

City of Grand Ledge, Michigan

Year Ended
June 30, 2016

Financial
Statements

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CITY OF GRAND LEDGE, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

September 28, 2016

The Honorable Mayor and
Members of the City Council
City of Grand Ledge
Eaton County, Michigan

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 Grand Ledge, Michigan* (the "City") as of and for the year ended June 30, 2016, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Ledge, Michigan, as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and each 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 management's discussion and analysis and the schedules for the pension and other postemployment benefits plans, as listed in the table of contents, 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'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 the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF GRAND LEDGE, MICHIGAN

Management's Discussion and Analysis

As management of the City of Grand Ledge, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016.

Financial Highlights

- At the close of the fiscal year, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$28,257,985 (net position). This is an increase of \$1,351,283 over the prior year. Of the \$28,257,985 net position, \$355,315 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City implemented GASB Statement No. 68 in the prior year. In addition to expanded disclosure requirements, the City was required to report its net pension liability on the statement of net position. This change has contributed to a total unrestricted net deficit of governmental activities of \$368,922.
- The government's total net position increased by \$1,351,283.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,831,049, a decrease of \$11,113 from the prior year, of which \$904,619 is available for unrestricted spending (unassigned fund balance). Please note that \$181,000 in expenses are for FY17 projects.
- Total fund balance increased by \$142,161 during the current fiscal year, which was \$249,140 more than the planned use of fund balance as approved in the final budget. At the end of the current fiscal year, unassigned fund balance for the general fund was \$904,619 or 29.2% of total general fund revenues and other financing sources.
- The City's total bonded debt (including capital lease for bonded debt through Eaton County) decreased by \$840,000 during the current fiscal year.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows. 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) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, and recreation and culture. The business-type activities of the City include water and sewer enterprise operations.

CITY OF GRAND LEDGE, MICHIGAN

Management's Discussion and Analysis

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate entities for which the City is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The component units are the Downtown Development Authority and the Local Development Finance Authority.

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major, local streets, municipal streets and capital projects funds, which are considered to be major funds. Data from the other six 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 an enterprise fund 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 internal service funds to account for its equipment maintenance and employee benefits services. Because these services predominantly benefit governmental rather than business-type functions, they have been largely 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 enterprise fund, which is considered to be a major fund of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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 GRAND LEDGE, 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. Required supplementary information includes this management's discussion and analysis and the schedules for the City's pension and other postemployment benefits plans.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Grand Ledge, net position was \$28,257,985 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (95.9 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems 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'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.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 2,844,717	\$ 2,215,957	\$ 1,103,357	\$ 972,204	\$ 3,948,074	\$ 3,188,161
Capital assets	16,832,552	16,411,975	19,650,035	19,697,091	36,482,587	36,109,066
Total assets	<u>19,677,269</u>	<u>18,627,932</u>	<u>20,753,392</u>	<u>20,669,295</u>	<u>40,430,661</u>	<u>39,297,227</u>
Deferred outflows of resources	<u>348,024</u>	<u>60,131</u>	<u>178,117</u>	<u>200,382</u>	<u>526,141</u>	<u>260,513</u>
Long-term liabilities	2,442,487	2,681,816	7,398,532	8,011,926	9,841,019	10,693,742
Other liabilities	2,559,366	1,665,512	290,752	282,947	2,850,118	1,948,459
Total liabilities	<u>5,001,853</u>	<u>4,347,328</u>	<u>7,689,284</u>	<u>8,294,873</u>	<u>12,691,137</u>	<u>12,642,201</u>
Deferred inflows of resources	<u>7,680</u>	<u>8,837</u>	<u>-</u>	<u>-</u>	<u>7,680</u>	<u>8,837</u>
Net position:						
Net investment in capital assets	14,578,172	13,930,364	12,517,988	11,958,478	27,096,160	25,888,842
Restricted	806,510	919,854	-	-	806,510	919,854
Unrestricted (deficit)	<u>(368,922)</u>	<u>(518,320)</u>	<u>724,237</u>	<u>616,326</u>	<u>355,315</u>	<u>98,006</u>
Total net position	<u>\$15,015,760</u>	<u>\$14,331,898</u>	<u>\$13,242,225</u>	<u>\$12,574,804</u>	<u>\$28,257,985</u>	<u>\$26,906,702</u>

An additional portion of the City's net position (2.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (1.3 percent or \$355,315) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF GRAND LEDGE, MICHIGAN

Management's Discussion and Analysis

At the end of the current fiscal year, the City is able to report positive balances in the net position categories of net investment in capital assets and restricted net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The unrestricted deficit in the governmental activities is related to the reporting for the net pension liability.

The government's net position increased by \$1,351,283 during the current fiscal year. This increase is largely attributable to conservative spending along with strategic use of staff positions. Additional operating and capital grants were received during the year.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 652,157	\$ 562,495	\$ 3,377,170	\$ 2,865,010	\$ 4,029,327	\$ 3,427,505
Operating grants	763,792	607,760	-	-	763,792	607,760
Capital grants and contributions	148,883	-	105,705	-	254,588	-
General revenues:						
Property taxes	2,410,013	2,346,345	-	-	2,410,013	2,346,345
Grants and unrestricted contributions	708,427	690,208	-	-	708,427	690,208
Other	42,520	18,421	47,926	45,152	90,446	63,573
Total revenues	<u>4,725,792</u>	<u>4,225,229</u>	<u>3,530,801</u>	<u>2,910,162</u>	<u>8,256,593</u>	<u>7,135,391</u>
Expenses:						
General government	1,190,871	966,823	-	-	1,190,871	966,823
Public safety	1,622,998	1,421,199	-	-	1,622,998	1,421,199
Highway and streets	1,009,360	1,025,330	-	-	1,009,360	1,025,330
Recreation and culture	201,956	242,118	-	-	201,956	242,118
Interest on long-term debt	16,745	21,910	-	-	16,745	21,910
Water and sewer	-	-	2,863,380	2,560,752	2,863,380	2,560,752
Total expenses	<u>4,041,930</u>	<u>3,677,380</u>	<u>2,863,380</u>	<u>2,560,752</u>	<u>6,905,310</u>	<u>6,238,132</u>
Change in net position	683,862	547,849	667,421	349,410	1,351,283	897,259
Net position:						
Beginning of year	14,331,898	14,784,884	12,574,804	12,225,394	26,906,702	27,010,278
Restatement for implementation of GASB 68	-	(1,000,835)	-	-	-	(1,000,835)
End of year	<u>\$15,015,760</u>	<u>\$14,331,898</u>	<u>\$13,242,225</u>	<u>\$12,574,804</u>	<u>\$28,257,985</u>	<u>\$26,906,702</u>

The restatement noted above reflects the adjustments to the beginning net position of the governmental activities for the implementation of GASB Standard No. 68, *Accounting and Financial Reporting for Pensions* that was implemented in 2015.

Governmental Activities. Governmental activities increased the City's net position by \$683,862, accounting for 50.6% of the total growth in the net position of the City. This represents a 4.8% increase in governmental activities net position and is primarily attributable to conservative spending.

Business-type Activities. Business-type activities increased the City's net position by \$667,421. This increase is primarily due to conservative spending.

CITY OF GRAND LEDGE, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,831,049, a decrease of \$11,113 from the prior year. Of the total fund balance, approximately 49.4% or \$904,619 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is divided into categories based on the relative strength of the constraints that control how amounts can be spent. Restricted fund balance of \$807,430 consists of items that can only be spent for specific purposes based on external resource providers or legislation. Funds included in this category are the major, local and municipal street funds, other special revenue funds, debt service funds and capital projects fund financed by bond proceeds. The City reports committed funds of \$100,000 for City Hall.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$1,130,975, of which \$3,000 was classified as nonspendable, \$123,356 was restricted for recreation and culture activities, \$100,000 was committed for renewal and replacement expenditures for City Hall and the remaining \$904,619 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund revenues. Unassigned fund balance represents 29.2 percent of total general fund revenues and other financing sources. Total fund balance increased by \$142,161 during the current fiscal year, which was \$249,140 more than the planned use of fund balance as provided in the final budget.

The major, local, and municipal streets had total restricted fund balances of \$103,203, \$124,037, and \$190,224, respectively. Fund balance for the major streets fund decreased by \$55,186, local streets fund increased by \$24,297 while the fund balance for municipal streets decreased by \$150,789 which was invested into street improvements.

The capital projects fund had restricted fund balance of \$68,680. This fund is for new capital projects funded by the new bond issue.

Proprietary Funds. The City'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 enterprise fund at the end of the year amounted to \$632,718. The fund had an increase in net position for the year of \$622,212. This increase is primarily due to conservative spending, increase in user fees and capital investment.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor. Changes between original and final budget balances result from the carryover of certain budget appropriations under the City's budgetary policies and several supplemental appropriations.

For the year, general fund budgetary estimates for revenues and expenditures were greater than actual resulting in a net increase in fund balance that was \$249,140 more than anticipated in the final amended budget.

CITY OF GRAND LEDGE, MICHIGAN

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounted to \$36,482,587 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles and equipment, park facilities, roads, highways, and bridges. Net capital assets for governmental activities increased 2.6%, and for business-type activities remained flat. Overall, total net capital assets for the City increased 1.0%.

Major capital asset events during the current fiscal year included infrastructure additions of over \$632,000 (primarily for street construction on Jenne Street) and buildings, equipment and systems additions of over \$664,000 (primarily for water and sewer construction on Jenne Street and East River Street).

