites within the City. The Authority is governed by a seven person Board of Directors appointed by the City Council. Separate financial statements are not prepared for the Brownfield Redevelopment Authority.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the delinquent real property taxes are paid by the City to other units of government and the County is responsible for collecting any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

The City reports the following major governmental fund:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

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

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

Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The City Manager is authorized to make budget transfers to or from any one appropriation category during the fiscal year within dollar limits established by the City Council. The legal level of budgetary control is at the activity level.
5. Formal budgetary integration is employed as a management control device during the year for all funds except agency funds. Budget appropriations lapse at year-end.
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2013. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

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

Pooled Cash and Investments

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

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

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Restricted Cash and Investments

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

Receivables

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Special Assessments

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

Due From Other Governments

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

Due To/From Other Funds

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

Land Held for Sale

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

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

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

Intangible Assets

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows of resources in the proprietary fund and government-wide statements for deferred losses on advance bond refundings. The amounts result from the difference in the carrying value of refunded debt and its reacquisition price and are amortized over the shorter of the life of the refunded or refunding debt.

Compensated Absences

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from special assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

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

The City has adopted a policy stating that the City, at a minimum, should maintain an unassigned fund balance in the general fund equal to 15 percent of general fund expenditures. At June 30, 2013, unassigned fund balance of the general fund was equal to 24 percent of general fund expenditures and transfers out.

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before August 31, and winter taxes are levied on December 1 and are due without penalty on or before February 14. The City bills and collects its own property taxes for general governmental services. A portion of the general fund levy is allocated to the major and local streets special revenue funds each year, as determined by the City Council. Additionally, the City collects taxes for Kent County and various townships and school districts. Collections of property taxes and remittances to the appropriate authorities are accounted for in the county and school tax agency fund.

Interfund Transactions

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

Use of Estimates

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

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2013, the City carried commercial insurance to cover risk of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. The City has not significantly reduced insurance coverage during the past year.

Construction Code Fees

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

Cumulative surplus at July 1, 2012	\$	17,869
Building permit revenue		271,763
Related expenses:		
Direct costs		268,301
Estimated indirect costs		8,603
		<hr/>
Cumulative surplus at June 30, 2013	\$	<u>12,728</u>

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

2. EXCESS OF EXPENDITURES OVER BUDGET

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

During the year ended June 30, 2013, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
General government - attorney	421,065	513,530	92,465

3. DEPOSITS AND INVESTMENTS

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

	Primary Government	Component Units	Fiduciary Funds	Total
Pooled cash and investments	\$ 9,157,301	\$ 1,131,658	\$ 126,074	\$ 10,415,033
Restricted cash and investments	881,300	154,935	-	1,036,235
Total	\$ 10,038,601	\$ 1,286,593	\$ 126,074	\$ 11,451,268

These deposits are in 15 financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. Deposits and investments are recorded in City records at fair value. Interest is recorded when earned.

Cash and investments are composed of the following at June 30, 2013:

Checking and savings accounts	\$ 4,930,355
Certificates of deposit:	
Due within one year	4,947,107
Due in one to five years	1,032,888
Investments	540,616
Cash on hand	302
Total cash and investments	\$ 11,451,268

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. The City believes that due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. As of year-end, \$7,742,405 of the City's bank balance of \$10,751,375 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2013:

Government mutual funds	\$ 100,557
Kent County investment pool	<u>440,059</u>
Total	<u><u>\$ 540,616</u></u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for the investment custodial risk.

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

Standard & Poor's AAAm	\$ 100,557
Unrated	<u>440,059</u>
Total	<u><u>\$ 540,616</u></u>

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified under "statutory authority" in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the investments held by the City at year-end have a specified maturity date.

