

City of Grand Ledge, Michigan

Year Ended
June 30, 2017

Financial
Statements

CITY OF GRAND LEDGE, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of Fund Balances for Governmental Funds to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	26
Municipal Streets Fund	28
Statement of Net Position - Proprietary Funds	30
Reconciliation of Net Position of Enterprise Funds to Net Position of Business-type Activities	31
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	32
Reconciliation of Change in Net Position of Enterprise Funds to Change in Net Position of Business-type Activities	33
Statement of Cash Flows - Proprietary Funds	34
Statement of Fiduciary Assets and Liabilities - Agency Funds	36
Combining Statement of Net Position - Component Units	37
Combining Statement of Activities - Component Units	38
Notes to Financial Statements	39
Required Supplementary Information:	
Employees' Postemployment Benefits Plan - Retiree Health - Schedule of Funding Progress and Employer Contributions	66
MERS Agent Multiple-Employer Defined Benefit Pension Plan:	
Schedule of Changes in City's Net Pension Liability and Related Ratios	67
Schedule of the Net Pension Liability	68
Schedule of Contributions	69

CITY OF GRAND LEDGE, MICHIGAN

Table of Contents

	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	72
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Nonmajor Governmental Funds	74
Combining Statement of Net Position - Internal Service Funds	80
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds	81
Combining Statement of Cash Flows - Internal Service Funds	82
Statement of Net Position and Governmental Funds Balance Sheet - Downtown Development Authority	84
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances - Downtown Development Authority	86
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue Fund - Downtown Development Authority	88
Statement of Net Position - Local Development Finance Authority	89
Statement of Activities - Local Development Finance Authority	90
Statement of Cash Flows - Local Development Finance Authority	91
 Internal Control and Compliance	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	95
 Schedule of Findings and Responses	97



INDEPENDENT AUDITORS' REPORT

September 12, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017 on our consideration of the City of Grand Ledge, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Rehmann Lobson LLC

This page intentionally left blank.

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, 2017.

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 \$30,496,161 (*net position*). Of this amount, \$1,155,746 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,238,176.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,817,822, an increase of \$2,986,773 from the prior year, of which \$1,229,642 is available for unrestricted spending (unassigned fund balance).
- Fund balance of the general fund increased by \$204,051 during the current fiscal year, which was \$39,790 more than anticipated in the final budget. At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,229,642 or 43.8% of total general fund expenditures and other financing uses.
- The City's total bonded debt (including capital lease for bonded debt through Eaton County) increased by \$3,450,000 during the current fiscal year. Capital Improvement and Refunding Bonds were issued in the amount of \$4,775,000.

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, municipal streets and capital projects funds, which are considered to be major funds. Data from the other eight 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 \$30,496,161 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (93.5 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 5,383,000	\$ 2,844,717	\$ 1,701,504	\$ 1,103,357	\$ 7,084,504	\$ 3,948,074
Capital assets	19,073,985	16,832,552	19,702,718	19,650,035	38,776,703	36,482,587
Total assets	<u>24,456,985</u>	<u>19,677,269</u>	<u>21,404,222</u>	<u>20,753,392</u>	<u>45,861,207</u>	<u>40,430,661</u>
Deferred outflows of resources	<u>210,455</u>	<u>348,024</u>	<u>155,852</u>	<u>178,117</u>	<u>366,307</u>	<u>526,141</u>
Long-term liabilities	6,630,874	2,442,487	6,734,058	7,398,532	13,364,932	9,841,019
Other liabilities	2,027,302	2,559,366	339,119	290,752	2,366,421	2,850,118
Total liabilities	<u>8,658,176</u>	<u>5,001,853</u>	<u>7,073,177</u>	<u>7,689,284</u>	<u>15,731,353</u>	<u>12,691,137</u>
Deferred inflows of resources	<u>-</u>	<u>7,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,680</u>
Net position:						
Net investment in capital assets	15,302,936	14,578,172	13,197,237	12,517,988	28,500,173	27,096,160
Restricted	840,242	806,510	-	-	840,242	806,510
Unrestricted (deficit)	<u>(133,914)</u>	<u>(368,922)</u>	<u>1,289,660</u>	<u>724,237</u>	<u>1,155,746</u>	<u>355,315</u>
Total net position	<u>\$16,009,264</u>	<u>\$15,015,760</u>	<u>\$14,486,897</u>	<u>\$13,242,225</u>	<u>\$30,496,161</u>	<u>\$28,257,985</u>

An additional portion of the City's net position (2.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (3.8 percent or \$1,155,746) 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.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 522,748	\$ 652,157	\$ 4,052,507	\$ 3,377,170	\$ 4,575,255	\$ 4,029,327
Operating grants and contributions	919,235	763,792	-	-	919,235	763,792
Capital grants and contributions	641,522	148,883	13,149	105,705	654,671	254,588
General revenues:						
Property taxes	2,436,257	2,410,013	-	-	2,436,257	2,410,013
Grants and unrestricted contributions	727,621	708,427	-	-	727,621	708,427
Other	42,190	42,520	30,363	47,926	72,553	90,446
Total revenues	<u>5,289,573</u>	<u>4,725,792</u>	<u>4,096,019</u>	<u>3,530,801</u>	<u>9,385,592</u>	<u>8,256,593</u>
Expenses:						
General government	1,070,670	1,190,871	-	-	1,070,670	1,190,871
Public safety	1,575,482	1,622,998	-	-	1,575,482	1,622,998
Highway and streets	1,223,204	1,009,360	-	-	1,223,204	1,009,360
Recreation and culture	247,701	201,956	-	-	247,701	201,956
Interest on long-term debt	179,012	16,745	-	-	179,012	16,745
Water and sewer	-	-	2,851,347	2,863,380	2,851,347	2,863,380
Total expenses	<u>4,296,069</u>	<u>4,041,930</u>	<u>2,851,347</u>	<u>2,863,380</u>	<u>7,147,416</u>	<u>6,905,310</u>
Change in net position	993,504	683,862	1,244,672	667,421	2,238,176	1,351,283
Net position:						
Beginning 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>
End of year	<u>\$16,009,264</u>	<u>\$15,015,760</u>	<u>\$14,486,897</u>	<u>\$13,242,225</u>	<u>\$30,496,161</u>	<u>\$28,257,985</u>

Governmental Activities. Governmental activities increased the City's net position by \$993,504, accounting for 44% of the total growth in the net position of the City. This represents a 6.6% increase in governmental activities net position and is partially the result of recognizing capital contributions for improvements to street infrastructure performed directly by the Michigan Department of Transportation.

Business-type Activities. Business-type activities increased the City's net position by \$1,244,672. This increase is primarily due to conservative spending and the application of a professional rate study. Designation of \$458,356 of the net position is for equipment replacement.

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 \$4,817,822, an increase of \$2,986,773 from the prior year. Of the total fund balance, 25.5% or \$1,229,642 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 \$3,467,694 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 reported 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 \$1,335,026, of which \$4,486 was classified as nonspendable, \$898 was restricted for recreation and culture activities, \$100,000 was committed for renewal and replacement expenditures for City Hall and the remaining \$1,229,642 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 40.8 percent of total general fund revenues and other financing sources. Total fund balance increased by \$204,051 during the current fiscal year, which was \$39,790 more than planned in the final budget.

The municipal streets fund had total restricted fund balance of \$237,356, an increase of \$47,132. The primary revenue source for this fund is a dedicated property tax millage. Any unspent amounts at year-end are restricted for future street projects.

The capital projects fund had restricted fund balance of \$2,640,147, which represents unexpended bond proceeds. The 2016 capital improvement bonds, issued in July 2016, are being used for street improvements and Downtown parking lots.

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 \$1,224,314. The fund had an increase in net position for the year of \$1,270,845. Factors related to this fund are addressed in the analysis for business-type activities.

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.

The most significant fluctuation with the final amended budget relates to capital improvements at City parks. Intergovernmental revenue was approximately \$177,000 over budget. This was primarily the result of a state grant for park improvements which was approved by City Council, but not included in the budget. Similarly, the related expenditures (which included the Jaycee Boat Launch and Oak Park Expansion), which totaled approximately \$314,000, also were approved by City Council, but not included in the 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, 2017, amounted to \$38,776,703 (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 13.3%, and for business-type activities increased 0.3%. Overall, total net capital assets for the City increased 6.3%.