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,629,394	\$ 1,385,311	\$ 546,763	\$ 546,763	\$ 2,176,157	\$ 1,932,074
Land improvements	1,530,787	1,594,711	24,958	30,690	1,555,745	1,625,401
Buildings and systems	3,372,831	3,549,259	18,644,066	18,670,234	22,016,897	22,219,493
Equipment	664,408	620,450	434,248	449,404	1,098,656	1,069,854
Infrastructure	9,635,132	9,262,244	-	-	9,635,132	9,262,244
Total capital assets, net	<u>\$16,832,552</u>	<u>\$16,411,975</u>	<u>\$19,650,035</u>	<u>\$19,697,091</u>	<u>\$36,482,587</u>	<u>\$36,109,066</u>

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$9,414,062. Of this amount, \$6,835,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources.

	General Obligation, Revenue Bonds and Capital Leases					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 2,280,000	\$ 2,510,000	\$ -	\$ -	\$ 2,280,000	\$ 2,510,000
Revenue bonds	-	-	2,579,062	2,734,062	2,579,062	2,734,062
Capital lease	-	-	4,555,000	5,010,000	4,555,000	5,010,000
Total long-term debt	<u>\$ 2,280,000</u>	<u>\$ 2,510,000</u>	<u>\$ 7,134,062</u>	<u>\$ 7,744,062</u>	<u>\$ 9,414,062</u>	<u>\$10,254,062</u>

The City's total debt decreased by \$840,000 during the current fiscal year.

The City's underlying credit rating for its general obligation unlimited tax bonds is currently A+ as rated by Standard & Poors on June 30, 2016.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$22,116,630, which is significantly in excess of the City's outstanding general obligation debt of \$2,280,000 with approximately 57% of debt issuance remaining.

Additional information on the City's long-term debt can be found in Note 8 of this report.

CITY OF GRAND LEDGE, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

- 3 percent growth in state shared revenue.
- Limited growth in total controlled revenues.
- Inflationary trends in the region are comparable to national indices.

During the current fiscal year, unassigned fund balance in the general fund increased by \$100,198 to \$904,619.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 310 Greenwood, Grand Ledge, Michigan 48837-1651.

BASIC FINANCIAL STATEMENTS

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CITY OF GRAND LEDGE, MICHIGAN

Statement of Net Position

June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,380,969	\$ 356,185	\$ 2,737,154	\$ 631,073
Receivables	321,211	834,041	1,155,252	161
Internal balances	86,869	(86,869)	-	-
Prepaid items and other assets	55,668	-	55,668	-
Capital assets not being depreciated	1,629,394	546,763	2,176,157	2,881,402
Capital assets being depreciated, net	15,203,158	19,103,272	34,306,430	2,356,762
Total assets	19,677,269	20,753,392	40,430,661	5,869,398
Deferred outflows of resources				
Deferred charge on refunding	-	178,117	178,117	22,061
Deferred pension amounts	348,024	-	348,024	-
Total deferred outflows of resources	348,024	178,117	526,141	22,061
Liabilities				
Accounts payable and accrued expenses	630,220	73,033	703,253	11,407
Accrued interest payable	10,447	39,871	50,318	11,807
Long-term liabilities:				
Due within one year	133,367	640,604	773,971	235,000
Due in more than one year	2,309,120	6,757,928	9,067,048	1,751,657
Other noncurrent liabilities:				
Net pension liability	1,461,437	-	1,461,437	-
Net other postemployment benefit obligation	457,262	177,848	635,110	-
Total liabilities	5,001,853	7,689,284	12,691,137	2,009,871
Deferred inflows of resources				
Unavailable revenue - property taxes	7,680	-	7,680	-
Net position				
Net investment in capital assets	14,578,172	12,517,988	27,096,160	3,251,507
Restricted for:				
Highways and streets	417,464	-	417,464	-
Public safety	11,830	-	11,830	-
Recreation and culture	161,214	-	161,214	-
Airport development	147,322	-	147,322	-
Debt service	-	-	-	7,285
Capital projects	68,680	-	68,680	276,374
Unrestricted (deficit)	(368,922)	724,237	355,315	346,422
Total net position	\$ 15,015,760	\$ 13,242,225	\$ 28,257,985	\$ 3,881,588

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

CITY OF GRAND LEDGE, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,190,871	\$ 547,545	\$ 116,223	\$ -	\$ (527,103)
Public safety	1,622,998	48,959	4,227	-	(1,569,812)
Highways and streets	1,009,360	27,978	626,342	-	(355,040)
Recreation and cultural	201,956	27,675	17,000	148,883	(8,398)
Interest on long-term debt	16,745	-	-	-	(16,745)
Total governmental activities	<u>4,041,930</u>	<u>652,157</u>	<u>763,792</u>	<u>148,883</u>	<u>(2,477,098)</u>
Business-type activities -					
Water and sewer	<u>2,863,380</u>	<u>3,377,170</u>	<u>-</u>	<u>105,705</u>	<u>619,495</u>
Total primary government	<u>\$ 6,905,310</u>	<u>\$ 4,029,327</u>	<u>\$ 763,792</u>	<u>\$ 254,588</u>	<u>\$ (1,857,603)</u>
Component units					
Economic development	<u>\$ 574,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (574,156)</u>

continued...

CITY OF GRAND LEDGE, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net revenue (expense)	\$ (2,477,098)	\$ 619,495	\$ (1,857,603)	\$ (574,156)
General revenues:				
Property taxes	2,410,013	-	2,410,013	659,248
Grants and contributions not restricted to specific programs	708,427	-	708,427	81,572
Sale of capital assets	15,282	-	15,282	-
Unrestricted investment earnings	27,238	47,926	75,164	4,058
Total general revenues	3,160,960	47,926	3,208,886	744,878
Change in net position	683,862	667,421	1,351,283	170,722
Net position, beginning of year	14,331,898	12,574,804	26,906,702	3,710,866
Net position, end of year	\$ 15,015,760	\$ 13,242,225	\$ 28,257,985	\$ 3,881,588

concluded.

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

CITY OF GRAND LEDGE, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2016

	General	Major Streets	Local Streets
Assets			
Cash and cash equivalents	\$ 1,121,658	\$ 5,258	\$ 104,259
Receivables:			
Taxes	5,486	-	-
Special assessments	-	-	-
Accounts	47,494	116	116
Due from other funds	-	-	-
Due from other governments	115,939	103,390	23,359
Prepaid items	3,000	-	-
Total assets	\$ 1,293,577	\$ 108,764	\$ 127,734
Liabilities			
Accounts payable	\$ 91,273	\$ 2,474	\$ 929
Accrued liabilities	52,025	3,087	2,768
Due to other funds	13,818	-	-
Total liabilities	157,116	5,561	3,697
Deferred inflows of resources			
Unavailable revenue - property taxes	5,486	-	-
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	5,486	-	-
Fund balances			
Nonspendable	3,000	-	-
Restricted for:			
Highways and streets	-	103,203	124,037
Public safety	-	-	-
Recreation and culture	123,356	-	-
Airport development	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Committed for City Hall	100,000	-	-
Unassigned	904,619	-	-
Total fund balances	1,130,975	103,203	124,037
Total liabilities, deferred inflows of resources and fund balances	\$ 1,293,577	\$ 108,764	\$ 127,734

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



Municipal Streets	Capital Projects	Other Governmental Funds	Totals Governmental Funds
\$ 453,357	\$ 83,109	\$ 202,262	\$ 1,969,903
1,646	-	548	7,680
16,409	-	-	16,409
-	-	6,389	54,115
-	428,388	-	428,388
-	-	-	242,688
-	-	16,000	19,000
<u>\$ 471,412</u>	<u>\$ 511,497</u>	<u>\$ 225,199</u>	<u>\$ 2,738,183</u>
\$ 8,751	\$ 347,017	\$ 5,152	\$ 455,596
4,382	95,800	5,569	163,631
250,000	-	-	263,818
<u>263,133</u>	<u>442,817</u>	<u>10,721</u>	<u>883,045</u>
1,646	-	548	7,680
16,409	-	-	16,409
<u>18,055</u>	<u>-</u>	<u>548</u>	<u>24,089</u>
-	-	16,000	19,000
190,224	-	-	417,464
-	-	11,830	11,830
-	-	37,858	161,214
-	-	147,322	147,322
-	-	920	920
-	68,680	-	68,680
-	-	-	100,000
-	-	-	904,619
<u>190,224</u>	<u>68,680</u>	<u>213,930</u>	<u>1,831,049</u>
<u>\$ 471,412</u>	<u>\$ 511,497</u>	<u>\$ 225,199</u>	<u>\$ 2,738,183</u>

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CITY OF GRAND LEDGE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2016

Fund balances - total governmental funds	\$ 1,831,049
Amounts reported for <i>governmental activities</i> 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	22,534,709
Accumulated depreciation	(6,021,521)
Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual governmental and enterprise funds. The assets and liabilities of the internal service funds are included in governmental and business-type activities in the statement of net position.	
Net position of governmental activities accounted for in the internal service fund	672,098
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets are offset by deferred inflows in the governmental funds and, therefore, not included in fund balance.	
Deferred special assessments	16,409
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and purchase agreements payable	(2,280,000)
Unamortized discount on bonds	25,620
Accrued interest on bonds payable	(10,447)
Compensated absences	(181,482)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(1,461,437)
Deferred outflows related to the net pension liability	348,024
Net other postemployment benefit obligation	<u>(457,262)</u>
Net position of governmental activities	<u>\$ 15,015,760</u>