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES AND PAYABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 104,731	\$ 1,343,016	\$ -
Special assessments	63,220	-	-
Due from other governments	394,086	-	16,007
Interest	5,894	6,813	1,577
Total	\$ 567,931	\$ 1,349,829	\$ 17,584

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

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

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 438,309	\$ 277,258	\$ 77,860
Retainage	-	232,140	-
Accrued liabilities	71,875	65,720	254
Accrued interest on long-term debt	30,808	38,573	15,889
Total	\$ 540,992	\$ 613,691	\$ 94,003

5. INTERFUND TRANSACTIONS

For the year ended June 30, 2013, interfund transfers consisted of the following:

Transfers Out	Transfers In				Total
	General	Major Streets	Nonmajor Governmental	Water Enterprise	
Major streets	\$ -	\$ -	\$ 429,951	\$ -	\$ 429,951
Nonmajor governmental	-	3,195	-	1,598	4,793
Water enterprise	10,000	-	-	-	10,000
Sewer enterprise	42,000	-	-	-	42,000
Internal service	5,000	-	-	-	5,000
Totals	\$ 57,000	\$ 3,195	\$ 429,951	\$ 1,598	\$ 491,744

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 1,738,397	\$ -	\$ -	\$ -	\$ 1,738,397
Construction in progress	10,596	25,870	-	(10,596)	25,870
	<u>1,748,993</u>	<u>25,870</u>	<u>-</u>	<u>(10,596)</u>	<u>1,764,267</u>
Capital assets, being depreciated:					
Infrastructure	79,256,838	378,758	(10,500)	-	79,625,096
Land improvements	1,541,802	-	-	-	1,541,802
Buildings and improvements	8,919,241	170,012	-	10,596	9,099,849
Office furnishings and equipment	5,004,933	164,577	(300,601)	-	4,868,909
	<u>94,722,814</u>	<u>713,347</u>	<u>(311,101)</u>	<u>10,596</u>	<u>95,135,656</u>
Less accumulated depreciation for:					
Infrastructure	(71,484,712)	(625,517)	10,500	-	(72,099,729)
Land improvements	(1,090,666)	(31,941)	-	-	(1,122,607)
Buildings and improvements	(3,610,041)	(265,053)	-	-	(3,875,094)
Office furnishings and equipment	(3,914,197)	(199,438)	298,498	-	(3,815,137)
	<u>(80,099,616)</u>	<u>(1,121,949)</u>	<u>308,998</u>	<u>-</u>	<u>(80,912,567)</u>
Total capital assets being depreciated, net	<u>14,623,198</u>	<u>(408,602)</u>	<u>(2,103)</u>	<u>10,596</u>	<u>14,223,089</u>
Governmental activities capital assets, net	<u>\$ 16,372,191</u>	<u>\$ (382,732)</u>	<u>\$ (2,103)</u>	<u>\$ -</u>	<u>\$ 15,987,356</u>

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Construction in progress	25,091,064	904,719	-	(25,995,783)	-
	<u>25,106,064</u>	<u>904,719</u>	<u>-</u>	<u>(25,995,783)</u>	<u>15,000</u>
Capital assets, being depreciated:					
Land improvements	31,676	-	-	-	31,676
Water and sewer distribution systems	19,704,024	36,723	-	25,995,783	45,736,530
Intangible assets	4,500,000	-	-	-	4,500,000
Buildings and building improvements	7,223,838	-	-	-	7,223,838
Other tools and equipment	3,161,912	67,810	-	-	3,229,722
	<u>34,621,450</u>	<u>104,533</u>	<u>-</u>	<u>25,995,783</u>	<u>60,721,766</u>
Less accumulated depreciation for:					
Land improvements	(7,919)	(1,584)	-	-	(9,503)
Water and sewer distribution systems	(8,423,748)	(1,116,381)	-	-	(9,540,129)
Intangible assets	(1,912,500)	(112,500)	-	-	(2,025,000)
Buildings and building improvements	(3,028,215)	(140,765)	-	-	(3,168,980)
Other tools and equipment	(2,711,254)	(155,106)	-	-	(2,866,360)
	<u>(16,083,636)</u>	<u>(1,526,336)</u>	<u>-</u>	<u>-</u>	<u>(17,609,972)</u>
Total capital assets being depreciated, net	<u>18,537,814</u>	<u>(1,421,803)</u>	<u>-</u>	<u>25,995,783</u>	<u>43,111,794</u>
Business-type activities capital assets, net					
	<u>\$ 43,643,878</u>	<u>\$ (517,084)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,126,794</u>