Major capital asset events during the current fiscal year included infrastructure additions of over \$2.3 million for streets and over \$600,000 for water/sewer.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,714,194	\$ 1,629,394	\$ 546,764	\$ 546,764	\$ 2,260,958	\$ 2,176,158
Construction in progress	181,923	-	43,110	28,500	225,033	28,500
Land improvements	1,709,655	1,530,787	70,941	76,669	1,780,596	1,607,456
Buildings and systems	3,238,771	3,372,831	18,658,762	18,592,356	21,897,533	21,965,187
Equipment	705,427	664,408	383,141	405,746	1,088,568	1,070,154
Infrastructure	11,524,015	9,635,132	-	-	11,524,015	9,635,132
Total capital assets, net	<u>\$19,073,985</u>	<u>\$16,832,552</u>	<u>\$19,702,718</u>	<u>\$19,650,035</u>	<u>\$38,776,703</u>	<u>\$36,482,587</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 \$13,364,932. Of this amount, \$10,445,000 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.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 6,360,000	\$ 2,280,000	\$ -	\$ -	\$ 6,360,000	\$ 2,280,000
Revenue bonds	-	-	2,419,062	2,579,062	2,419,062	2,579,062
Capital lease	-	-	4,085,000	4,555,000	4,085,000	4,555,000
Unamortized premiums/ discounts	51,196	(25,620)	157,271	176,102	208,467	150,482
Compensated absences	219,678	188,107	72,725	88,368	292,403	276,475
Total long-term debt	<u>\$ 6,630,874</u>	<u>\$ 2,442,487</u>	<u>\$ 6,734,058</u>	<u>\$ 7,398,532</u>	<u>\$13,364,932</u>	<u>\$ 9,841,019</u>

The City's total debt increased by \$3,523,913 during the current fiscal year. This was primarily the result of issuing \$4,775,000 in 2016 Capital Improvement Bonds in governmental activities for streets and parking lots, less regularly scheduled principal payments.

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 \$23,240,700, which is significantly in excess of the City's outstanding general obligation debt of \$6,360,000.

CITY OF GRAND LEDGE, MICHIGAN

Management's Discussion and Analysis

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

Economic Factors and Next Year's Budgets and Rates

- Stagnant property tax revenue and state revenue sharing
- Increase in water/sewer rates effective July 1, 2017 to reflect 2.7% consumer price index
- Increase in per capita and per mile allotments for major and local street funding
- Contribution of \$150,000 to the trust established to advance-fund the City's retiree healthcare plan

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

CITY OF GRAND LEDGE, MICHIGAN

Statement of Net Position

June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 3,362,621	\$ 762,479	\$ 4,125,100	\$ 715,006
Investments	1,721,579	-	1,721,579	-
Receivables	298,714	873,679	1,172,393	-
Internal balances	(65,346)	65,346	-	-
Prepays	65,432	-	65,432	-
Capital assets not being depreciated	1,896,117	589,874	2,485,991	2,902,902
Capital assets being depreciated, net	17,177,868	19,112,844	36,290,712	2,210,661
Total assets	24,456,985	21,404,222	45,861,207	5,828,569
Deferred outflows of resources				
Deferred charge on refunding, net	-	155,852	155,852	22,451
Deferred pension amounts	210,455	-	210,455	-
Total deferred outflows of resources	210,455	155,852	366,307	22,451
Liabilities				
Accounts payable and accrued expenses	264,882	116,171	381,053	9,586
Accrued interest payable	23,706	36,521	60,227	9,554
Long-term debt:				
Due within one year	588,927	667,558	1,256,485	243,844
Due in more than one year	6,041,947	6,066,500	12,108,447	1,520,283
Net pension liability	1,367,292	-	1,367,292	-
Net other postemployment benefits obligation	371,422	186,427	557,849	-
Total liabilities	8,658,176	7,073,177	15,731,353	1,783,267
Net position				
Net investment in capital assets	15,302,936	13,197,237	28,500,173	3,371,887
Restricted for:				
Highways and streets	652,997	-	652,997	-
Drug enforcement	11,592	-	11,592	-
City parks	50,691	-	50,691	-
Airport development	124,962	-	124,962	-
Capital projects	-	-	-	231,527
Unrestricted (deficit)	(133,914)	1,289,660	1,155,746	464,339
Total net position	\$ 16,009,264	\$ 14,486,897	\$ 30,496,161	\$ 4,067,753

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, 2017

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	\$ 1,070,670	\$ 463,351	\$ 96,111	\$ -	\$ (511,208)
Public safety	1,575,482	39,576	3,812	-	(1,532,094)
Highways and streets	1,223,204	15,063	804,414	463,157	59,430
Recreation and cultural	247,701	4,758	14,898	178,365	(49,680)
Interest on long-term debt	179,012	-	-	-	(179,012)
Total governmental activities	<u>4,296,069</u>	<u>522,748</u>	<u>919,235</u>	<u>641,522</u>	<u>(2,212,564)</u>
Business-type activities -					
Water and sewer	<u>2,851,347</u>	<u>4,052,507</u>	<u>-</u>	<u>13,149</u>	<u>1,214,309</u>
Total primary government	<u>\$ 7,147,416</u>	<u>\$ 4,575,255</u>	<u>\$ 919,235</u>	<u>\$ 654,671</u>	<u>\$ (998,255)</u>
Component units					
Economic development	<u>\$ 694,789</u>	<u>\$ 10,805</u>	<u>\$ 177,861</u>	<u>\$ 30,000</u>	<u>\$ (476,123)</u>

continued...

CITY OF GRAND LEDGE, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net revenue (expense)	\$ (2,212,564)	\$ 1,214,309	\$ (998,255)	\$ (476,123)
General revenues:				
Property taxes	2,436,257	-	2,436,257	657,643
Grants and contributions not restricted to specific programs	727,621	-	727,621	-
Unrestricted investment earnings	42,190	30,363	72,553	4,645
Total general revenues	3,206,068	30,363	3,236,431	662,288
Change in net position	993,504	1,244,672	2,238,176	186,165
Net position, beginning of year	15,015,760	13,242,225	28,257,985	3,881,588
Net position, end of year	\$ 16,009,264	\$ 14,486,897	\$ 30,496,161	\$ 4,067,753

concluded

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

This page intentionally left blank.

CITY OF GRAND LEDGE, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2017

	General	Municipal Streets	Capital Projects
Assets			
Cash and cash equivalents	\$ 1,317,830	\$ 246,025	\$ 922,919
Investments	-	-	1,721,579
Receivables:			
Taxes	5,331	1,599	-
Special assessments	-	12,541	-
Accounts	44,120	-	2,759
Due from other governments	120,520	-	-
Prepaid items	4,486	-	-
Total assets	\$ 1,492,287	\$ 260,165	\$ 2,647,257
Liabilities			
Accounts payable	\$ 97,964	\$ 8,513	\$ 7,110
Accrued liabilities	53,966	156	-
Total liabilities	151,930	8,669	7,110
Deferred inflows of resources			
Unavailable revenue	5,331	14,140	-
Fund balances			
Nonspendable	4,486	-	-
Restricted for:			
Highways and streets	-	237,356	-
Drug enforcement	-	-	-
City parks	898	-	-
Airport development	-	-	-
Debt service	-	-	-
Capital projects	-	-	2,640,147
Committed for City Hall	100,000	-	-
Unassigned	1,229,642	-	-
Total fund balances	1,335,026	237,356	2,640,147
Total liabilities, deferred inflows of resources and fund balances	\$ 1,492,287	\$ 260,165	\$ 2,647,257

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



Other Governmental Funds	Totals Governmental Funds
\$ 509,594	\$ 2,996,368
-	1,721,579
533	7,463
-	12,541
240	47,119
110,781	231,301
16,000	20,486
<u>\$ 637,148</u>	<u>\$ 5,036,857</u>
\$ 12,910	\$ 126,497
18,412	72,534
<u>31,322</u>	<u>199,031</u>
<u>533</u>	<u>20,004</u>
16,000	20,486
415,641	652,997
11,592	11,592
33,793	34,691
124,962	124,962
3,305	3,305
-	2,640,147
-	100,000
-	1,229,642
<u>605,293</u>	<u>4,817,822</u>
<u>\$ 637,148</u>	<u>\$ 5,036,857</u>

This page intentionally left blank.