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

CITY OF GRAND LEDGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General	Major Streets	Local Streets
Revenues			
Taxes	\$ 1,557,300	\$ -	\$ -
Licenses and permits	287,237	-	-
Intergovernmental	889,985	471,805	142,037
Charges for services	7,538	-	-
Fines and forfeitures	18,952	-	-
Investment income	5,600	2,327	3,932
Other	301,405	3,944	24,034
Total revenues	3,068,017	478,076	170,003
Expenditures			
Current:			
General government	700,894	-	-
Public safety	1,602,943	-	-
Highway and streets	-	334,998	458,295
Recreation and culture	261,302	-	-
Capital outlay	-	323,107	128,349
Debt service:			
Principal	85,000	-	-
Interest and fiscal charges	55,675	-	-
Total expenditures	2,705,814	658,105	586,644
Revenue over (under) expenditures	362,203	(180,029)	(416,641)
Other financing sources (uses)			
Transfers in	29,958	124,843	440,938
Transfers out	(250,000)	-	-
Total other financing sources (uses)	(220,042)	124,843	440,938
Net changes in fund balances	142,161	(55,186)	24,297
Fund balances, beginning of year	988,814	158,389	99,740
Fund balances, end of year	\$ 1,130,975	\$ 103,203	\$ 124,037

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



Municipal Streets	Capital Projects	Other Governmental Funds	Totals Governmental Funds
\$ 709,401	\$ -	\$ 146,497	\$ 2,413,198
-	-	-	287,237
-	-	15,054	1,518,881
-	-	84,084	91,622
-	-	-	18,952
3,282	-	6,250	21,391
12,500	-	14,684	356,567
<u>725,183</u>	<u>-</u>	<u>266,569</u>	<u>4,707,848</u>
-	-	75,929	776,823
-	-	2,847	1,605,790
185,871	-	-	979,164
-	-	156,658	417,960
-	181,320	6,095	638,871
-	-	145,000	230,000
-	-	14,678	70,353
<u>185,871</u>	<u>181,320</u>	<u>401,207</u>	<u>4,718,961</u>
<u>539,312</u>	<u>(181,320)</u>	<u>(134,638)</u>	<u>(11,113)</u>
250,000	250,000	147,128	1,242,867
(940,101)	-	(52,766)	(1,242,867)
<u>(690,101)</u>	<u>250,000</u>	<u>94,362</u>	<u>-</u>
(150,789)	68,680	(40,276)	(11,113)
341,013	-	254,206	1,842,162
<u>\$ 190,224</u>	<u>\$ 68,680</u>	<u>\$ 213,930</u>	<u>\$ 1,831,049</u>

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CITY OF GRAND LEDGE, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ (11,113)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	987,054
Depreciation expense	(506,609)
Loss on sale of capital asset	(67,598)
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 liabilities	230,000
Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual governmental and enterprise funds. The net revenue (expense) attributable to those funds is reported with governmental and business-type activities.	
Net operating income from governmental activities in internal service funds	158,605
Investment income from governmental internal service funds	5,847
Gain on sale of capital assets in internal service fund	15,282
Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.	
Change in deferred special assessments	(3,185)
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 bonds	702
Change in amortization of bond discounts	(2,769)
Change in net pension liability and related deferred amounts	(80,934)
Change in other postemployment benefit obligation	(54,459)
Change in the accrual for compensated absences	13,039
Change in net position of governmental activities	<u>\$ 683,862</u>

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

CITY OF GRAND LEDGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - General Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 1,541,645	\$ 1,541,645	\$ 1,557,300	\$ 15,655
Licenses and permits	190,980	270,980	287,237	16,257
Intergovernmental	752,067	920,359	889,985	(30,374)
Charges for services	8,350	8,350	7,538	(812)
Fines and forfeitures	20,000	20,000	18,952	(1,048)
Investment income	3,000	3,000	5,600	2,600
Other	189,615	229,090	301,405	72,315
Total revenues	2,705,657	2,993,424	3,068,017	74,593
Expenditures				
General government:				
Legislative	9,766	9,766	7,715	(2,051)
City administrator	198,072	200,706	187,327	(13,379)
Elections	17,100	17,100	7,967	(9,133)
Assessing	63,001	63,001	63,229	228
Attorney	25,000	25,000	23,309	(1,691)
City clerk	105,073	105,073	103,443	(1,630)
Finance	208,215	209,835	201,924	(7,911)
City hall	128,102	163,457	156,999	(6,458)
Recycling	27,745	27,745	23,213	(4,532)
Economic development	80,000	111,500	111,498	(2)
Other	318,372	337,497	284,117	(53,380)
Less reimbursements	(469,847)	(469,847)	(469,847)	-
Total general government	710,599	800,833	700,894	(99,939)
Public safety:				
Police	1,386,266	1,408,241	1,397,662	(10,579)
Building inspection	96,300	176,300	164,247	(12,053)
Zoning	31,680	43,680	41,034	(2,646)
Total public safety	1,514,246	1,628,221	1,602,943	(25,278)
Recreation and culture	-	310,632	261,302	(49,330)
Debt service:				
Principal	85,000	85,000	85,000	-
Interest	55,425	55,675	55,675	-
Total expenditures	2,365,270	2,880,361	2,705,814	(174,547)
Revenues over expenditures	340,387	113,063	362,203	249,140

continued...

CITY OF GRAND LEDGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - General Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Transfers in	\$ -	\$ 29,958	\$ 29,958	\$ -
Transfers out	(250,000)	(250,000)	(250,000)	-
Total other financing sources (uses)	(250,000)	(220,042)	(220,042)	-
Net change in fund balance	90,387	(106,979)	142,161	249,140
Fund balance, beginning of year	988,814	988,814	988,814	-
Fund balance, end of year	\$ 1,079,201	\$ 881,835	\$ 1,130,975	\$ 249,140

concluded.

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

CITY OF GRAND LEDGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Major Streets Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 384,902	\$ 458,942	\$ 471,805	\$ 12,863
Investment income	-	-	2,327	2,327
Other	4,650	4,650	3,944	(706)
Total revenues	389,552	463,592	478,076	14,484
Expenditures				
Highways and streets	386,043	387,205	334,998	(52,207)
Capital outlay	253,700	327,498	323,107	(4,391)
Total expenditures	639,743	714,703	658,105	(56,598)
Revenues under expenditures	(250,191)	(251,111)	(180,029)	71,082
Other financing sources				
Transfers in	124,843	124,843	124,843	-
Net change in fund balance	(125,348)	(126,268)	(55,186)	71,082
Fund balance, beginning of year	158,389	158,389	158,389	-
Fund balance, end of year	\$ 33,041	\$ 32,121	\$ 103,203	\$ 71,082

CITY OF GRAND LEDGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Local Streets Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 135,337	\$ 135,337	\$ 142,037	\$ 6,700
Investment income	4,750	4,750	3,932	(818)
Other	1,000	1,000	24,034	23,034
Total revenues	141,087	141,087	170,003	28,916
Expenditures				
Highways and streets	489,418	489,418	458,295	(31,123)
Capital outlay	101,250	108,150	128,349	20,199
Total expenditures	590,668	597,568	586,644	(10,924)
Revenues under expenditures	(449,581)	(456,481)	(416,641)	39,840
Other financing sources				
Transfers in	440,938	440,938	440,938	-
Net change in fund balance	(8,643)	(15,543)	24,297	39,840
Fund balance, beginning of year	99,740	99,740	99,740	-
Fund balance, end of year	\$ 91,097	\$ 84,197	\$ 124,037	\$ 39,840

CITY OF GRAND LEDGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Municipal Streets Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 663,995	\$ 663,995	\$ 709,401	\$ 45,406
Investment income	2,200	2,200	3,282	1,082
Other	11,200	11,200	12,500	1,300
Total revenues	677,395	677,395	725,183	47,788
Expenditures				
Highways and streets	192,204	192,204	185,871	(6,333)
Revenues over expenditures	485,191	485,191	539,312	54,121
Other financing sources (uses)				
Transfers in	250,000	250,000	250,000	-
Transfers out	(690,101)	(940,101)	(940,101)	-
Total other financing sources (uses)	(440,101)	(690,101)	(690,101)	-
Net change in fund balance	45,090	(204,910)	(150,789)	54,121
Fund balance, beginning of year	341,013	341,013	341,013	-
Fund balance, end of year	\$ 386,103	\$ 136,103	\$ 190,224	\$ 54,121

CITY OF GRAND LEDGE, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2016

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 356,185	\$ 411,066
Accounts receivable	770,999	319
Special assessments receivable	6,000	-
Due from other funds	-	13,818
Prepaid items	-	36,668
Total current assets	<u>1,133,184</u>	<u>461,871</u>
Noncurrent assets:		
Special assessments receivable	57,042	-
Capital assets, net	19,650,035	319,364
Total noncurrent assets	<u>19,707,077</u>	<u>319,364</u>
Total assets	<u>20,840,261</u>	<u>781,235</u>
Deferred outflows of resources		
Deferred charge on refunding	<u>178,117</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	36,681	2,031
Accrued liabilities	36,352	8,962
Due to other funds	178,388	-
Accrued interest payable	39,871	-
Accrued compensated absences, current portion	10,604	795
Bonds and leases payable, current portion	630,000	-
Total current liabilities	<u>931,896</u>	<u>11,788</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	77,764	5,830
Bonds and leases payable, net of current portion	6,680,164	-
Other postemployment benefit obligation	177,848	-
Total noncurrent liabilities	<u>6,935,776</u>	<u>5,830</u>
Total liabilities	<u>7,867,672</u>	<u>17,618</u>
Net position		
Net investment in capital assets	12,517,988	319,364
Unrestricted	<u>632,718</u>	<u>444,253</u>
Total net position	<u>\$ 13,150,706</u>	<u>\$ 763,617</u>

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

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CITY OF GRAND LEDGE, MICHIGAN

Reconciliation

Net Position of Enterprise Funds
to Net Position of Business-type Activities
June 30, 2016

Net position - enterprise fund	\$ 13,150,706
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Amounts reported for *business-type activities* in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain services to individual governmental and enterprise funds. The assets and liabilities of the internal service funds are allocated to governmental and business-type activities.