The transfer from construction in progress reported in business-type activities as of June 30, 2013 related to expansion and renovation of the cleanwater plant renovation project. While certain costs remain on the project, the asset was placed in service in January 2013.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component Unit - Downtown Development Authority					
Capital assets, not being depreciated:					
Land	\$ 264,567	\$ -	\$ -	\$ -	\$ 264,567
Construction in progress	2,071,063	1,895,758	-	(3,966,821)	-
	<u>2,335,630</u>	<u>1,895,758</u>	<u>-</u>	<u>(3,966,821)</u>	<u>264,567</u>
Capital assets, being depreciated:					
Land improvements	616,240	-	-	3,966,821	4,583,061
Less accumulated depreciation for:					
Land improvements	(395,428)	(214,737)	-	-	(610,165)
Total capital assets					
being depreciated, net	<u>220,812</u>	<u>(214,737)</u>	<u>-</u>	<u>3,966,821</u>	<u>3,972,896</u>
Net Downtown Development Authority capital assets					
	<u>\$ 2,556,442</u>	<u>\$ 1,681,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,237,463</u>

The transfer from construction in progress reported in the Downtown Development Authority component unit as of June 30, 2013 relates to the Streetscape project funded, in part, by a federal grant passed through the Michigan Department of Transportation. The commitment outstanding at June 30, 2013 related to this project was approximately \$59,000.

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

Governmental activities	
General government	\$ 30,786
Judicial	46,004
Public safety	110,727
Public works	639,861
Recreation and culture	134,725
Depreciation charged to internal service fund	<u>159,846</u>
Total depreciation expense - governmental activities	<u>\$ 1,121,949</u>
Business-type activities	
Water	\$ 354,241
Sewer	<u>1,172,095</u>
Total depreciation expense - business-type activities	<u>\$ 1,526,336</u>

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

7. LONG-TERM DEBT

The following is a summary of debt transactions of the City of the year ended June 30, 2013:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
2007 Capital Improvement Bonds; originally payable in annual installment through 2016; paid off in advance during 2013.	\$ 410,000	\$ -	\$ (410,000)	\$ -	\$ -
2005 Building Authority Refunding Bonds; payable in annual installments of \$25,000 to \$450,000 through 2025 with interest payable at 3.25% to 5.00%.	4,590,000	-	(265,000)	4,325,000	280,000
Total installment debt	5,000,000	-	(675,000)	4,325,000	280,000
Unamortized discount	57,401	-	(8,082)	49,319	7,507
Compensated absences	745,197	346,329	(382,473)	709,053	378,927
Total governmental activities	<u>\$ 5,802,598</u>	<u>\$ 346,329</u>	<u>\$ (1,065,555)</u>	<u>\$ 5,083,372</u>	<u>\$ 666,434</u>

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
2006 Sewage System Revenue Bonds; payable in annual installments of \$335,000 to \$460,000 through 2016 with interest payable semi-annually at 4.00%.	\$ 1,730,000	\$ -	\$ (405,000)	\$ 1,325,000	\$ 425,000
2010 Sewage System Revenue Bonds; payable in semi-annual installment of \$25,000 to \$340,000 through 2035 with interest payable semi-annually at 2.25% to 4.25%.	4,710,000	-	-	4,710,000	-
Total installment debt	6,440,000	-	(405,000)	6,035,000	425,000
Unamortized bond premiums	\$ 13,556	\$ -	\$ (5,312)	\$ 8,244	\$ 4,068
Unamortized bond discounts	(23,597)	-	1,030	(22,567)	(1,030)
Compensated absences	111,707	69,310	(80,061)	100,956	80,061
Total business-type activities	\$ 6,541,666	\$ 69,310	\$ (489,343)	\$ 6,121,633	\$ 508,099
Component unit - Downtown Development Authority 2012 Tax Increment Revenue Bonds; payable in annual installments of \$55,000 to \$145,000 through 2032, with interest payable semi-annually at 4.95% to 5.95%.	\$ 1,785,000	\$ -	\$ (55,000)	\$ 1,730,000	\$ 55,000