CITY OF GRAND LEDGE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2017

Fund balances - total governmental funds	\$ 4,817,822
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 not being depreciated	1,893,492
Capital assets being depreciated, net	16,807,996
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	645,748
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 inflows for long-term receivables	20,004
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(6,360,000)
Unamortized discounts/premiums on bonds payable	(51,196)
Accrued interest on bonds payable	(23,706)
Compensated absences	(212,637)
Net other postemployment benefits obligation	(371,422)
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	(1,367,292)
Deferred outflows related to the net pension liability	210,455
Net position of governmental activities	<u>\$ 16,009,264</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, 2017

	General	Municipal Streets	Capital Projects
Revenues			
Taxes	\$ 1,570,119	\$ 715,096	\$ -
Licenses and permits	264,262	-	-
Intergovernmental	942,245	-	-
Charges for services	7,708	-	-
Fines and forfeitures	14,948	-	-
Investment income	7,565	2,779	14,338
Other	205,373	1,270	-
Total revenues	3,012,220	719,145	14,338
Expenditures			
Current:			
General government	779,037	-	-
Public safety	1,523,535	-	-
Highway and streets	-	167,090	-
Recreation and culture	315,088	-	-
Capital outlay	-	-	1,794,185
Debt service:			
Principal	85,000	-	-
Interest and fiscal charges	54,575	-	89,025
Total expenditures	2,757,235	167,090	1,883,210
Revenue over (under) expenditures	254,985	552,055	(1,868,872)
Other financing sources (uses)			
Transfers in	-	250,000	-
Transfers out	(50,934)	(754,923)	(250,000)
Issuance of long-term debt	-	-	4,605,000
Issuance of refunding bonds	-	-	170,000
Premium on issuance of long-term debt	-	-	84,382
Payment to refunding bond escrow agent	-	-	(169,043)
Total other financing sources (uses)	(50,934)	(504,923)	4,440,339
Net changes in fund balances	204,051	47,132	2,571,467
Fund balances, beginning of year	1,130,975	190,224	68,680
Fund balances, end of year	\$ 1,335,026	\$ 237,356	\$ 2,640,147

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



Other Governmental Funds	Totals Governmental Funds
\$ 147,447	\$ 2,432,662
-	264,262
819,201	1,761,446
71,386	79,094
-	14,948
12,938	37,620
21,576	228,219
<u>1,072,548</u>	<u>4,818,251</u>
97,454	876,491
4,093	1,527,628
738,889	905,979
187,535	502,623
161,060	1,955,245
445,000	530,000
80,251	223,851
<u>1,714,282</u>	<u>6,521,817</u>
<u>(641,734)</u>	<u>(1,703,566)</u>
827,467	1,077,467
(21,610)	(1,077,467)
-	4,605,000
-	170,000
-	84,382
-	(169,043)
<u>805,857</u>	<u>4,690,339</u>
164,123	2,986,773
<u>441,170</u>	<u>1,831,049</u>
<u>\$ 605,293</u>	<u>\$ 4,817,822</u>

This page intentionally left blank.

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, 2017

Net change in fund balances - total governmental funds \$ 2,986,773

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

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

Capital assets purchased/constructed	2,297,371
Donated capital assets	463,157
Depreciation expense	(572,228)

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.

Issuance of long-term debt	(4,605,000)
Issuance of refunding bonds	(170,000)
Premium on issuance of long-term debt	(84,382)
Payment to refunding bond escrow agent	169,043
Principal payments on long-term liabilities	530,000

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 (loss) from governmental activities in internal service funds	(30,920)
Investment income from governmental internal service funds	4,570

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 receivable	3,595
---	-------

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 on bonds payable	(17,302)
Amortization of bond discounts/premiums	7,566
Change in net pension liability and related deferred amounts	(43,424)
Change in other postemployment benefit obligation	85,840
Change in the accrual for compensated absences	(31,155)

Change in net position of governmental activities \$ 993,504

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

CITY OF GRAND LEDGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - General Fund
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 1,547,261	\$ 1,567,261	\$ 1,570,119	\$ 2,858
Licenses and permits	223,495	268,495	264,262	(4,233)
Intergovernmental	764,771	764,771	942,245	177,474
Charges for services	10,698	10,698	7,708	(2,990)
Fines and forfeitures	16,800	16,800	14,948	(1,852)
Investment income	4,000	4,000	7,565	3,565
Other	155,133	180,450	205,373	24,923
Total revenues	<u>2,722,158</u>	<u>2,812,475</u>	<u>3,012,220</u>	<u>199,745</u>
Expenditures				
General government:				
Legislative	19,766	19,766	10,042	(9,724)
City administrator	204,477	204,477	188,522	(15,955)
Elections	20,100	20,100	17,381	(2,719)
Assessing	64,716	64,716	63,936	(780)
Attorney	25,000	25,000	20,863	(4,137)
City clerk	104,330	104,330	98,316	(6,014)
Finance	208,620	208,620	205,187	(3,433)
City hall	141,804	141,804	138,816	(2,988)
Recycling	25,020	25,020	22,129	(2,891)
Economic development	134,000	135,925	135,925	-
Other	313,474	375,791	368,545	(7,246)
Less reimbursements from other funds	(490,625)	(490,625)	(490,625)	-
Total general government	<u>770,682</u>	<u>834,924</u>	<u>779,037</u>	<u>(55,887)</u>
Public safety:				
Police	1,401,478	1,401,478	1,340,021	(61,457)
Building inspection	105,755	150,755	136,483	(14,272)
Zoning	50,015	50,015	47,031	(2,984)
Total public safety	<u>1,557,248</u>	<u>1,602,248</u>	<u>1,523,535</u>	<u>(78,713)</u>
Recreation and culture - parks and recreation	-	-	315,088	315,088
Debt service:				
Principal	85,000	85,000	85,000	-
Interest	54,580	54,580	54,575	(5)
Total debt service	<u>139,580</u>	<u>139,580</u>	<u>139,575</u>	<u>(5)</u>
Total expenditures	<u>2,467,510</u>	<u>2,576,752</u>	<u>2,757,235</u>	<u>180,483</u>
Revenues over expenditures	<u>254,648</u>	<u>235,723</u>	<u>254,985</u>	<u>19,262</u>

continued...

CITY OF GRAND LEDGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - General Fund
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing uses				
Transfers out	\$ (21,450)	\$ (71,462)	\$ (50,934)	\$ 20,528
Net change in fund balance	233,198	164,261	204,051	39,790
Fund balance, beginning of year	1,130,975	1,130,975	1,130,975	-
Fund balance, end of year	<u>\$ 1,364,173</u>	<u>\$ 1,295,236</u>	<u>\$ 1,335,026</u>	<u>\$ 39,790</u>

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 Balance

Budget and Actual - Municipal Streets Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 701,603	\$ 708,248	\$ 715,096	\$ 6,848
Investment income	2,305	2,305	2,779	474
Other	11,050	11,050	1,270	(9,780)
Total revenues	714,958	721,603	719,145	(2,458)
Expenditures				
Highways and streets	238,313	235,983	167,090	(68,893)
Revenues over expenditures	476,645	485,620	552,055	66,435
Other financing sources (uses)				
Transfers in	-	250,000	250,000	-
Transfers out	(745,948)	(754,923)	(754,923)	-
Total other financing sources (uses)	(745,948)	(504,923)	(504,923)	-
Net change in fund balance	(269,303)	(19,303)	47,132	66,435
Fund balance, beginning of year	190,224	190,224	190,224	-
Fund balance, end of year	\$ (79,079)	\$ 170,921	\$ 237,356	\$ 66,435

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

This page intentionally left blank.

CITY OF GRAND LEDGE, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2017

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 762,479	\$ 366,253
Accounts receivable	814,444	290
Special assessments receivable	3,807	-
Prepaid items	-	44,946
Total current assets	<u>1,580,730</u>	<u>411,489</u>
Noncurrent assets:		
Special assessments receivable	55,428	-
Capital assets not being depreciated	589,874	2,625
Capital assets being depreciated, net	19,112,844	369,872
Total noncurrent assets	<u>19,758,146</u>	<u>372,497</u>
Total assets	<u>21,338,876</u>	<u>783,986</u>
Deferred outflows of resources		
Deferred charge on refunding, net	<u>155,852</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	76,108	55,182
Accrued liabilities	40,063	10,669
Accrued interest payable	36,521	-
Accrued compensated absences, current portion	8,727	845
Bonds and leases payable, current portion	658,831	-
Total current liabilities	<u>820,250</u>	<u>66,696</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	63,998	6,196
Bonds and leases payable, net of current portion	6,002,502	-
Other postemployment benefit obligation	186,427	-
Total noncurrent liabilities	<u>6,252,927</u>	<u>6,196</u>
Total liabilities	<u>7,073,177</u>	<u>72,892</u>
Net position		
Net investment in capital assets	13,197,237	372,497
Unrestricted	<u>1,224,314</u>	<u>338,597</u>
Total net position	<u>\$ 14,421,551</u>	<u>\$ 711,094</u>

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

CITY OF GRAND LEDGE, MICHIGAN

Reconciliation

Net Position of Enterprise Funds
to Net Position of Business-type Activities
June 30, 2017

Net position - enterprise fund	\$ 14,421,551
--------------------------------	---------------