Cumulative portion of internal service fund net income attributed to business-type activities	91,519
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Net position of business-type activities	<u>\$ 13,242,225</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF GRAND LEDGE, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Operating revenues		
Charges for services:		
Water operations	\$ 1,545,259	\$ -
Sewer operations	1,831,911	-
Internal operations	-	1,108,922
Other revenue	-	473
Total operating revenues	<u>3,377,170</u>	<u>1,109,395</u>
Operating expenses		
Personnel	899,519	761,355
Repair and maintenance	311,800	56,701
Utilities	212,082	3,919
Other	721,902	39,745
Depreciation	575,796	43,861
Total operating expenses	<u>2,721,099</u>	<u>905,581</u>
Operating income	<u>656,071</u>	<u>203,814</u>
Nonoperating revenue (expense)		
Intergovernmental	105,705	-
Investment income	47,926	5,847
Proceeds from the sale of capital assets	-	15,282
Interest expense	(187,490)	-
Total nonoperating revenue (expense)	<u>(33,859)</u>	<u>21,129</u>
Income before transfers	622,212	224,943
Net position, beginning of year	<u>12,528,494</u>	<u>538,674</u>
Net position, end of year	<u>\$ 13,150,706</u>	<u>\$ 763,617</u>

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

CITY OF GRAND LEDGE, MICHIGAN

Reconciliation

Change in Net Position of Enterprise Funds
to Change in Net Position of Business-type Activities
For the Year Ended June 30, 2016

Change in net position - enterprise fund	\$ 622,212
Amounts reported for <i>business-type activities</i> in the statement of activities are different because:	
Internal service funds are used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service funds is allocated to governmental and business-type activities.	
Operating income from internal service fund related to enterprise fund	<u>45,209</u>
Change in net position of business-type activities	<u><u>\$ 667,421</u></u>

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

CITY OF GRAND LEDGE, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Cash flows from operating activities		
Cash received from customers	\$ 3,169,377	\$ -
Cash received from interfund services	-	1,095,104
Cash payments to suppliers for goods and services	(1,259,018)	(738,233)
Cash payments to employees	(589,761)	(117,598)
Cash payments for interfund services	(89,250)	-
Net cash provided by operating activities	<u>1,231,348</u>	<u>239,273</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(528,739)	(51,590)
Long-term debt principal payments	(610,000)	-
Interest payments on long-term debt	(189,701)	-
Proceeds from the sale of capital assets	-	15,282
Net cash used by capital and related financing activities	<u>(1,222,735)</u>	<u>(36,308)</u>
Cash flows from investing activities		
Interest on investments	<u>47,926</u>	<u>5,847</u>
Net change in cash and cash equivalents	56,539	208,812
Cash and cash equivalents, beginning of year	<u>299,646</u>	<u>202,254</u>
Cash and cash equivalents, end of year	<u>\$ 356,185</u>	<u>\$ 411,066</u>

continued...

CITY OF GRAND LEDGE, MICHIGAN

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2016

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 656,071	\$ 203,814
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	575,796	43,861
Change in assets and liabilities:		
Accounts receivable	(144,751)	1,777
Prepaid items	-	2,110
Special assessments receivable	(63,042)	-
Due from other funds	-	(13,818)
Accounts payable	(13,234)	(2,056)
Accrued liabilities	6,050	2,644
Due to other funds	178,388	-
Accrued compensated absences	15,437	941
Other postemployment benefit obligation	20,633	-
Net cash provided by operating activities	<u>\$ 1,231,348</u>	<u>\$ 239,273</u>

concluded.

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

CITY OF GRAND LEDGE, MICHIGAN

■ Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2016

Assets	
Cash and cash equivalents	<u>\$ 12,509</u>
Liabilities	
Undistributed receipts	<u>\$ 12,509</u>

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

CITY OF GRAND LEDGE, MICHIGAN

Combining Statement of Net Position

Component Units

June 30, 2016

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and cash equivalents	\$ 456,479	\$ 174,594	\$ 631,073
Capital assets not being depreciated	480,331	2,401,071	2,881,402
Capital assets being depreciated, net	2,356,762	-	2,356,762
Total assets	3,293,733	2,575,665	5,869,398
Deferred outflows of resources			
Deferred charge on refunding	22,061	-	22,061
Liabilities			
Accounts payable and accrued expenses	9,718	1,689	11,407
Accrued interest payable	9,768	2,039	11,807
Long-term liabilities:			
Due within one year	205,000	30,000	235,000
Due in more than one year	1,536,657	215,000	1,751,657
Total liabilities	1,761,143	248,728	2,009,871
Net position			
Net investment in capital assets	1,095,436	2,156,071	3,251,507
Restricted for debt service	7,285	-	7,285
Restricted for capital projects	276,374	-	276,374
Unrestricted	175,556	170,866	346,422
Total net position	\$ 1,554,651	\$ 2,326,937	\$ 3,881,588

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

CITY OF GRAND LEDGE, MICHIGAN

Combining Statement of Activities

Component Units

For the Year Ended June 30, 2016

	Downtown Development Authority	Local Development Finance Authority	Total
Expenses			
Economic development	\$ 383,378	\$ 105,782	\$ 489,160
Interest on long-term debt	71,036	13,960	84,996
Total expenses	454,414	119,742	574,156
General revenues			
Property taxes	648,600	10,648	659,248
Grants and contributions not restricted to specific programs	1,572	80,000	81,572
Unrestricted investment earnings	3,935	123	4,058
Total general revenues	654,107	90,771	744,878
Change in net position	199,693	(28,971)	170,722
Net position, beginning of year	1,354,958	2,355,908	3,710,866
Net position, end of year	\$ 1,554,651	\$ 2,326,937	\$ 3,881,588

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

NOTES TO FINANCIAL STATEMENTS

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Ledge, Michigan is a municipal corporation governed by a seven-member council and administered by an appointed City Administrator. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The government has no blended component units; the discretely presented component units have June 30 year-ends.

Discretely Presented Component Units

The City of Grand Ledge Downtown Development Authority (DDA) was established under Public Act 197 of 1975 to revitalize and plan for controlled development of the downtown business district. The government's council appoints the members of the DDA's governing board. The DDA is also fiscally dependent upon the City because the government's council approves the DDA's budget and any debt issuances. Financial statements for the DDA are included herein as supplementary information.

The City of Grand Ledge Local Development Finance Authority (LDFA) was established under Public Act 281 of 1986 to preserve and promote the continued growth of the City and the LDFA district. The government's council appoints the members of the LDFA's governing board. The LDFA is also fiscally dependent upon the City because the government's council approves the LDFA's budget and any debt issuances. The activities of the LDFA are accounted for in a single fund; accordingly, separate financial statements are not issued for it.

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 is 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.

CITY OF GRAND LEDGE, MICHIGAN

Notes to 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. 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 reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *major streets fund* is used to finance the maintenance and construction of the City's major thorough-fares.

The *local streets fund* is used to finance the maintenance and construction of the City's minor thorough-fares.

The *municipal streets fund* is used to account for revenues from a special tax assessed for street and sidewalk maintenance.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

The government reports the following major proprietary fund:

The *water and sewer enterprise fund* accounts for the activities of the government's water distribution and sewage treatment system.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Additionally, the government reports the following fund types:

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

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Internal service funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes equipment management and employee medical management services.

Agency funds account for assets held for other governments in an agency capacity.

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 government'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.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund and of the government's internal service funds are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. 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.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Equity

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand and demand deposits.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

Investments, if any, are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and plant	20-40
Public domain infrastructure	25-50
System infrastructure	50
Vehicles	5-10
Equipment	3-15

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 represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plans as well as for the deferred loss on refunding. A deferred refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Compensated Absences

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate an unlimited amount of sick leave, which is paid only upon illness while in the employ of the City or upon retirement. Payment for sick leave upon retirement is capped at \$2,500 to \$7,500. Earned vacation time may be accumulated for up to two years. Employees are only paid for unused vacation at the time of termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures as incurred.

In the fund financial statements, governmental fund types 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 sources while discounts 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 when incurred.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balances

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 has no assigned fund balance as the City Council has not yet given authority for the making of such assignments; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

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, assigned and finally unassigned fund balance.

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. The amounts recorded as subsidies or advances are determined by the City. Balances outstanding at year-end are reported as due to/from other funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City departments and funds as transfers or operating revenue. All City funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

Pensions

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

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Prior to the first regular Council meeting in April, the budget officer submits to the Council a proposed budget for the fiscal year beginning the following July 1. A public hearing is then conducted to obtain citizen comments. No later than the first Council meeting in June, the budget is required to be legally enacted through passage of a resolution.

The budget for the general fund is adopted at the department level; all other budgets are adopted on a fund level. Certain supplemental budgetary appropriations were made during the year, which were not considered material. During the year ended June 30, 2016, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control for the general fund - assessing in the amount of \$228.

3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the statement of net position and statement of fiduciary assets and liabilities to deposits and investments as classified for note disclosure purposes is as follows:

	Primary Government	Component Units
Cash and cash equivalents		
Statement of net position	\$ 2,737,154	\$ 631,073
Statement of fiduciary assets and liabilities	12,509	-
	<u>\$ 2,749,663</u>	<u>\$ 631,073</u>
Deposits and investments		
Bank deposits	\$ 2,749,113	\$ 631,073
Cash on hand	550	-
	<u>\$ 2,749,663</u>	<u>\$ 631,073</u>
Total	<u>\$ 2,749,663</u>	<u>\$ 631,073</u>

At year-end, the carrying amount of deposits for the City and component units was \$2,749,113 and \$631,073, respectively. The combined bank balance was \$3,460,021. Of the bank balance, \$2,960,021 was uninsured and uncollateralized, and therefore exposed to custodial credit risk.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the government evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year-end, neither the City nor its component units had any investments. The City's investment policies conform to State guidelines.