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 280,000	\$ 92,423	\$ 425,000	\$ 231,435
2015	295,000	85,423	465,000	214,436
2016	310,000	78,048	485,000	196,273
2017	325,000	70,298	180,000	177,248
2018	335,000	63,798	180,000	172,298
2019-2023	1,900,000	212,292	1,005,000	771,806
2024-2028	880,000	28,156	1,185,000	585,644
2029-2033	-	-	1,445,000	329,844
2034-2035	-	-	665,000	42,712
	<u>\$ 4,325,000</u>	<u>\$ 630,438</u>	<u>\$ 6,035,000</u>	<u>\$ 2,721,696</u>

Year Ended June 30,	Component Unit	
	Principal	Interest
2014	\$ 55,000	\$ 95,336
2015	60,000	92,612
2016	60,000	89,642
2017	65,000	86,672
2018	70,000	83,456
2019-2023	390,000	362,672
2024-2028	505,000	247,002
2029-2032	525,000	80,624
	<u>\$ 1,730,000</u>	<u>\$ 1,138,016</u>

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

8. PENSION PLANS

Defined Benefit Pension Plan

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

The City is required to contribute a fixed monthly rate per bargaining unit. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

For the year ended June 30, 2013, the City's annual pension cost for MERS was \$1,011,706, however actual contributions equaled \$996,156, reducing the City's net pension asset. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. Since the plan is closed, the City's required contribution is expressed as a fixed monthly rate instead of a percentage of covered payroll. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment of 10% of the difference between assumed earnings and market value (ten year seniority) to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial valuation, was twelve years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2011	\$ 733,114	100%	\$ 717,243
2012	873,117	97%	689,034
2013	1,011,706	98%	673,484

The net pension asset is calculated as follows:

Annual required contribution	\$ 996,156
Interest on net pension asset	(55,123)
Adjustment to annual required contribution	<u>70,673</u>
Net pension cost	1,011,706
Contributions made	<u>(996,156)</u>
Decrease in net pension asset	(15,550)
Net pension asset, beginning of the year	<u>689,034</u>
 Net pension asset, end of year	 <u><u>\$ 673,484</u></u>

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was 68 percent funded. The actuarial accrued liability for benefits was \$18,003,628, and the actuarial value of assets was \$12,182,215, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,821,413. The covered payroll (annual payroll of active employees covered by the plan) was \$1,310,500 and the ratio of the UAAL to the covered payroll was 444 percent.

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

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

Defined Contribution Pension Plan

The City provides pension benefits to all of its full-time employees not participating in the defined benefit plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes 10 percent of non-union, police sergeant, police rank and file, public works, cleanwater employees' eligible earnings, as defined in the Plan document. The Employee contributions, plus interest allocated to the employees' account, are fully vested after five years of service. Employer and employee contributions during the current year were \$360,166 and \$151,099, respectively.

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The City has elected to provide postemployment health benefits to all full-time employees upon retirement. As of the most recent actuarial valuation, 12 retirees were eligible for and receiving postemployment health benefits and 81 active employees were included in the plan. The City includes pre-Medicare retirees in its insured healthcare plan and pays the monthly premium cost in effect at the date of retirement through the date of eligibility for Medicare. The participant must pay any balance for increases in premiums after the date of retirement. Effective June 22, 2009, the City began advance funding this obligation through the Michigan Municipal Employees' Retirement Systems (MERS) Retiree Health Funding Vehicle.

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, 2013, the City paid postemployment healthcare premiums of \$146,970 and made a deposit of \$111,000 into the MERS Retiree Health Funding Vehicle for future premiums. The City will, at its discretion, contribute amounts determined annually using the actuarial report.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Annual required contribution	\$ 257,970
Interest on net OPEB asset	(759)
Adjustment to annual required contribution	1,435
Net OPEB cost (expense)	<u>258,646</u>
Contributions made	<u>(257,970)</u>
Decrease in net OPEB asset	(676)
Net OPEB asset, beginning of year	<u>13,995</u>
Net OPEB asset, end of year	<u>\$ 13,319</u>

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for 2013 and the two preceding years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2011	\$ 256,235	102%	\$ 13,807
2012	257,354	100%	13,995
2013	258,646	100%	13,319

Funded Status and Funding Progress. As of June 30, 2011, the most recent actuarial valuation date, the plan was 24 percent funded. The actuarial accrued liability for benefits was \$1,908,407, and the actuarial value of assets was \$460,164, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,448,243.