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

65,346

Net position of business-type activities

\$ 14,486,897

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, 2017

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Operating revenues		
Charges for services:		
Water operations	\$ 1,981,732	\$ -
Sewer operations	2,070,775	-
Internal operations	-	1,027,118
Other revenue	-	190
Total operating revenues	<u>4,052,507</u>	<u>1,027,308</u>
Operating expenses		
Personnel	854,469	915,648
Repair and maintenance	365,876	66,376
Utilities	215,626	3,498
Other	635,516	42,991
Depreciation	593,871	55,888
Total operating expenses	<u>2,665,358</u>	<u>1,084,401</u>
Operating income (loss)	<u>1,387,149</u>	<u>(57,093)</u>
Nonoperating revenue (expense)		
Intergovernmental revenue	13,149	-
Investment income	30,363	4,570
Interest expense	(159,816)	-
Total nonoperating revenue (expense)	<u>(116,304)</u>	<u>4,570</u>
Change in net position	1,270,845	(52,523)
Net position, beginning of year	<u>13,150,706</u>	<u>763,617</u>
Net position, end of year	<u>\$ 14,421,551</u>	<u>\$ 711,094</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, 2017

Change in net position - enterprise fund	\$ 1,270,845
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 and business-type activities.	
Operating income (loss) from internal service fund related to enterprise fund	<u>(26,173)</u>
Change in net position of business-type activities	<u><u>\$ 1,244,672</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, 2017

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Cash flows from operating activities		
Cash received from customers	\$ 4,012,869	\$ -
Cash received from interfund services	-	1,040,936
Cash payments to suppliers for goods and services	(1,177,591)	(878,714)
Cash payments to employees	(759,656)	(102,584)
Cash payments for interfund services	(276,554)	-
Net cash provided by operating activities	<u>1,799,068</u>	<u>59,638</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(646,554)	(109,021)
Intergovernmental grants	13,149	-
Principal payments on long-term debt	(630,000)	-
Interest payments on long-term debt	(159,732)	-
Net cash used by capital and related financing activities	<u>(1,423,137)</u>	<u>(109,021)</u>
Cash flows from investing activities		
Interest on investments	<u>30,363</u>	<u>4,570</u>
Net change in cash and cash equivalents	406,294	(44,813)
Cash and cash equivalents, beginning of year	<u>356,185</u>	<u>411,066</u>
Cash and cash equivalents, end of year	<u>\$ 762,479</u>	<u>\$ 366,253</u>

continued...

CITY OF GRAND LEDGE, MICHIGAN

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2017

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 1,387,149	\$ (57,093)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	593,871	55,888
Change in assets and liabilities:		
Accounts receivable	(43,445)	29
Prepaid items	-	(8,278)
Special assessments receivable	3,807	-
Due to/from other funds	(178,388)	13,818
Accounts payable	39,427	53,151
Accrued liabilities	3,711	1,707
Accrued compensated absences	(15,643)	416
Other postemployment benefits obligation	8,579	-
Net cash provided by operating activities	<u>\$ 1,799,068</u>	<u>\$ 59,638</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, 2017

Assets	
Cash and cash equivalents	<u>\$ 3,002</u>
Liabilities	
Undistributed receipts	<u>\$ 3,002</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, 2017

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and cash equivalents	\$ 445,711	\$ 269,295	\$ 715,006
Capital assets not being depreciated	480,331	2,422,571	2,902,902
Capital assets being depreciated, net	2,210,661	-	2,210,661
Total assets	3,136,703	2,691,866	5,828,569
Deferred outflows of resources			
Deferred charge on refunding	17,649	4,802	22,451
Liabilities			
Accounts payable and accrued expenses	9,244	342	9,586
Accrued interest payable	8,821	733	9,554
Long-term debt:			
Due within one year	207,942	35,902	243,844
Due in more than one year	1,330,773	189,510	1,520,283
Total liabilities	1,556,780	226,487	1,783,267
Net position			
Net investment in capital assets	1,169,926	2,201,961	3,371,887
Restricted for capital projects	231,527	-	231,527
Unrestricted	196,119	268,220	464,339
Total net position	\$ 1,597,572	\$ 2,470,181	\$ 4,067,753

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, 2017

	Downtown Development Authority	Local Development Finance Authority	Total
Expenses			
Economic development	\$ 653,665	\$ 41,124	\$ 694,789
Program revenues			
Charges for services	10,805	-	10,805
Operating grants and contributions	43,861	134,000	177,861
Capital grants and contributions	-	30,000	30,000
Total program revenues	54,666	164,000	218,666
Net program expenses	(598,999)	122,876	(476,123)
General revenues			
Property taxes	638,179	19,464	657,643
Unrestricted investment earnings	3,741	904	4,645
Total general revenues	641,920	20,368	662,288
Change in net position	42,921	143,244	186,165
Net position, beginning of year	1,554,651	2,326,937	3,881,588
Net position, end of year	\$ 1,597,572	\$ 2,470,181	\$ 4,067,753

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. Separate financial statements are not issued.

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, 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 *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.

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.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

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

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 are reported at fair value and are comprised of a local unit investment pool.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

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 acquisition cost 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.

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

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

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

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 charge 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 straight-line 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.

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.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

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.

City Council desires to maintain an unassigned fund balance level of 25% of annual budgeted general fund expenditures (less non-recurring capital expenditures).

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.

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.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

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.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2017, the government had the following expenditures in excess of the amounts appropriated at the legal level of budgetary control:

	Final Budget	Actual	Over Budget
General fund -			
Recreation and culture - parks and recreation	\$ -	\$ 315,088	\$ 315,088

4. 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	Fiduciary Funds	Component Units	Totals
State of net position				
Cash and cash equivalents	\$ 4,125,100	\$ 3,002	\$ 715,006	\$ 4,843,108
Investments	1,721,579	-	-	1,721,579
	<u>\$ 5,846,679</u>	<u>\$ 3,002</u>	<u>\$ 715,006</u>	<u>\$ 6,564,687</u>
Deposits and investments				
Checking/savings accounts				\$ 3,919,408
Certificates of deposit (due in 1-5 years)				1,721,579
Investments - local government investment pool				923,150
Cash on hand				<u>550</u>
Total				<u>\$ 6,564,687</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

The City's investments are in the Michigan Cooperative Liquid Assets Securities System ("Michigan CLASS"), a local government investment pool.

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Michigan CLASS investment does not have a stated maturity date.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City's investment policy. As of year-end, \$5,284,492 of the City's bank balance of \$5,784,492 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimized this risk by prequalifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the City's investment policy. The City is exposed to no custodial credit risk on its investments because they are held in the name of the City.

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

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs - other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. The City's investments in the Michigan CLASS fund are level 2 inputs.

5. RECEIVABLES

Receivables in the governmental activities are 77 percent due from other governments and 23 percent other receivables. Business-type activities receivables are 93 percent due from customers and 7 percent other receivables.

Special assessment receivables of \$8,672 and \$55,428 in governmental activities and business-type activities, respectively, are not expected to be collected within one year.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in governmental activities were as follows:

Governmental funds	
Delinquent personal property taxes receivable	\$ 7,463
Special assessments receivable	12,541
	<hr/>
Total	<u>\$ 20,004</u>

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,629,394	\$ 84,800	\$ -	\$ 1,714,194
Construction in progress	-	181,923	-	181,923
	<hr/>	<hr/>	<hr/>	<hr/>
	1,629,394	266,723	-	1,896,117
Capital assets being depreciated:				
Land improvements	2,411,245	260,732	-	2,671,977
Buildings	4,665,494	-	-	4,665,494
Equipment	1,671,587	145,770	-	1,817,357
Infrastructure	13,175,747	2,196,324	-	15,372,071
	<hr/>	<hr/>	<hr/>	<hr/>
	21,924,073	2,602,826	-	24,526,899
Less accumulated depreciation for:				
Land improvements	(880,458)	(81,864)	-	(962,322)
Buildings	(1,292,663)	(134,060)	-	(1,426,723)
Equipment	(1,007,179)	(104,751)	-	(1,111,930)
Infrastructure	(3,540,615)	(307,441)	-	(3,848,056)
	<hr/>	<hr/>	<hr/>	<hr/>
	(6,720,915)	(628,116)	-	(7,349,031)
Total capital assets being depreciated, net	<hr/>	<hr/>	<hr/>	<hr/>
	15,203,158	1,974,710	-	17,177,868
Governmental activities capital assets, net	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 16,832,552	\$ 2,241,433	\$ -	\$ 19,073,985