4. RECEIVABLES

Receivables in the governmental activities are 76 percent due from other governments and 24 percent other receivables. Business-type activities receivables are 92 percent due from customers and 8% other receivables.

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 1,385,311	\$ 263,375	\$ (19,292)	\$ 1,629,394
Capital assets being depreciated:				
Land improvements	2,404,023	7,222	-	2,411,245
Buildings	5,078,619	2,800	(415,925)	4,665,494
Equipment	1,591,345	132,471	(52,229)	1,671,587
Infrastructure	12,542,970	632,777	-	13,175,747
Total capital assets being depreciated	21,616,957	775,270	(468,154)	21,924,073
Less accumulated depreciation for:				
Land improvements	(809,312)	(71,146)	-	(880,458)
Buildings	(1,529,360)	(134,060)	370,757	(1,292,663)
Equipment	(970,895)	(85,375)	49,091	(1,007,179)
Infrastructure	(3,280,726)	(259,889)	-	(3,540,615)
Total accumulated depreciation	(6,590,293)	(550,470)	419,848	(6,720,915)
Total capital assets being depreciated, net	15,026,664	224,800	(48,306)	15,203,158
Governmental activities capital assets, net	\$ 16,411,975	\$ 488,175	\$ (67,598)	\$ 16,832,552

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type Activities				
Capital assets not being depreciated -				
Land	\$ 546,763	\$ -	\$ -	\$ 546,763
Capital assets being depreciated:				
Land improvements	47,876	-	-	47,876
Buildings and systems	28,722,884	500,240	-	29,223,124
Equipment	804,075	28,500	-	832,575
Total capital assets being depreciated	29,574,835	528,740	-	30,103,575
Less accumulated depreciation for:				
Land improvements	(17,186)	(5,732)	-	(22,918)
Building and systems	(10,052,650)	(526,408)	-	(10,579,058)
Equipment	(354,671)	(43,656)	-	(398,327)
Total accumulated depreciation	(10,424,507)	(575,796)	-	(11,000,303)
Total capital assets being depreciated, net	19,150,328	(47,056)	-	19,103,272
Business-type activities capital assets, net	\$ 19,697,091	\$ (47,056)	\$ -	\$ 19,650,035

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

Governmental activities:	
General government	\$ 156,786
Public safety	18,014
Highways and streets, including depreciation of general infrastructure assets	279,994
Recreation and cultural	51,815
Capital assets held by the government's internal service funds are charged to the various function based on their usage of the assets	43,861
Total depreciation expense - governmental activities	\$ 550,470
Business-type activities - Water and sewer	\$ 575,796

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Component Units

Capital assets activity for the discretely presented component units for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Downtown Development Authority				
Capital assets not being depreciated -				
Land	\$ 480,331	\$ -	\$ -	\$ 480,331
Capital assets being depreciated:				
Land improvements	3,512,062	-	-	3,512,062
Buildings	38,678	-	-	38,678
Equipment	32,244	23,949	-	56,193
Total capital assets, being depreciated	3,582,984	23,949	-	3,606,933
Less accumulated depreciation for:				
Land improvements	(1,089,885)	(140,483)	-	(1,230,368)
Buildings	(11,604)	(1,934)	-	(13,538)
Equipment	(2,580)	(3,685)	-	(6,265)
Total accumulated depreciation	(1,104,069)	(146,102)	-	(1,250,171)
Total capital assets being depreciated, net	2,478,915	(122,153)	-	2,356,762
DDA capital assets, net	\$ 2,959,246	\$ (122,153)	\$ -	\$ 2,837,093
Local Development Finance Authority				
Capital assets, not being depreciated -				
Land	\$ 2,610,375	\$ -	\$ (209,304)	\$ 2,401,071

6. PAYABLES

Payables in the governmental activities are 73 percent vendors and 27 percent payroll and deposits. Business-type activities payables are 50 percent vendors and 50 percent payroll and deposits.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2016, amounts due from and due to other funds were as follows:

Receivable Funds	Payable Funds			Totals
	General Fund	Municipal Street	Water and Sewer Fund	
Capital projects	\$ -	\$ 250,000	\$ 178,388	\$ 428,388
Internal service	13,818	-	-	13,818
	<u>\$ 13,818</u>	<u>\$ 250,000</u>	<u>\$ 178,388</u>	<u>\$ 442,206</u>

The City has interfund balances between its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended June 30, 2016, interfund transfers consisted of the following:

Transfers In	Transfers Out			Totals
	General	Municipal Street	Nonmajor Governmental	
General	\$ -	\$ -	\$ 29,958	\$ 29,958
Major street	-	124,843	-	124,843
Local street	-	440,938	-	440,938
Municipal street	250,000	-	-	250,000
Capital projects	-	250,000	-	250,000
Nonmajor governmental	-	124,320	22,808	147,128
	<u>\$ 250,000</u>	<u>\$ 940,101</u>	<u>\$ 52,766</u>	<u>\$ 1,242,867</u>

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) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

8 LONG-TERM DEBT

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities as well as the component units. The original amount of general obligation bonds issued in prior years for the governmental activities debt listed below was \$3,815,000.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Interest Rates	Amount
Governmental activities:		
2002 bridge improvement	4.1-6.0%	\$ 165,000
2013 capital improvement	1.0-3.25%	<u>2,115,000</u>
		<u>\$ 2,280,000</u>

	Interest Rates	Amount
Component units:		
DDA		
2010 GO bonds	2.25-4.0%	\$ 1,350,000
2011 Refunding bonds	2.72%	410,000
LDFA		
2002 capital improvements	5.0-7.0%	<u>245,000</u>
		<u>\$ 2,005,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2017	\$ 110,000	\$ 62,683	\$ 235,000	\$ 70,927
2018	115,000	60,607	240,000	63,706
2019	115,000	58,412	255,000	55,922
2020	125,000	56,025	260,000	47,526
2021	130,000	53,070	270,000	38,575
2022-2026	585,000	219,173	745,000	70,948
2027-2031	650,000	137,201	-	-
2032-2034	450,000	29,575	-	-
	<u>\$ 2,280,000</u>	<u>\$ 676,746</u>	<u>\$ 2,005,000</u>	<u>\$ 347,604</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Revenue Bonds. The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year-end are as follows:

	Interest Rates	Amount
Business-type activities - 2010 DWRP bonds	2.5%	<u>\$ 2,579,062</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest
2017	\$ 160,000	\$ 64,476
2018	160,000	60,476
2019	165,000	56,476
2020	170,000	52,352
2021	175,000	48,102
2022-2026	935,000	172,508
2027-2030	<u>814,062</u>	<u>51,656</u>
	<u>\$ 2,579,062</u>	<u>\$ 506,046</u>

Capital Lease. During fiscal 2005, the City entered into a capital lease agreement with Eaton County for \$7,975,000 pursuant to the issuance of revenue and refunding bonds on behalf of the City by the County. The government pledges income derived from its water and sewer operations to pay debt service. Upon retirement of the underlying bonded debt, title to the capital assets will pass from the County to the City.

	Interest Rates	Amount
Business-type activities: 2014 Eaton County revenue/ refunding bond	2.0-2.375%	<u>\$ 4,555,000</u>

Annual debt service requirements to maturity for capital leases are as follows:

Year Ended June 30,	Business-type Activities	
	Principal	Interest
2017	\$ 470,000	\$ 95,006
2018	480,000	85,606
2019	485,000	76,006
2020	495,000	66,306
2021	505,000	56,406
2022-2025	<u>2,120,000</u>	<u>120,238</u>
	<u>\$ 4,555,000</u>	<u>\$ 499,568</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
General obligation bonds	\$ 2,510,000	\$ -	\$ 230,000	\$ 2,280,000	\$ 110,000
Compensated absences	200,205	206,211	218,309	188,107	23,367
Deduct deferred amounts for bond discount	(28,389)	-	(2,769)	(25,620)	-
	<u>\$ 2,681,816</u>	<u>\$ 206,211</u>	<u>\$ 445,540</u>	<u>\$ 2,442,487</u>	<u>\$ 133,367</u>
Business-type Activities:					
Revenue bonds	\$ 2,734,062	\$ -	\$ 155,000	\$ 2,579,062	\$ 160,000
Capital leases	5,010,000	-	455,000	4,555,000	470,000
Compensated absences	72,931	75,119	59,682	88,368	10,604
Add deferred amounts for bond premium	194,933	-	18,831	176,102	-
	<u>\$ 8,011,926</u>	<u>\$ 75,119</u>	<u>\$ 688,513</u>	<u>\$ 7,398,532</u>	<u>\$ 640,604</u>
Component Units					
DDA:					
General obligation bonds	\$ 1,960,000	\$ -	\$ 200,000	\$ 1,760,000	\$ 205,000
Purchase agreements	56,153	-	56,153	-	-
Deduct deferred amounts for: Bond discount	(20,401)	-	(2,058)	(18,343)	-
	<u>\$ 1,995,752</u>	<u>\$ -</u>	<u>\$ 254,095</u>	<u>\$ 1,741,657</u>	<u>\$ 205,000</u>
LDFA -					
General obligation bonds	<u>\$ 295,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 245,000</u>	<u>\$ 30,000</u>

For the governmental activities, compensated absences, net pension liability and other postemployment benefit obligations are generally liquidated by the general fund.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

9. 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, 2016, the City carried insurance through various commercial carriers to cover all risks of losses. The City has had no settled claims from these risks that exceeded its commercial coverage in any of the past three fiscal years.