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

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the June 30, 2011 actuarial valuation, the project unit credit (level dollar) method was used. The actuarial assumptions included: (a) a rate of return on investments of 5.5%; and (b) projected healthcare benefit increases of 3.0%, downgraded to 0% over 3 years. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized on the level dollar basis over 16 years on a closed basis. The remaining amortization period at June 30, 2011, the date of the latest actuarial valuation, was 14 years.

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for employees; as such, the plan assets and liabilities are not included in this report. At June 30, 2013, \$2,827,857 was held in trust for employees.

11. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Major Streets	Nonmajor Governmental Funds	Total
Nonspendable:				
Prepaid expenses	\$ 425	\$ -	\$ -	\$ 425
Restricted for:				
Major and local streets	-	631,696	428,444	1,060,140
Drunk driving caseflow	51,523	-	-	51,523
Drug law enforcement	101,447	-	-	101,447
Construction code enforcement	12,728	-	-	12,728
Total restricted	165,698	631,696	428,444	1,225,838
Committed for:				
Retiree healthcare (OPEB)	32,793	-	-	32,793
Cemetery perpetual care	476,481	-	-	476,481
Storm sewer maintenance	-	-	86,027	86,027
	509,274	-	86,027	595,301
Unassigned	2,194,978	-	-	2,194,978
Total fund balances, governmental funds	\$ 2,870,375	\$ 631,696	\$ 514,471	\$ 4,016,542

CITY OF GRANDVILLE, MICHIGAN

Notes to Financial Statements

12. NET INVESTMENT IN CAPITAL ASSETS

The composition of the net investment in capital assets as of June 30, 2013, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 1,764,267	\$ 15,000	\$ 264,567
Capital assets being depreciated, net	14,223,089	43,111,794	3,972,896
	<u>15,987,356</u>	<u>43,126,794</u>	<u>4,237,463</u>
Related debt:			
Total bonds and notes payable	4,325,000	6,035,000	1,730,000
Net bond premium/discount	49,319	(14,323)	-
Deferred loss on advance refunding	(107,860)	(39,275)	-
	<u>4,266,459</u>	<u>5,981,402</u>	<u>1,730,000</u>
Net investment in capital assets	<u>\$ 11,720,897</u>	<u>\$ 37,145,392</u>	<u>\$ 2,507,463</u>

13. LITIGATION

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

14. RESTATEMENT

The City adopted the provisions of GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. In addition to the revised classification of certain financial elements in the financial statements, the implementation of GASB Statement No. 65 resulted in the elimination of bond issuance costs as an asset. As a result of this change, beginning net position of governmental activities, the Sewer enterprise fund/business-type activities, and the Downtown Development Authority component unit decreased by \$65,940, \$183,304, and \$79,277, respectively.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRANDVILLE, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2007	\$10,498,547	\$16,047,141	\$5,548,594	65.4%	\$1,589,971	349.0%
12/31/2008	11,432,259	16,563,234	5,130,975	69.0%	1,496,770	342.8%
12/31/2009	11,585,134	16,909,249	5,324,115	68.5%	1,489,196	357.5%
12/31/2010	11,785,439	17,050,089	5,264,650	69.1%	1,288,311	408.6%
12/31/2011	11,924,089	17,731,137	5,807,048	67.2%	1,230,969	471.7%
12/31/2012	12,182,215	18,003,628	5,821,413	67.7%	1,310,500	444.2%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage of ARC Contributed	Net Pension (Obligation) Asset
06/30/2008	\$545,724	240%	\$766,256
06/30/2009	692,442	96%	738,780
06/30/2010	671,076	100%	746,607
06/30/2011	703,750	100%	717,243
06/30/2012	844,908	100%	689,034
06/30/2013	996,156	100%	673,484

CITY OF GRANDVILLE, MICHIGAN

Required Supplementary Information

Single Employer Defined Benefit Other Postemployment Benefits Plan

Schedule of Funding Progress

(1) Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2008	\$ -	\$ 1,833,834	\$ 1,833,834	0.0%	(2)	(2)
06/30/2011	460,164	1,908,407	1,448,243	24.1%	(2)	(2)