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type Activities				
Capital assets not being depreciated -				
Land	\$ 546,764	\$ -	\$ -	\$ 546,764
Construction in progress	28,500	14,610	-	43,110
	<u>575,264</u>	<u>14,610</u>	<u>-</u>	<u>589,874</u>
Capital assets being depreciated:				
Land improvements	143,213	-	-	143,213
Buildings and systems	29,127,785	608,554	-	29,736,339
Equipment	804,074	23,390	-	827,464
	<u>30,075,072</u>	<u>631,944</u>	<u>-</u>	<u>30,707,016</u>
Less accumulated depreciation for:				
Land improvements	(66,544)	(5,728)	-	(72,272)
Building and systems	(10,535,429)	(542,148)	-	(11,077,577)
Equipment	(398,328)	(45,995)	-	(444,323)
	<u>(11,000,301)</u>	<u>(593,871)</u>	<u>-</u>	<u>(11,594,172)</u>
Total capital assets being depreciated, net	<u>19,074,771</u>	<u>38,073</u>	<u>-</u>	<u>19,112,844</u>
Business-type activities capital assets, net	<u>\$ 19,650,035</u>	<u>\$ 52,683</u>	<u>\$ -</u>	<u>\$ 19,702,718</u>

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

Governmental activities:

General government	\$ 156,784
Public safety	25,364
Highways and streets, including depreciation of general infrastructure assets	327,547
Recreation and cultural	62,533
Capital assets held by the government's internal service funds are charged to the various function based on their usage of the assets	<u>55,888</u>

Total depreciation expense - governmental activities

\$ 628,116

Business-type activities -

Water and sewer	<u>\$ 593,871</u>
-----------------	-------------------

At June 30, 2017, the City had remaining commitments on construction projects of \$1,085,252 in governmental activities.

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, 2017, 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	56,193	-	-	56,193
	<u>3,606,933</u>	<u>-</u>	<u>-</u>	<u>3,606,933</u>
Less accumulated depreciation for:				
Land improvements	(1,230,368)	(140,482)	-	(1,370,850)
Buildings	(13,538)	(1,934)	-	(15,472)
Equipment	(6,265)	(3,685)	-	(9,950)
	<u>(1,250,171)</u>	<u>(146,101)</u>	<u>-</u>	<u>(1,396,272)</u>
Total capital assets being depreciated, net	<u>2,356,762</u>	<u>(146,101)</u>	<u>-</u>	<u>2,210,661</u>
DDA capital assets, net	<u>\$ 2,837,093</u>	<u>\$ (146,101)</u>	<u>\$ -</u>	<u>\$ 2,690,992</u>
Local Development Finance Authority				
Capital assets, not being depreciated -				
Land	\$ 2,401,071	\$ 21,500	\$ -	\$ 2,422,571

7. PAYABLES

Payables in the governmental activities are 69 percent vendors and 31 percent payroll and deposits. Business-type activities payables are 66 percent vendors and 34 percent payroll and deposits.

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

An interfund balance existed between governmental activities and business-type activities in the amount of \$65,346. This resulted from the allocation of a portion of internal service fund net position of governmental-type internal service funds to business-type activities.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

For the year ended June 30, 2017, interfund transfers consisted of the following:

Transfers In	Transfers Out				Totals
	General Fund	Municipal Streets	Capital Projects	Nonmajor Governmental Funds	
Municipal streets	\$ -	\$ -	\$ 250,000	\$ -	\$ 250,000
Nonmajor governmental funds	50,934	754,923	-	21,610	827,467
	<u>\$ 50,934</u>	<u>\$ 754,923</u>	<u>\$ 250,000</u>	<u>\$ 21,610</u>	<u>\$ 1,077,467</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.

9. 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 \$7,055,000.

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:		
2013 capital improvement	1.0-3.25%	\$ 2,030,000
2016 bridge improvement refunding	2.0%	140,000
2016 capital improvement	2.0% - 2.35%	<u>4,190,000</u>
		<u>\$ 6,360,000</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

	Interest Rates	Amount
Component units:		
DDA		
2010 GO bonds	2.25-4.0%	\$ 1,225,000
2011 refunding bonds	2.72%	330,000
		<u>1,555,000</u>
LDFA		
2016 refunding bonds	2.0%	220,000
		<u>\$ 1,775,000</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
2018	\$ 555,000	\$ 142,231	\$ 245,000	\$ 57,328
2019	550,000	131,986	260,000	50,552
2020	560,000	121,661	260,000	43,220
2021	545,000	110,936	270,000	35,450
2022	340,000	100,386	195,000	27,188
2023-2027	1,675,000	93,743	545,000	41,570
2028-2032	1,830,000	86,918	-	-
2033-2034	305,000	79,868	-	-
	<u>\$ 6,360,000</u>	<u>\$ 867,729</u>	<u>\$ 1,775,000</u>	<u>\$ 255,308</u>

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>\$ 2,419,062</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest
2018	\$ 160,000	\$ 60,476
2019	165,000	56,476
2020	170,000	52,352
2021	175,000	48,102
2022	180,000	43,726
2023-2027	950,000	149,134
2027-2030	619,062	31,304
	<u>\$ 2,419,062</u>	<u>\$ 441,570</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>\$ 4,085,000</u>

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

Year Ended June 30,	Business-type Activities	
	Principal	Interest
2018	\$ 480,000	\$ 85,606
2019	485,000	76,006
2020	495,000	66,306
2021	505,000	56,406
2022	515,000	46,306
2023-2025	1,605,000	73,932
	<u>\$ 4,085,000</u>	<u>\$ 404,562</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	\$ 2,280,000	\$ 4,775,000	\$ (695,000)	\$ 6,360,000	\$ 555,000
Compensated absences	188,107	193,750	(162,179)	219,678	26,361
Unamortized bond discounts and premiums, net	(25,620)	84,382	(7,566)	51,196	7,566
	<u>\$ 2,442,487</u>	<u>\$ 5,053,132</u>	<u>\$ (864,745)</u>	<u>\$ 6,630,874</u>	<u>\$ 588,927</u>
Business-type Activities:					
Revenue bonds	\$ 2,579,062	\$ -	\$ (160,000)	\$ 2,419,062	\$ 160,000
Capital leases	4,555,000	-	(470,000)	4,085,000	480,000
	<u>7,134,062</u>	<u>-</u>	<u>(630,000)</u>	<u>6,504,062</u>	<u>640,000</u>
Compensated absences	88,368	91,019	(106,662)	72,725	8,727
Unamortized bond discounts and premiums, net	176,102	-	(18,831)	157,271	18,831
	<u>\$ 7,398,532</u>	<u>\$ 91,019</u>	<u>\$ (755,493)</u>	<u>\$ 6,734,058</u>	<u>\$ 667,558</u>
Component Units					
DDA:					
General obligation bonds	\$ 1,760,000	\$ -	\$ (205,000)	\$ 1,555,000	\$ 210,000
Unamortized bond discounts and premiums, net	(18,343)	-	2,058	(16,285)	(2,058)
	<u>\$ 1,741,657</u>	<u>\$ -</u>	<u>\$ (202,942)</u>	<u>\$ 1,538,715</u>	<u>\$ 207,942</u>
LDFA -					
General obligation bonds	\$ 245,000	\$ 225,000	\$ (250,000)	\$ 220,000	\$ 35,000
Unamortized bond discounts and premiums, net	-	6,314	(902)	5,412	902
	<u>\$ 245,000</u>	<u>\$ 231,314</u>	<u>\$ (250,902)</u>	<u>\$ 225,412</u>	<u>\$ 35,902</u>

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

Pledged Revenue. The City has pledged future water customer revenues, net of specified operating expenses, to repay \$2,419,062 in drinking water revolving fund bonds issued in 2010. Proceeds from the bonds provided financing for improvements to the City's water distribution system. The bonds are payable solely from water customer net revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require less than 10 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,860,632. Principal and interest paid for the current year and total customer net revenues were \$224,477 and \$1,981,732, respectively.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Advance Refunding. During the year ended June 30, 2017, the City issued \$395,000 in 2016 Refunding Bonds to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$165,000 of 2002 Bridge Improvement Bonds (governmental activities) and \$215,000 of 2002 Industrial Park Capital Improvement Bonds (LDFA). As a result of the refunding, the bonds are considered defeased and the liability has been removed from the statement of net position. The governmental activities refunding resulted in a savings of \$14,457 and an economic gain of \$13,669. The LDFA refunding resulted in a savings of \$23,531 and an economic gain of \$24,097. Prior to June 30, 2017, the bonds were called and repaid in full from the escrow. Accordingly, no defeased bonds are outstanding at year-end.

10. 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, 2017, 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.

11. 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 2016 taxable value of real and personal property in the City totaled \$206,580,008 (not including properties subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2016-17 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.

Tax Abatements

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the City in fiscal year 2017 amounted to \$3,791.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

12. 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, 2017, the date of the latest valuation, the Plan covered 40 members (35 active plan members and 5 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, 2017, the City contributed \$174,903 to the Plan (\$24,903 for the City’s share of retiree premiums plus an additional \$150,000 in advance funding). Retirees receiving benefits contributed \$24,849 or 50 percent of the total premiums through their required contribution.