10. PROPERTY TAXES

The government's property taxes are levied each August 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through October 1; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Eaton County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The 2015 taxable value of real and personal property in the City totaled \$204,680,132 (not including properties subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2015-16 was 8.0650 mills, with an additional 2.4193 mills for municipal streets and 0.8062 mills for recreation.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Grand Ledge, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The City administers a single-employer defined benefit healthcare plan (the "Plan") that provides health insurance benefits to certain retirees and, in some cases, their beneficiaries, which are advance-funded on a discretionary basis. In accordance with City policy, eligible retirees and certain spouses receive healthcare benefits at 50 percent coverage of the premiums. As of June 30, 2016, the date of the latest valuation, the Plan covered 38 members (35 active plan members and 3 retirees receiving benefits). Of the active plan members, certain individuals are currently opting-out of health insurance coverage and may continue to do so upon retirement. This variable has not been considered in estimating the liability.

Funding Policy. The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. For the year ended June 30, 2016, the City contributed \$11,778 to the Plan. Retirees receiving benefits contributed \$11,778 or 50 percent of the total premiums through their required contribution.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 96,278
Interest on net OPEB obligation	11,200
Adjustment to annual required contribution	<u>(20,608)</u>
Net OPEB cost	86,870
Contributions made	<u>(11,778)</u>
Increase in net OPEB obligation	75,092
Net OPEB obligation, beginning of year	<u>560,018</u>
Net OPEB obligation, end of year	<u><u>\$ 635,110</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 and the prior two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 99,986	13%	\$ 479,901
2015	91,935	13%	560,018
2016	86,870	14%	635,110

Funded Status and Funding Progress. As of June 30, 2016, the actuarial accrued liability for benefits was \$988,347 all of which was unfunded. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,858,758 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 53.2 percent.

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. 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 liabilities for benefits calculations.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and 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.

The following simplifying assumptions were made:

Retirement Age For Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 57.

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

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

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

Healthcare Cost Trend Rate - The expected rate of increase in healthcare costs was based on projections by the City's management. A rate of 8.0 percent was used.

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

Inflation Rate - The expected long-term inflation assumption of 3.0 percent was based on the U.S. Department of Labor Consumer Price Index average annual increase over the last 30 years.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 2.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 30 years.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

12. PENSION PLAN - AGENT MULTIPLE-EMPLOYER PLAN

General Information About the Plan

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

Benefits Provided. Pension benefits are calculated as final average compensation (based on a 5 year period) and multipliers ranging from 1.5% to 2.5%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service. The employer may establish contribution rates to be paid by its covered employees. Currently, member contributions range from 0% to 9.4%.

Employees Covered by Benefit Terms. At June 30, 2016, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
Active employees	10
 Total membership	 17

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions are \$6,126 per month, or 4.94% of annual payroll, depending on division/bargaining unit.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	4.5% in the long-term (2% and 2.5% for calendar years 2016 and 2017, respectively)
Investment rate of return	8.25%, net of investment expense and including inflation

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions were based on the results of the most recent actuarial experience study of 2009-2013.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.50%	5.02%	2.89%
Global fixed income	20.00%	2.18%	0.44%
Real assets	12.50%	4.23%	0.53%
Diversifying strategies	10.00%	6.56%	0.65%
	<u>100.00%</u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.50%</u>
Investment rate of return			<u>8.25%</u>

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

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014	\$ 2,819,599	\$ 1,726,989	\$ 1,092,610
Changes for the year:			
Service cost	43,614	-	43,614
Interest	227,146	-	227,146
Differences between expected and actual experience	38,397	-	38,397
Changes in assumptions	141,091	-	141,091
Employer contributions	-	75,653	(75,653)
Employee contributions	-	34,472	(34,472)
Net investment income (loss)	-	(24,979)	24,979
Benefit payments, including refunds of employee contributions	(176,252)	(176,252)	-
Administrative expense	-	(3,725)	3,725
Net changes	273,996	(94,831)	368,827
Balances at December 31, 2015	\$ 3,093,595	\$ 1,632,158	\$ 1,461,437

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's net pension liability	\$ 1,827,250	\$ 1,461,437	\$ 1,154,333

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

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

For the year ended June 30, 2016, the City recognized pension expense of \$163,247. The City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 31,997
Changes in assumptions	117,576
Net difference between projected and actual earnings on pension plan investments	<u>156,184</u>
	305,757
Contributions subsequent to the measurement date	<u>42,267</u>
Total	<u><u>\$ 348,024</u></u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2017. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 68,961
2018	68,961
2019	68,961
2020	68,961
2021	<u>29,913</u>
Total	<u><u>\$ 305,757</u></u>

Payable to the Pension Plan. At June 30, 2016, there were no amounts outstanding by the City for contributions to the pension plan required for the year then ended.

13. DEFINED CONTRIBUTION PENSION PLAN

The City of Grand Ledge Group Pension Plan is a defined contribution pension plan established by the City and administered by an insurance company to provide retirement benefits to all participating full-time employees of the City. Plan provisions and contribution requirements are established and may be amended by the City Council. Employees may contribute up to 15% of their gross earnings to the plan. The City is required to contribute 5% of employee gross earnings and to match 100% of the first 5% and 50% of the next 10% of employee contributions. The City's maximum contribution does not exceed 15% for employees hired before July 1, 2012 and 10% for employees hired after June 30, 2012. Employee contributions vest immediately, whereas employer contributions vest at a rate of 20% per year.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

The payroll for employees covered by the plan for the year ended June 30, 2016 was \$1,207,709, as compared to the City's total payroll of \$2,323,246. For fiscal 2016, the City's contribution was \$138,984 (or 11.51% of covered payroll). Employee contributions were \$141,061 (or 11.68% of covered payroll).

14. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

15. STATE CONSTRUCTION CODE ACT COMPLIANCE

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees that bear a reasonable relationship to the cost of operating their building departments. The City's fee structure is not intended to fully recover its costs, and accordingly, the operations of the City's building department are accounted for in the general fund. For the year ended June 30, 2016, the City reported revenue from building permits of \$163,808 and related expenditures for inspections of \$164,247, resulting in a cumulative shortfall of \$25,012 as summarized below:

Cumulative shortfall at June 30, 2015	\$ (24,573)
Building permit revenue	163,808
Expenditures-professional services	<u>(164,247)</u>
Cumulative shortfall at June 30, 2016	<u>\$ (25,012)</u>

16. COMMITMENTS AND CONTINGENCIES

The City is currently involved in various tax appeals pending before the Michigan Tax Tribunal. The appeals cover various commercial and industrial properties for the years 2015 through 2016. Due to the large number of appeals currently before the Tribunal, the time frame for resolution of these matters is unknown at this time. An estimate of the City's maximum exposure is \$475,000 dollars in taxable value. The City is vigorously defending all litigation.

The City has entered into an agreement for street projects totaling \$543,456. The work is expected to be completed during fiscal year 2017.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

17. NET INVESTMENT IN CAPITAL ASSETS

Following is a summary of the net investment in capital assets, as presented in the government-wide statement of net position:

	Governmental Activities	Business-type Activities
Capital assets, net	\$ 16,832,552	\$ 19,650,035
Capital related bonds and purchase agreements	(2,280,000)	(7,134,062)
Deferred charges on refunding	-	178,117
Unamortized discount on bonds	25,620	-
Unamortized premium on bonds	-	(176,102)
	<u>\$ 14,578,172</u>	<u>\$ 12,517,988</u>
Total net investment in capital assets		

18. SUBSEQUENT EVENTS

In July 2016, the City issued \$5,000,000 in capital improvement and refunding bonds. The bonds were issued to fund capital improvements and refund two small bonds outstanding. The bonds are to be repaid through May 2032 with payments ranging from \$125,000 to \$500,000 and carry an interest rate of 2.00-2.35%. In addition, other postemployment benefits will be discontinued for all new hires after July 1, 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND LEDGE, MICHIGAN

Required Supplementary Information
Employees' Postemployment Benefits Plan

Schedule of Funding Progress
Other Postemployment Benefits Plan

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)
2011	\$ -	\$ 1,035,630	\$ 1,035,630	0.0%	\$ 1,979,209	52%
2012	-	1,164,401	1,164,401	0.0%	2,042,261	57%
2013	-	1,099,327	1,099,327	0.0%	1,994,742	55%
2014	-	1,095,678	1,095,678	0.0%	1,907,283	57%
2015	-	978,127	978,127	0.0%	1,940,153	50%
2016	-	988,347	988,347	0.0%	1,858,758	53%

Schedule of Employer Contributions
Other Postemployment Benefits Plan

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2011	\$ 104,766	14%
2012	114,221	13%
2013	109,451	11%
2014	105,344	13%
2015	99,205	12%
2016	96,278	12%

CITY OF GRAND LEDGE, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in City's Net Pension Liability and Related Ratios

	Fiscal Year Ended June 30,	
	2015	2016
Total pension liability		
Service cost	\$ 46,794	\$ 43,614
Interest	218,700	227,146
Differences between expected and actual experience	-	38,397
Changes of assumptions	-	141,091
Benefit payments, including refunds of employee contributions	(146,817)	(176,252)
Net change in total pension liability	<u>118,677</u>	<u>273,996</u>
Total pension liability, beginning of year	<u>2,700,922</u>	<u>2,819,599</u>
Total pension liability, end of year	<u>2,819,599</u>	<u>3,093,595</u>
Plan fiduciary net position		
Employer contributions	69,726	75,653
Employee contributions	36,699	34,472
Net investment income (loss)	104,984	(24,979)
Benefit payments, including refunds of employee contributions	(146,817)	(176,252)
Administrative expense	(3,854)	(3,725)
Net change in plan fiduciary net position	<u>60,738</u>	<u>(94,831)</u>
Plan fiduciary net position, beginning of year	<u>1,666,251</u>	<u>1,726,989</u>
Plan fiduciary net position, end of year	<u>1,726,989</u>	<u>1,632,158</u>
City's net pension liability	<u>\$ 1,092,610</u>	<u>\$ 1,461,437</u>
Plan fiduciary net position as a percentage of total pension liability	61.2%	52.8%
Covered-employee payroll	\$ 461,142	\$ 281,962
City's net pension liability as a percentage of covered-employee payroll	236.9%	518.3%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF GRAND LEDGE, MICHIGAN