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB (Obligation) Asset
06/30/2011	\$ 255,602	100%	\$ 13,807
06/30/2012	256,678	100%	13,995
06/30/2013	257,970	100%	13,319

(1) A plan of this size is not required to be valued each year. Additional years of data will be included in future years as revised valuations are necessary

(2) Information not available

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

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GENERAL FUND

CITY OF GRANDVILLE, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	\$ 5,252,530	\$ 5,252,530	\$ 5,213,616	\$ (38,914)
Licenses and permits	315,550	495,550	546,566	51,016
Intergovernmental	1,340,176	1,340,176	1,321,978	(18,198)
Fines and forfeitures	620,200	637,200	591,109	(46,091)
Charges for services	580,468	580,468	623,657	43,189
Interest income	15,000	15,000	30,196	15,196
Rental income	4,500	4,500	3,605	(895)
Other revenues	59,113	66,113	63,975	(2,138)
Total revenues	8,187,537	8,391,537	8,394,702	3,165
Expenditures				
Current:				
General government:				
Legislative	42,680	42,680	40,621	(2,059)
Assessor	222,071	272,071	243,624	(28,447)
Attorney	321,065	421,065	513,530	92,465
Clerk	182,424	182,424	170,411	(12,013)
Treasurer	178,407	177,807	160,879	(16,928)
Executive	229,334	229,934	226,727	(3,207)
Probation	431,215	431,215	375,886	(55,329)
Court	44,319	44,319	37,588	(6,731)
Building inspection	548,720	718,720	699,356	(19,364)
General administration	520,608	520,608	496,383	(24,225)
Total general government	2,720,843	3,040,843	2,965,005	(75,838)
Judicial	654,307	654,307	575,568	(78,739)
Public safety:				
Narcotics enforcement	8,350	10,350	10,191	(159)
Police	3,267,719	3,289,719	3,215,220	(74,499)
Fire	1,026,136	1,152,136	1,102,754	(49,382)
Total public safety	4,302,205	4,452,205	4,328,165	(124,040)

continued...

CITY OF GRANDVILLE, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures (concluded)				
Current (concluded):				
Public works:				
Sidewalk maintenance	\$ 16,894	\$ 19,394	\$ 18,139	\$ (1,255)
Parking lot maintenance	45,035	42,535	31,114	(11,421)
Highways, streets, and bridges	252,800	252,800	205,237	(47,563)
Sanitation and other	43,100	43,100	36,229	(6,871)
Total public works	<u>357,829</u>	<u>357,829</u>	<u>290,719</u>	<u>(67,110)</u>
Recreation and culture:				
Cemetery	247,443	247,443	205,483	(41,960)
Special projects	107,300	127,300	123,042	(4,258)
Planning and zoning	40,272	40,272	32,673	(7,599)
Parks and recreation	401,781	401,781	374,717	(27,064)
Library	114,871	114,871	107,608	(7,263)
Other	136,568	136,568	117,709	(18,859)
Total recreation and culture	<u>1,048,235</u>	<u>1,068,235</u>	<u>961,232</u>	<u>(107,003)</u>
Total expenditures	<u>9,083,419</u>	<u>9,573,419</u>	<u>9,120,689</u>	<u>(452,730)</u>
Revenues over (under) expenditures	(895,882)	(1,181,882)	(725,987)	455,895
Other financing sources				
Transfers in	<u>67,000</u>	<u>67,000</u>	<u>57,000</u>	<u>(10,000)</u>
Net change in fund balance	(828,882)	(1,114,882)	(668,987)	445,895
Fund balance, beginning of year	<u>3,539,362</u>	<u>3,539,362</u>	<u>3,539,362</u>	-
Fund balance, end of year	<u>\$ 2,710,480</u>	<u>\$ 2,424,480</u>	<u>\$ 2,870,375</u>	<u>\$ 445,895</u>