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	\$ 109,451
Interest on net OPEB obligation	12,702
Adjustment to annual required contribution	<u>(24,511)</u>
Net OPEB cost	97,642
Contributions made	<u>(174,903)</u>
Change in net OPEB obligation	(77,261)
Net OPEB obligation, beginning of year	<u>635,110</u>
Net OPEB obligation, end of year	<u>\$ 557,849</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 and the prior two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 91,935	13%	\$ 560,018
2016	86,870	13%	635,110
2017	97,642	179%	557,849

Funded Status and Funding Progress. As of June 30, 2017, the most recent actuarial valuation date, the plan was 18% funded. The actuarial accrued liability for benefits was \$937,523, and the actuarial value of assets was \$165,798, resulting in an unfunded actuarial accrued liability (UAAL) of \$771,725. The covered payroll (annual payroll for active employees covered by the plan) was \$1,890,961 and the ratio for the unfunded actuarial accrued liability to the covered payroll was 41%.

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.

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.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

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 - 2017 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, 2017, was 30 years.

13. DEFINED BENEFIT PENSION PLAN

General Information About the Plan

Plan Description. The City'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 55 with 25 years of service. Early retirement with a reduced benefit is available at age 50 with 25 years of service or age 55 with 15 years of service.

Employees Covered by Benefit Terms. At December 31, 2016, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>11</u>
Total membership	<u><u>20</u></u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

Contributions. The City 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 \$6,483 per month for the closed division and 4.48% of annual payroll for the open division. In addition, the employer may establish contribution rates to be paid by its covered employees. Currently, member contributions range from 0% to 9.4%.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment expense and including inflation

Although no explicit price inflation assumption is used in the valuation, the long-term annual rate of price inflation implicit in the 3.75% base wage inflation is 2.5%.

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

The actuarial assumptions used in valuation 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.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

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%	0.51%
Diversifying strategies	<u>10.00%</u>	6.56%	0.66%
	<u><u>100.00%</u></u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>8.00%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2016 was 8.0% (down from 8.25% in 2015). 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, 2015	\$ 3,093,595	\$ 1,632,158	\$ 1,461,437
Changes for the year:			
Service cost	40,439	-	40,439
Interest	242,190	-	242,190
Differences between expected and actual experience	22,281	-	22,281
Employer contributions	-	183,631	(183,631)
Employee contributions	-	26,800	(26,800)
Net investment income	-	192,400	(192,400)
Benefit payments, including refunds of employee contributions	(172,872)	(172,872)	-
Administrative expense	-	(3,776)	3,776
Net changes	<u>132,038</u>	<u>226,183</u>	<u>(94,145)</u>
Balances at December 31, 2016	<u>\$ 3,225,633</u>	<u>\$ 1,858,341</u>	<u>\$ 1,367,292</u>

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 8.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's net pension liability	\$ 1,741,568	\$ 1,367,292	\$ 1,059,387

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, 2017, the City recognized pension expense of \$187,731. The City reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 44,694	\$ -	\$ 44,694
Changes in assumptions	94,061	-	94,061
Net difference between projected and actual earnings on pension plan investments	62,626	-	62,626
	<u>201,381</u>	<u>-</u>	<u>201,381</u>
Contributions subsequent to the measurement date	9,074	-	9,074
	<u>210,455</u>	<u>-</u>	<u>210,455</u>
Total	<u>\$ 210,455</u>	<u>\$ -</u>	<u>\$ 210,455</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, 2018. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 60,049
2019	60,050
2020	53,920
2021	20,997
2022	3,183
2023	<u>3,182</u>
Total	<u>\$ 201,381</u>

Payable to the Pension Plan. At June 30, 2017, there were no amounts outstanding by the City for contributions to the pension plan required for the year then ended.

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

14. 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.

Employer contributions to the plan for the year ended June 30, 2017 amounted to \$127,677.

15. 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.

16. 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, 2017, the City reported revenue from building permits of \$136,089 and related expenditures for inspections of \$136,483, resulting in a cumulative shortfall of \$25,406 as summarized below:

Cumulative shortfall at June 30, 2016	\$ (25,012)
Building permit revenue	136,089
Expenditures-professional services	<u>(136,483)</u>
Cumulative shortfall at June 30, 2017	<u>\$ (25,406)</u>

17. COMMITMENTS AND CONTINGENCIES

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

CITY OF GRAND LEDGE, MICHIGAN

Notes to Financial Statements

18. 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:		
Capital assets not being depreciated	\$ 1,896,117	\$ 589,874
Capital assets being depreciated, net	<u>17,177,868</u>	<u>19,112,844</u>
	<u>19,073,985</u>	<u>19,702,718</u>
Related debt:		
Total installment debt	6,360,000	6,504,062
Deferred charges on refunding	-	(155,852)
Unamortized discounts and premiums on bonds	51,196	157,271
Unexpended bond proceeds	<u>(2,640,147)</u>	<u>-</u>
	<u>3,771,049</u>	<u>6,505,481</u>
 Total net investment in capital assets	 <u>\$ 15,302,936</u>	 <u>\$ 13,197,237</u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND LEDGE, MICHIGAN

Required Supplementary Information
 Employees' Postemployment Benefits Plan - Retiree Health

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)
06/30/2015	\$ -	\$ 978,127	\$ 978,127	0.0%	\$ 1,940,153	50%
06/30/2016	-	988,347	988,347	0.0%	1,858,758	53%
06/30/2017	165,798	937,523	771,725	17.7%	1,890,961	41%

Schedule of Employer Contributions
 Other Postemployment Benefits Plan

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2015	\$ 99,205	12%
2016	96,278	12%
2017	109,451	160%

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	2017
Total pension liability			
Service cost	\$ 46,794	\$ 43,614	\$ 40,439
Interest	218,700	227,146	242,190
Differences between expected and actual experience	-	38,397	22,281
Changes of assumptions	-	141,091	-
Benefit payments, including refunds of employee contributions	(146,817)	(176,252)	(172,872)
Net change in total pension liability	118,677	273,996	132,038
Total pension liability, beginning of year	2,700,922	2,819,599	3,093,595
Total pension liability, end of year	2,819,599	3,093,595	3,225,633
Plan fiduciary net position			
Employer contributions	69,726	75,653	183,631
Employee contributions	36,699	34,472	26,800
Net investment income (loss)	104,984	(24,979)	192,400
Benefit payments, including refunds of employee contributions	(146,817)	(176,252)	(172,872)
Administrative expense	(3,854)	(3,725)	(3,776)
Net change in plan fiduciary net position	60,738	(94,831)	226,183
Plan fiduciary net position, beginning of year	1,666,251	1,726,989	1,632,158
Plan fiduciary net position, end of year	1,726,989	1,632,158	1,858,341
City's net pension liability	\$ 1,092,610	\$ 1,461,437	\$ 1,367,292
Plan fiduciary net position as a percentage of total pension liability	61.2%	52.8%	57.6%
Covered payroll	\$ 461,142	\$ 477,402	\$ 513,565
City's net pension liability as a percentage of covered payroll	236.9%	306.1%	266.2%

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 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%	477,402	306.1%
2017	3,225,633	1,858,341	1,367,292	57.6%	513,565	266.2%

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 Payroll	Contributions as Percentage of Covered Payroll
2015	\$ 69,726	\$ 69,726	\$ -	\$ 461,142	15.1%
2016	75,653	75,653	-	543,715	13.9%
2017	90,446	148,898	(58,452)	512,333	29.1%

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 Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (for 2017, based on the 12/31/2014 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	24 years
Asset valuation method	Open; 10-year smooth market
Inflation	3.0% to 4.0%
Salary increases	4.5% in the long-term (2.0% and 3.0% for calendars years 2015 and 2016, respectively)
Investment rate of return	8.0%, net of investment and administrative expense including inflation
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, 2009 actuarial valuations. The Early Retirement rates were first used for the December 31, 2011 actuarial valuations.
Mortality	1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

CITY OF GRAND LEDGE, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue			
	Parks and Recreation	Major Streets	Local Streets	Drug Forfeiture
Assets				
Cash and cash equivalents	\$ 38,288	\$ 200,623	\$ 122,657	\$ 8,546
Taxes receivable	533	-	-	-
Accounts receivable	-	120	120	-
Due from other governments	-	79,180	31,601	-
Prepaid items	16,000	-	-	-
Total assets	<u>\$ 54,821</u>	<u>\$ 279,923</u>	<u>\$ 154,378</u>	<u>\$ 8,546</u>
Liabilities				
Accounts payable	\$ 573	\$ 3,258	\$ 5,412	\$ -
Accrued liabilities	3,922	4,154	5,836	-
Total liabilities	<u>4,495</u>	<u>7,412</u>	<u>11,248</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue	533	-	-	-
Fund balance				
Nonspendable	16,000	-	-	-
Restricted	33,793	272,511	143,130	8,546
Total fund balances	<u>49,793</u>	<u>272,511</u>	<u>143,130</u>	<u>8,546</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 54,821</u>	<u>\$ 279,923</u>	<u>\$ 154,378</u>	<u>\$ 8,546</u>