Required Supplementary Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 2,819,599	\$ 1,726,989	\$ 1,092,610	61.2%	\$ 461,142	236.9%
2016	3,093,595	1,632,158	1,461,437	52.8%	281,962	518.3%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF GRAND LEDGE, MICHIGAN

Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2015	\$ 69,726	\$ 69,726	\$ -	\$ 461,142	15.1%
2016	75,653	75,653	-	281,962	26.8%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date December 31, 2015
 Notes Actuarially determined contribution rates are calculated as of the June 30 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry-age normal
 Amortization method Level percent of payroll, closed
 Remaining amortization period 23 years
 Asset valuation method Open; 10-year smoothed value of assets
 Inflation 2.5%
 Salary increases 4.5% in the long-term (2% and 2.5% for calendar years 2016 and 2017, respectively)
 Investment rate of return 8.25%
 Retirement age Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
 Mortality Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

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

CITY OF GRAND LEDGE, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			
	Parks and Recreation	Drug Forfeiture	Police Restricted	Airport Development
Assets				
Cash and cash equivalents	\$ 41,305	\$ 10,220	\$ 2,107	\$ 147,710
Taxes receivable	548	-	-	-
Accounts receivable	-	-	-	6,389
Prepaid items	16,000	-	-	-
Total assets	<u>\$ 57,853</u>	<u>\$ 10,220</u>	<u>\$ 2,107</u>	<u>\$ 154,099</u>
Liabilities				
Accounts payable	\$ 2,378	\$ 497	\$ -	\$ 2,277
Accrued liabilities	1,069	-	-	4,500
Total liabilities	<u>3,447</u>	<u>497</u>	<u>-</u>	<u>6,777</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	548	-	-	-
Fund balance				
Nonspendable	16,000	-	-	-
Restricted	37,858	9,723	2,107	147,322
Total fund balances	<u>53,858</u>	<u>9,723</u>	<u>2,107</u>	<u>147,322</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 57,853</u>	<u>\$ 10,220</u>	<u>\$ 2,107</u>	<u>\$ 154,099</u>



Debt Service Funds		
Island Bridge	2004 Capital Improvements	Total
\$ 920	\$ -	\$ 202,262
-	-	548
-	-	6,389
-	-	16,000
<u>\$ 920</u>	<u>\$ -</u>	<u>\$ 225,199</u>
\$ -	\$ -	\$ 5,152
-	-	5,569
-	-	10,721
-	-	548
-	-	16,000
<u>920</u>	<u>-</u>	<u>197,930</u>
<u>920</u>	<u>-</u>	<u>213,930</u>
<u>\$ 920</u>	<u>\$ -</u>	<u>\$ 225,199</u>

CITY OF GRAND LEDGE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2016

	Special Revenue Funds			
	Parks and Recreation	Drug Forfeiture	Police Restricted	Airport Development
Revenues				
Taxes	\$ 146,497	\$ -	\$ -	\$ -
Intergovernmental	-	-	3,054	-
Charges for services	20,677	-	-	63,407
Investment income	2,589	29	45	3,325
Other	11,998	1,173	-	1,513
Total revenues	181,761	1,202	3,099	68,245
Expenditures				
Current:				
General government	-	-	-	75,929
Public safety	-	318	2,529	-
Recreation and culture	156,658	-	-	-
Capital outlay	-	-	-	6,095
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	156,658	318	2,529	82,024
Revenues over (under) expenditures	25,103	884	570	(13,779)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(22,808)	-	(17,475)	-
Total other financing sources (uses)	(22,808)	-	(17,475)	-
Net changes in fund balances	2,295	884	(16,905)	(13,779)
Fund balances, beginning of year	51,563	8,839	19,012	161,101
Fund balances, end of year	\$ 53,858	\$ 9,723	\$ 2,107	\$ 147,322



Debt Service Fund		
Island Bridge	2004 Capital Improvements	Total
\$ -	\$ -	\$ 146,497
12,000	-	15,054
-	-	84,084
62	200	6,250
-	-	14,684
<u>12,062</u>	<u>200</u>	<u>266,569</u>
-	-	75,929
-	-	2,847
-	-	156,658
-	-	6,095
25,000	120,000	145,000
<u>10,058</u>	<u>4,620</u>	<u>14,678</u>
<u>35,058</u>	<u>124,620</u>	<u>401,207</u>
<u>(22,996)</u>	<u>(124,420)</u>	<u>(134,638)</u>
22,808	124,320	147,128
-	(12,483)	(52,766)
<u>22,808</u>	<u>111,837</u>	<u>94,362</u>
(188)	(12,583)	(40,276)
<u>1,108</u>	<u>12,583</u>	<u>254,206</u>
<u>\$ 920</u>	<u>\$ -</u>	<u>\$ 213,930</u>

CITY OF GRAND LEDGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Parks and Recreation Special Revenue Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 145,015	\$ 145,015	\$ 146,497	\$ 1,482
Intergovernmental	-	-	-	-
Charges for services	25,500	25,500	20,677	(4,823)
Investment income	100	100	2,589	2,489
Other	6,750	6,750	11,998	5,248
Total revenues	177,365	177,365	181,761	4,396
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Recreation and culture	151,683	169,283	156,658	(12,625)
Capital outlay	-	-	-	-
Total expenditures	151,683	169,283	156,658	(12,625)
Revenues over expenditures	25,682	8,082	25,103	17,021
Other financing uses				
Transfers out	(22,808)	(22,808)	(22,808)	-
Net change in fund balance	2,874	(14,726)	2,295	17,021
Fund balance, beginning of year	51,563	51,563	51,563	-
Fund balance, end of year	\$ 54,437	\$ 36,837	\$ 53,858	\$ 17,021

CITY OF GRAND LEDGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Drug Forfeiture Special Revenue Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	16	16	29	13
Other	-	-	1,173	1,173
Total revenues	16	16	1,202	1,186
Expenditures				
Current:				
General government	-	-	-	-
Public safety	320	320	318	(2)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	320	320	318	(2)
Revenues over (under) expenditures	(304)	(304)	884	1,188
Other financing uses				
Transfers out	-	-	-	-
Net change in fund balance	(304)	(304)	884	1,188
Fund balance, beginning of year	8,839	8,839	8,839	-
Fund balance, end of year	\$ 8,535	\$ 8,535	\$ 9,723	\$ 1,188

CITY OF GRAND LEDGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Police Restricted Special Revenue Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,545	3,054	1,509
Charges for services	-	-	-	-
Investment income	34	34	45	11
Other	-	-	-	-
Total revenues	34	1,579	3,099	1,520
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	3,019	2,529	(490)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	3,019	2,529	(490)
Revenues over (under) expenditures	34	(1,441)	570	2,011
Other financing uses				
Transfers out	-	(17,475)	(17,475)	-
Net change in fund balance	34	(18,916)	(16,905)	2,011
Fund balance, beginning of year	19,012	19,012	19,012	-
Fund balance, end of year	\$ 19,046	\$ 96	\$ 2,107	\$ 2,011

CITY OF GRAND LEDGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Airport Development Special Revenue Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	61,330	61,330	63,407	2,077
Investment income	200	200	3,325	3,125
Other	-	-	1,513	1,513
Total revenues	61,530	61,530	68,245	6,715
Expenditures				
Current:				
General government	53,525	82,025	75,929	(6,096)
Public safety	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	12,000	12,000	6,095	(5,905)
Total expenditures	65,525	94,025	82,024	(12,001)
Revenues under expenditures	(3,995)	(32,495)	(13,779)	18,716
Other financing uses				
Transfers out	-	-	-	-
Net change in fund balance	(3,995)	(32,495)	(13,779)	18,716
Fund balance, beginning of year	161,101	161,101	161,101	-
Fund balance, end of year	\$ 157,106	\$ 128,606	\$ 147,322	\$ 18,716

CITY OF GRAND LEDGE, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2016

	Equipment Operating	Employee Benefit	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 105,493	\$ 305,573	\$ 411,066
Accounts receivable	319	-	319
Due from other funds	13,818	-	13,818
Prepaid items	-	36,668	36,668
Total current assets	<u>119,630</u>	<u>342,241</u>	<u>461,871</u>
Capital assets, net	<u>319,364</u>	<u>-</u>	<u>319,364</u>
Total assets	<u>438,994</u>	<u>342,241</u>	<u>781,235</u>
Liabilities			
Current liabilities:			
Accounts payable	2,031	-	2,031
Accrued liabilities	3,396	5,566	8,962
Accrued compensated absences, current portion	795	-	795
Total current liabilities	<u>6,222</u>	<u>5,566</u>	<u>11,788</u>
Noncurrent liabilities - Accrued compensated absences, net of current portion	<u>5,830</u>	<u>-</u>	<u>5,830</u>
Total liabilities	<u>12,052</u>	<u>5,566</u>	<u>17,618</u>
Net position			
Investment in capital assets	319,364	-	319,364
Unrestricted	<u>107,578</u>	<u>336,675</u>	<u>444,253</u>
Total net position	<u>\$ 426,942</u>	<u>\$ 336,675</u>	<u>\$ 763,617</u>