concluded

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

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF GRANDVILLE, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue		
	Local Streets	Revolving	Storm Sewer Trunkage
Assets			
Pooled cash and investments	\$ 386,946	\$ -	\$ 86,767
Special assessments receivable	-	63,220	-
Interest receivable	543	-	121
Due from other governments	42,861	-	-
Total assets	<u>\$ 430,350</u>	<u>\$ 63,220</u>	<u>\$ 86,888</u>
Liabilities			
Accounts payable	\$ 224	\$ -	\$ 800
Accrued and other liabilities	1,682	-	61
Total liabilities	<u>1,906</u>	<u>-</u>	<u>861</u>
Deferred inflows of resources			
Unavailable revenue - special assessment receivable	-	63,220	-
Fund balances			
Restricted	428,444	-	-
Committed	-	-	86,027
Total fund balances	<u>428,444</u>	<u>-</u>	<u>86,027</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 430,350</u>	<u>\$ 63,220</u>	<u>\$ 86,888</u>



Debt Service	
Building Authority	Totals
\$ -	\$ 473,713
-	63,220
-	664
-	42,861
<hr/>	
\$ -	\$ 580,458
<hr/>	
\$ -	\$ 1,024
-	1,743
<hr/>	
-	2,767
<hr/>	
-	63,220
<hr/>	
-	428,444
-	86,027
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-	514,471
<hr/>	
\$ -	\$ 580,458
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CITY OF GRANDVILLE, MICHIGAN

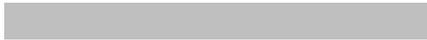
Combining Statement of Revenues, Expenditures and Changes

in Fund Balances

Nonmajor Governmental Funds

June 30, 2013

	Special Revenue		
	Local Streets	Revolving	Storm Sewer Trunkage
Revenues			
Property taxes	\$ 457,874	\$ -	\$ -
Intergovernmental	258,866	-	-
Charges for services	-	4,066	12,925
Interest income	3,044	727	576
Rental income	-	-	-
Total revenues	719,784	4,793	13,501
Expenditures			
Current:			
Public works	500,090	-	54,015
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	500,090	-	54,015
Revenues over (under) expenditures	219,694	4,793	(40,514)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	(4,793)	-
Total other financing sources (uses)	-	(4,793)	-
Net change in fund balances	219,694	-	(40,514)
Fund balances, beginning of year	208,750	-	126,541
Fund balances, end of year	\$ 428,444	\$ -	\$ 86,027



Debt Service	
Building Authority	Totals
\$ -	\$ 457,874
-	258,866
-	16,991
151	4,498
<u>456,711</u>	<u>456,711</u>
<u>456,862</u>	<u>1,194,940</u>
-	554,105
675,000	675,000
<u>216,035</u>	<u>216,035</u>
<u>891,035</u>	<u>1,445,140</u>
<u>(434,173)</u>	<u>(250,200)</u>
429,951	429,951
<u>-</u>	<u>(4,793)</u>
<u>429,951</u>	<u>425,158</u>
(4,222)	174,958
<u>4,222</u>	<u>339,513</u>
<u>\$ -</u>	<u>\$ 514,471</u>

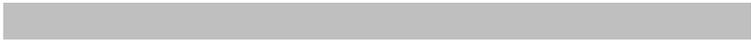
CITY OF GRANDVILLE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2013

	Local Streets			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	\$ 460,813	\$ 460,813	\$ 457,874	\$ (2,939)
Intergovernmental	255,051	255,051	258,866	3,815
Charges for services	-	-	-	-
Interest income	1,100	1,100	3,044	1,944
Total revenues	716,964	716,964	719,784	2,820
Expenditures				
Current:				
Public works	746,750	746,750	500,090	(246,660)
Revenues over (under) expenditures	(29,786)	(29,786)	219,694	249,480
Other financing uses				
Transfers out	-	-	-	-
Net change in fund balances	(29,786)	(29,786)	219,694	249,480
Fund balances, beginning of year	208,750	208,750	208,750	-
Fund balances, end of year	\$ 178,964	\$ 178,964	\$ 428,444	\$ 249,480



Revolving			
Original Budget	Final Budget	Actual	Variance With Final Budget
\$ -	\$ -	\$ -	\$ -
-	-	-	-
4,066	4,066	4,066	-
244	244	727	483
<hr/>	<hr/>	<hr/>	<hr/>
4,310	4,310	4,793	483
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>
4,310	4,310	4,793	483
<hr/>	<hr/>	<hr/>	<hr/>
(4,310)	(4,800)	(4,793)	7
<hr/>	<hr/>	<hr/>	<hr/>
-	(490)	-	490
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ (490)	\$ -	\$ 490

continued...