Special Revenue		Debt Service Funds			
Police Restricted	Airport Development	Island Bridge	2016 Bonds		Total
\$ 3,046	\$ 133,129	\$ 1,808	\$ 1,497	\$	509,594
-	-	-	-		533
-	-	-	-		240
-	-	-	-		110,781
-	-	-	-		16,000
<u>\$ 3,046</u>	<u>\$ 133,129</u>	<u>\$ 1,808</u>	<u>\$ 1,497</u>	<u>\$</u>	<u>637,148</u>
\$ -	\$ 3,667	\$ -	\$ -	\$	12,910
-	4,500	-	-		18,412
-	8,167	-	-		31,322
-	-	-	-		533
-	-	-	-		16,000
<u>3,046</u>	<u>124,962</u>	<u>1,808</u>	<u>1,497</u>		<u>589,293</u>
<u>3,046</u>	<u>124,962</u>	<u>1,808</u>	<u>1,497</u>		<u>605,293</u>
<u>\$ 3,046</u>	<u>\$ 133,129</u>	<u>\$ 1,808</u>	<u>\$ 1,497</u>	<u>\$</u>	<u>637,148</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, 2017

	Special Revenue			
	Parks and Recreation	Major Streets	Local Streets	Drug Forfeiture
Revenues				
Taxes	\$ 147,447	\$ -	\$ -	\$ -
Intergovernmental	-	444,849	163,365	-
Charges for services	-	-	-	-
Investment income	863	2,342	2,353	37
Other	6,758	4,585	9,308	925
Total revenues	155,068	451,776	175,026	962
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	2,139
Highways and streets	-	290,564	448,325	-
Recreation and culture	187,535	-	-	-
Capital outlay	-	157,588	3,472	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	187,535	448,152	451,797	2,139
Revenues over (under) expenditures	(32,467)	3,624	(276,771)	(1,177)
Other financing sources (uses)				
Transfers in	50,012	165,684	295,864	-
Transfers out	(21,610)	-	-	-
Total other financing sources (uses)	28,402	165,684	295,864	-
Net changes in fund balances	(4,065)	169,308	19,093	(1,177)
Fund balances, beginning of year	53,858	103,203	124,037	9,723
Fund balances, end of year	\$ 49,793	\$ 272,511	\$ 143,130	\$ 8,546

Special Revenue		Debt Service Funds		
Police Restricted	Airport Development	Island Bridge	2016 Bonds	Total
\$ -	\$ -	\$ -	\$ -	\$ 147,447
2,887	-	12,000	196,100	819,201
-	71,386	-	-	71,386
6	2,786	54	4,497	12,938
-	-	-	-	21,576
<u>2,893</u>	<u>74,172</u>	<u>12,054</u>	<u>200,597</u>	<u>1,072,548</u>
-	97,454	-	-	97,454
1,954	-	-	-	4,093
-	-	-	-	738,889
-	-	-	-	187,535
-	-	-	-	161,060
-	-	30,000	415,000	445,000
-	-	2,776	77,475	80,251
<u>1,954</u>	<u>97,454</u>	<u>32,776</u>	<u>492,475</u>	<u>1,714,282</u>
<u>939</u>	<u>(23,282)</u>	<u>(20,722)</u>	<u>(291,878)</u>	<u>(641,734)</u>
-	922	21,610	293,375	827,467
-	-	-	-	(21,610)
-	922	21,610	293,375	805,857
939	(22,360)	888	1,497	164,123
2,107	147,322	920	-	441,170
<u>\$ 3,046</u>	<u>\$ 124,962</u>	<u>\$ 1,808</u>	<u>\$ 1,497</u>	<u>\$ 605,293</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 145,186	\$ 145,186	\$ 147,447	\$ 2,261
Intergovernmental	-	-	-	-
Charges for services	3,000	3,000	-	(3,000)
Investment income	1,200	1,200	863	(337)
Other	7,350	7,350	6,758	(592)
Total revenues	156,736	156,736	155,068	(1,668)
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	134,028	187,540	187,535	(5)
Capital outlay	-	-	-	-
Total expenditures	134,028	187,540	187,535	(5)
Revenues over (under) expenditures	22,708	(30,804)	(32,467)	(1,663)
Other financing sources (uses)				
Transfers in	2,000	52,012	50,012	(2,000)
Transfers out	(21,610)	(21,610)	(21,610)	-
Total other financing sources (uses)	(19,610)	30,402	28,402	(2,000)
Net change in fund balance	3,098	(402)	(4,065)	(3,663)
Fund balance, beginning of year	53,858	53,858	53,858	-
Fund balance, end of year	\$ 56,956	\$ 53,456	\$ 49,793	\$ (3,663)

CITY OF GRAND LEDGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Major Streets Special Revenue Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	385,806	385,806	444,849	59,043
Charges for services	-	-	-	-
Investment income	959	959	2,342	1,383
Other	1,900	1,900	4,585	2,685
Total revenues	388,665	388,665	451,776	63,111
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	363,056	363,056	290,564	(72,492)
Recreation and culture	-	-	-	-
Capital outlay	163,050	163,050	157,588	(5,462)
Total expenditures	526,106	526,106	448,152	(77,954)
Revenues over (under) expenditures	(137,441)	(137,441)	3,624	141,065
Other financing sources (uses)				
Transfers in	165,684	165,684	165,684	-
Transfers out	-	-	-	-
Total other financing sources (uses)	165,684	165,684	165,684	-
Net change in fund balance	28,243	28,243	169,308	141,065
Fund balance, beginning of year	103,203	103,203	103,203	-
Fund balance, end of year	\$ 131,446	\$ 131,446	\$ 272,511	\$ 141,065

CITY OF GRAND LEDGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Local Streets Special Revenue Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	138,997	138,997	163,365	24,368
Charges for services	-	-	-	-
Investment income	1,666	1,666	2,353	687
Other	1,750	1,750	9,308	7,558
Total revenues	142,413	142,413	175,026	32,613
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	492,473	492,473	448,325	(44,148)
Recreation and culture	-	-	-	-
Capital outlay	-	-	3,472	3,472
Total expenditures	492,473	492,473	451,797	(40,676)
Revenues over (under) expenditures	(350,060)	(350,060)	(276,771)	73,289
Other financing sources (uses)				
Transfers in	295,864	295,864	295,864	-
Transfers out	-	-	-	-
Total other financing sources (uses)	295,864	295,864	295,864	-
Net change in fund balance	(54,196)	(54,196)	19,093	73,289
Fund balance, beginning of year	124,037	124,037	124,037	-
Fund balance, end of year	\$ 69,841	\$ 69,841	\$ 143,130	\$ 73,289

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	13	13	37	24
Other	-	925	925	-
Total revenues	13	938	962	24
Expenditures				
Current:				
General government	-	-	-	-
Public safety	320	2,140	2,139	(1)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	320	2,140	2,139	(1)
Revenues over (under) expenditures	(307)	(1,202)	(1,177)	25
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(307)	(1,202)	(1,177)	25
Fund balance, beginning of year	9,723	9,723	9,723	-
Fund balance, end of year	\$ 9,416	\$ 8,521	\$ 8,546	\$ 25

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,534	2,887	1,353
Charges for services	-	-	-	-
Investment income	25	25	6	(19)
Other	-	-	-	-
Total revenues	25	1,559	2,893	1,334
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	1,987	1,954	(33)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	1,987	1,954	(33)
Revenues over (under) expenditures	25	(428)	939	1,367
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	25	(428)	939	1,367
Fund balance, beginning of year	2,107	2,107	2,107	-
Fund balance, end of year	\$ 2,132	\$ 1,679	\$ 3,046	\$ 1,367

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	65,857	65,857	71,386	5,529
Investment income	1,264	1,264	2,786	1,522
Other	-	-	-	-
Total revenues	67,121	67,121	74,172	7,051
Expenditures				
Current:				
General government	141,990	141,990	97,454	(44,536)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	141,990	141,990	97,454	(44,536)
Revenues over (under) expenditures	(74,869)	(74,869)	(23,282)	51,587
Other financing sources (uses)				
Transfers in	1,450	1,450	922	(528)
Transfers out	-	-	-	-
Total other financing sources (uses)	1,450	1,450	922	(528)
Net change in fund balance	(73,419)	(73,419)	(22,360)	51,059
Fund balance, beginning of year	147,322	147,322	147,322	-
Fund balance, end of year	\$ 73,903	\$ 73,903	\$ 124,962	\$ 51,059