CITY OF GRAND LEDGE, MICHIGAN

Combining Statement of Revenues, Expenses and

Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2016

	Equipment Operating	Employee Benefit	Total
Operating revenues			
Charges for services	\$ 342,846	\$ 766,076	\$ 1,108,922
Other revenue	473	-	473
Total operating revenues	<u>343,319</u>	<u>766,076</u>	<u>1,109,395</u>
Operating expenses			
Personnel	119,919	641,436	761,355
Repair and maintenance	56,701	-	56,701
Utilities	3,919	-	3,919
Other	39,745	-	39,745
Depreciation	43,861	-	43,861
Total operating expenses	<u>264,145</u>	<u>641,436</u>	<u>905,581</u>
Net operating income	<u>79,174</u>	<u>124,640</u>	<u>203,814</u>
Nonoperating revenues			
Investment income	5,408	439	5,847
Proceeds from sale of capital assets	15,282	-	15,282
Total nonoperating revenues	<u>20,690</u>	<u>439</u>	<u>21,129</u>
Change in net position	99,864	125,079	224,943
Net position, beginning of year	<u>327,078</u>	<u>211,596</u>	<u>538,674</u>
Net position, end of year	<u>\$ 426,942</u>	<u>\$ 336,675</u>	<u>\$ 763,617</u>

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CITY OF GRAND LEDGE, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2016

	Equipment Operating	Employee Benefit	Total
Cash flows from operating activities			
Receipts from interfund services	\$ 329,028	\$ 766,076	\$ 1,095,104
Payments to suppliers/claimants	(99,767)	(638,466)	(738,233)
Payments to employees	(117,598)	-	(117,598)
Net cash provided by operating activities	<u>111,663</u>	<u>127,610</u>	<u>239,273</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(51,590)	-	(51,590)
Proceeds from sale of capital assets	15,282	-	15,282
Net cash used by capital and related financing activities	<u>(36,308)</u>	<u>-</u>	<u>(36,308)</u>
Cash flows from investing activities			
Investment income	<u>5,408</u>	<u>439</u>	<u>5,847</u>
Net change in cash and cash equivalents	80,763	128,049	208,812
Cash and cash equivalents, beginning of year	<u>24,730</u>	<u>177,524</u>	<u>202,254</u>
Cash and cash equivalents, end of year	<u>\$ 105,493</u>	<u>\$ 305,573</u>	<u>\$ 411,066</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 79,174	\$ 124,640	\$ 203,814
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	43,861	-	43,861
Change in assets and liabilities:			
Accounts receivable	1,777	-	1,777
Prepaid items	-	2,110	2,110
Due from other funds	(13,818)	-	(13,818)
Accounts payable	(1,652)	(404)	(2,056)
Accrued liabilities	1,380	1,264	2,644
Accrued compensated absences	941	-	941
Net cash provided by operating activities	<u>\$ 111,663</u>	<u>\$ 127,610</u>	<u>\$ 239,273</u>

CITY OF GRAND LEDGE, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet

Downtown Development Authority

June 30, 2016

	Special Revenue	Debt Service	Capital Projects
Assets			
Cash and cash equivalents	\$ 172,820	\$ 7,285	\$ 276,374
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	172,981	7,285	276,374
Deferred outflows of resources			
Deferred charge on refunding	-	-	-
Total assets and deferred outflows of resources	\$ 172,981	\$ 7,285	\$ 276,374
Liabilities			
Accounts payable	\$ 9,187	\$ -	\$ -
Salaries payable	531	-	-
Accrued interest payable	-	-	-
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	9,718	-	-
Fund balances			
Restricted for debt service	-	7,285	-
Restricted for capital projects	-	-	276,374
Unassigned	163,263	-	-
Total fund balances	163,263	7,285	276,374
Total liabilities and fund balances	\$ 172,981	\$ 7,285	\$ 276,374
Net position			
Net investment in capital assets			
Restricted for debt service			
Restricted for capital projects			
Unrestricted			
Total net position			



Totals Governmental Funds	Adjustments	Statement of Net Position
\$ 456,479	\$ -	\$ 456,479
-	480,331	480,331
-	2,356,762	2,356,762
<hr/>	<hr/>	<hr/>
456,640	2,837,093	3,293,733
-	22,061	22,061
<hr/>	<hr/>	<hr/>
\$ 456,640	2,859,154	3,315,794
<hr/>	<hr/>	<hr/>
\$ 9,187	-	9,187
531	-	531
-	9,768	9,768
-	205,000	205,000
-	1,536,657	1,536,657
<hr/>	<hr/>	<hr/>
9,718	1,751,425	1,761,143
<hr/>	<hr/>	<hr/>
7,285	(7,285)	-
276,374	(276,374)	-
163,263	(163,263)	-
<hr/>	<hr/>	<hr/>
446,922	(446,922)	-
<hr/>	<hr/>	<hr/>
\$ 456,640		
<hr/>		
	1,095,436	1,095,436
	7,285	7,285
	276,374	276,374
	175,556	175,556
	<hr/>	<hr/>
	\$ 1,554,651	\$ 1,554,651
	<hr/>	<hr/>

CITY OF GRAND LEDGE, MICHIGAN

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances Downtown Development Authority For the Year Ended June 30, 2016

	Special Revenue	Debt Service	Capital Projects
Revenues			
Taxes	\$ 648,600	\$ -	\$ -
Interest	2,665	536	734
Other	1,572	-	-
Total revenues	652,837	536	734
Expenditures / expenses			
Economic development	237,276	-	-
Capital outlay	23,949	-	-
Debt service:			
Principal	-	256,152	-
Interest and fiscal charges	-	67,198	-
Total expenditures / expenses	261,225	323,350	-
Revenues over (under) expenditures/expenses	391,612	(322,814)	734
Other financing sources (uses)			
Transfers in	-	322,903	100,000
Transfers out	(422,903)	-	-
Total other financing sources (uses)	(422,903)	322,903	100,000
Net changes in fund balances / net position	(31,291)	89	100,734
Fund balances/net position			
Beginning of year	194,554	7,196	175,640
End of year	\$ 163,263	\$ 7,285	\$ 276,374



Totals Governmental Funds	Adjustments	Statement of Activities
\$ 648,600	\$ -	\$ 648,600
3,935	-	3,935
1,572	-	1,572
<u>654,107</u>	<u>-</u>	<u>654,107</u>
237,276	146,102	383,378
23,949	(23,949)	-
256,152	(256,152)	-
67,198	3,838	71,036
<u>584,575</u>	<u>(130,161)</u>	<u>454,414</u>
<u>69,532</u>	<u>130,161</u>	<u>199,693</u>
422,903	(422,903)	-
(422,903)	422,903	-
<u>-</u>	<u>-</u>	<u>-</u>
69,532	130,161	199,693
<u>377,390</u>	<u>977,568</u>	<u>1,354,958</u>
<u>\$ 446,922</u>	<u>\$ 1,107,729</u>	<u>\$ 1,554,651</u>

CITY OF GRAND LEDGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Special Revenue Fund

Downtown Development Authority

For the Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 678,982	\$ 678,982	\$ 648,600	\$ (30,382)
Interest	1,100	1,100	2,665	1,565
Other	100	100	1,572	1,472
Total revenues	680,182	680,182	652,837	(27,345)
Expenditures				
Economic development	273,258	294,308	237,276	(57,032)
Capital outlay	50,000	73,950	23,949	(50,001)
Total expenditures	323,258	368,258	261,225	(107,033)
Revenues over expenditures	356,924	311,924	391,612	79,688
Other financing uses				
Transfers out	(376,050)	(422,903)	(422,903)	-
Net changes in fund balance	(19,126)	(110,979)	(31,291)	79,688
Fund balance, beginning of year	194,554	194,554	194,554	-
Fund balance, end of year	\$ 175,428	\$ 83,575	\$ 163,263	\$ 79,688

CITY OF GRAND LEDGE, MICHIGAN

Statement of Net Position

Local Development Finance Authority

June 30, 2016

Assets

Current assets -

Cash and cash equivalents \$ 174,594

Noncurrent assets -

Capital assets not being depreciated 2,401,071

Total assets

2,575,665

Liabilities

Current liabilities:

Accounts payable and accrued expenses 1,689

Accrued interest payable 2,039

Long-term liabilities:

Due within one year 30,000

Due in more than one year 215,000

Total liabilities

248,728

Net position

Net investment in capital assets 2,156,071

Unrestricted 170,866

Total net position

\$ 2,326,937

CITY OF GRAND LEDGE, MICHIGAN

Statement of Activities

Local Development Finance Authority
For the Year Ended June 30, 2016

Operating revenues	
Property taxes	\$ 10,648
Other revenue	123
	<hr/>
Total operating revenues	10,771
Operating expenses	
Economic development	46,228
	<hr/>
Operating loss	(35,457)
Nonoperating revenue (expense)	
Intergovernmental revenue from primary government	80,000
Interest expense	(13,960)
Loss on disposal of capital assets	(59,554)
	<hr/>
Total nonoperating revenue	6,486
Change in net position	(28,971)
Net position, beginning of year	2,355,908
	<hr/>
Net position, end of year	\$ 2,326,937
	<hr/> <hr/>

CITY OF GRAND LEDGE, MICHIGAN

Statement of Cash Flows

Local Development Finance Authority
For the Year Ended June 30, 2016

Cash flows from operating activities	
Cash received from property taxes and other revenues	\$ 10,771
Cash payments to suppliers for goods and services	<u>(44,650)</u>
Net cash used by operating activities	<u>(33,879)</u>
Cash flows from noncapital financing activities	
Intergovernmental revenues from primary government	<u>80,000</u>
Cash flows from capital and related financing activities	
Long-term debt principal payments	(50,000)
Interest payments on long-term debt	(14,314)
Proceeds from sale of assets	<u>149,750</u>
Net cash provided by capital and related financing activities	<u>85,436</u>
Net change in cash and cash equivalents	131,557
Cash and cash equivalents, beginning of year	<u>43,037</u>
Cash and cash equivalents, end of year	<u>\$ 174,594</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (35,457)
Adjustments to reconcile operating loss to net cash used by operating activities -	
Change in assets and liabilities -	
Accounts payable and accrued liabilities	<u>1,578</u>
Net cash used by operating activities	<u>\$ (33,879)</u>

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