CITY OF GRANDVILLE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2013

	Storm Sewer Trunkage			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	2,500	2,500	12,925	10,425
Interest income	750	750	576	(174)
Total revenues	3,250	3,250	13,501	10,251
Expenditures				
Current:				
Public works	75,405	75,405	54,015	(21,390)
Revenues over (under) expenditures	(72,155)	(72,155)	(40,514)	31,641
Other financing uses				
Transfers out	-	-	-	-
Net change in fund balances	(72,155)	(72,155)	(40,514)	31,641
Fund balances, beginning of year	126,541	126,541	126,541	-
Fund balances, end of year	\$ 54,386	\$ 54,386	\$ 86,027	\$ 31,641

concluded

AGENCY FUNDS

CITY OF GRANDVILLE, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2013

	Trust and Agency	County and School Tax	Totals
Assets			
Cash and cash equivalents	\$ 122,464	\$ 3,610	\$ 126,074
Liabilities			
Due to Parks and Recreation Board	\$ 67,679	\$ -	\$ 67,679
Due to 59th District Court	53,765	-	53,765
Due to property developers	1,020	-	1,020
Due to other governments	-	3,610	3,610
Total liabilities	\$ 122,464	\$ 3,610	\$ 126,074

COMPONENT UNITS

CITY OF GRANDVILLE, MICHIGAN

Balance Sheet

Downtown Development Authority - Governmental Fund
June 30, 2013

Assets

Pooled cash and investments	\$ 1,131,658
Restricted cash and investments	154,935
Due from other governments	16,007
Interest receivable	1,577
Land held for sale	<u>70,000</u>

Total assets \$ 1,374,177

Liabilities

Accounts payable	\$ 77,860
Accrued liabilities	<u>254</u>

Total liabilities 78,114

Fund balance

Nonspendable	70,000
Restricted for debt service	154,935
Unassigned	<u>1,071,128</u>

Total fund balance 1,296,063

Total liabilities and fund balance \$ 1,374,177

CITY OF GRANDVILLE, MICHIGAN

Reconciliation

Fund Balance for the Governmental Fund
to Net Position of Governmental Activities
Downtown Development Authority
June 30, 2013

Fund balances - total governmental fund \$ 1,296,063

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

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

Capital assets not being depreciated	264,567
Capital assets being depreciated, net	3,972,896

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

Bonds payable	(1,730,000)
Interest payable on long-term debt	<u>(15,889)</u>

Net position of governmental activities \$ 3,787,637

CITY OF GRANDVILLE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Downtown Development Authority - Governmental Fund

For the Year Ended June 30, 2013

Revenues	
Taxes	\$ 283,178
Intergovernmental revenue	559,068
Charges for services	1,541
Interest	9,370
	<hr/>
Total revenues	853,157
	<hr/>
Expenditures	
Current:	
Other expenditures	93,525
Debt service:	
Interest	98,058
Capital outlay	1,895,758
	<hr/>
Total expenditures	2,142,341
	<hr/>
Net change in fund balance	(1,289,184)
Fund balance, beginning of year	2,585,247
	<hr/>
Fund balance, end of year	\$ 1,296,063
	<hr/> <hr/>

CITY OF GRANDVILLE, MICHIGAN

Reconciliation

Net Change in Fund Balance of the Governmental Fund
to Change in Net Position of Governmental Activities
Downtown Development Authority
For the Year Ended June 30, 2013

Net changes in fund balance - total governmental fund \$ (1,289,184)

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

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

Capital assets purchased/constructed	1,895,758
Depreciation expense	(214,737)

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

Principal payments on long-term debt	55,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in accrued interest payable on long-term debt	<u>(7,718)</u>
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Change in net position of governmental activities	<u><u>\$ 439,119</u></u>
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