CITY OF GRAND LEDGE, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2017

	Equipment Operating	Employee Benefit	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 152,958	\$ 213,295	\$ 366,253
Accounts receivable	290	-	290
Prepaid items	-	44,946	44,946
Total current assets	<u>153,248</u>	<u>258,241</u>	<u>411,489</u>
Noncurrent assets:			
Capital assets not being depreciated	2,625	-	2,625
Capital assets being depreciated, net	369,872	-	369,872
Total noncurrent assets	<u>372,497</u>	<u>-</u>	<u>372,497</u>
Total assets	<u>525,745</u>	<u>258,241</u>	<u>783,986</u>
Liabilities			
Current liabilities:			
Accounts payable	42,607	12,575	55,182
Accrued liabilities	3,816	6,853	10,669
Accrued compensated absences, current portion	845	-	845
Total current liabilities	<u>47,268</u>	<u>19,428</u>	<u>66,696</u>
Noncurrent liabilities -			
Accrued compensated absences, net of current portion	<u>6,196</u>	<u>-</u>	<u>6,196</u>
Total liabilities	<u>53,464</u>	<u>19,428</u>	<u>72,892</u>
Net position			
Investment in capital assets	372,497	-	372,497
Unrestricted	99,784	238,813	338,597
Total net position	<u>\$ 472,281</u>	<u>\$ 238,813</u>	<u>\$ 711,094</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, 2017

	Equipment Operating	Employee Benefit	Total
Operating revenues			
Charges for services	\$ 312,979	\$ 714,139	\$ 1,027,118
Other revenue	190	-	190
Total operating revenues	<u>313,169</u>	<u>714,139</u>	<u>1,027,308</u>
Operating expenses			
Personnel	103,420	812,228	915,648
Repair and maintenance	66,376	-	66,376
Utilities	3,498	-	3,498
Other	42,991	-	42,991
Depreciation	55,888	-	55,888
Total operating expenses	<u>272,173</u>	<u>812,228</u>	<u>1,084,401</u>
Net operating income (loss)	40,996	(98,089)	(57,093)
Nonoperating revenues			
Investment income	<u>4,343</u>	<u>227</u>	<u>4,570</u>
Change in net position	45,339	(97,862)	(52,523)
Net position, beginning of year	<u>426,942</u>	<u>336,675</u>	<u>763,617</u>
Net position, end of year	<u>\$ 472,281</u>	<u>\$ 238,813</u>	<u>\$ 711,094</u>

CITY OF GRAND LEDGE, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2017

	Equipment Operating	Employee Benefit	Total
Cash flows from operating activities			
Receipts from interfund services	\$ 326,797	\$ 714,139	\$ 1,040,936
Payments to suppliers/claimants	(72,070)	(806,644)	(878,714)
Payments to employees	(102,584)	-	(102,584)
Net cash provided by (used in) operating activities	152,143	(92,505)	59,638
Cash flows from capital and related financing activities			
Acquisition of capital assets	(109,021)	-	(109,021)
Cash flows from investing activities			
Investment income	4,343	227	4,570
Net change in cash and cash equivalents	47,465	(92,278)	(44,813)
Cash and cash equivalents, beginning of year	105,493	305,573	411,066
Cash and cash equivalents, end of year	\$ 152,958	\$ 213,295	\$ 366,253
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 40,996	\$ (98,089)	\$ (57,093)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	55,888	-	55,888
Change in assets and liabilities:			
Accounts receivable	29	-	29
Prepaid items	-	(8,278)	(8,278)
Due from other funds	13,818	-	13,818
Accounts payable	40,576	12,575	53,151
Accrued liabilities	420	1,287	1,707
Accrued compensated absences	416	-	416
Net cash provided by (used in) operating activities	\$ 152,143	\$ (92,505)	\$ 59,638

This page intentionally left blank.

CITY OF GRAND LEDGE, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet

Downtown Development Authority

June 30, 2017

	Special Revenue	Debt Service	Capital Projects
Assets			
Cash and cash equivalents	\$ 206,173	\$ 8,011	\$ 231,527
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	206,173	8,011	231,527
Deferred outflows of resources			
Deferred charge on refunding	-	-	-
Total assets and deferred outflows of resources	\$ 206,173	\$ 8,011	\$ 231,527
Liabilities			
Accounts payable	\$ 8,641	\$ -	\$ -
Salaries payable	603	-	-
Accrued interest payable	-	-	-
Long-term debt:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	9,244	-	-
Fund balances			
Restricted for debt service	-	8,011	-
Restricted for capital projects	-	-	231,527
Unassigned	196,929	-	-
Total fund balances	196,929	8,011	231,527
Total liabilities and fund balances	\$ 206,173	\$ 8,011	\$ 231,527
Net position			
Net investment in capital assets			
Restricted for capital projects			
Unrestricted			
Total net position			



Totals Governmental Funds	Adjustments	Statement of Net Position
---------------------------------	-------------	------------------------------

\$ 445,711	\$ -	\$ 445,711
-	480,331	480,331
-	2,210,661	2,210,661

445,711	2,690,992	3,136,703
---------	-----------	-----------

-	17,649	17,649
---	--------	--------

<u>\$ 445,711</u>	<u>2,708,641</u>	<u>3,154,352</u>
-------------------	------------------	------------------

\$ 8,641	-	8,641
603	-	603
-	8,821	8,821

-	207,942	207,942
-	1,330,773	1,330,773

<u>9,244</u>	<u>1,547,536</u>	<u>1,556,780</u>
--------------	------------------	------------------

8,011	(8,011)	-
231,527	(231,527)	-
196,929	(196,929)	-

<u>436,467</u>	<u>(436,467)</u>	<u>-</u>
----------------	------------------	----------

<u>\$ 445,711</u>

1,169,926	1,169,926
231,527	231,527
196,119	196,119

<u>\$ 1,597,572</u>	<u>\$ 1,597,572</u>
---------------------	---------------------

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, 2017

	Special Revenue	Debt Service	Capital Projects
Revenues			
Taxes	\$ 638,179	\$ -	\$ -
Intergovernmental	43,861	-	-
Charges for services	10,805	-	-
Interest	2,069	419	1,253
Total revenues	694,914	419	1,253
Expenditures / expenses			
Economic development	212,088	-	196,100
Capital outlay	35,000	-	-
Debt service:			
Principal	-	205,000	-
Interest and fiscal charges	-	58,853	-
Total expenditures / expenses	247,088	263,853	196,100
Revenues over (under) expenditures / expenses	447,826	(263,434)	(194,847)
Other financing sources (uses)			
Transfers in	-	264,160	150,000
Transfers out	(414,160)	-	-
Total other financing sources (uses)	(414,160)	264,160	150,000
Net changes in fund balances / net position	33,666	726	(44,847)
Fund balances / net position			
Beginning of year	163,263	7,285	276,374
End of year	\$ 196,929	\$ 8,011	\$ 231,527



Totals Governmental Funds	Adjustments	Statement of Activities
\$ 638,179	\$ -	\$ 638,179
43,861	-	43,861
10,805	-	10,805
3,741	-	3,741
<u>696,586</u>	<u>-</u>	<u>696,586</u>
408,188	146,101	554,289
35,000	-	35,000
205,000	(205,000)	-
58,853	5,523	64,376
<u>707,041</u>	<u>(53,376)</u>	<u>653,665</u>
<u>(10,455)</u>	<u>53,376</u>	<u>42,921</u>
414,160	(414,160)	-
<u>(414,160)</u>	<u>414,160</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>(10,455)</u>	<u>53,376</u>	<u>42,921</u>
<u>446,922</u>	<u>1,107,729</u>	<u>1,554,651</u>
<u>\$ 436,467</u>	<u>\$ 1,161,105</u>	<u>\$ 1,597,572</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, 2017

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 673,381	\$ 673,381	\$ 638,179	\$ (35,202)
Intergovernmental	-	-	43,861	43,861
Charges for services	-	-	10,805	10,805
Interest	1,798	1,798	2,069	271
Total revenues	675,179	675,179	694,914	19,735
Expenditures				
Economic development	266,648	266,648	212,088	(54,560)
Capital outlay	50,000	50,000	35,000	(15,000)
Total expenditures	316,648	316,648	247,088	(69,560)
Revenues over expenditures	358,531	358,531	447,826	89,295
Other financing uses				
Transfers out	(414,160)	(414,160)	(414,160)	-
Net changes in fund balance	(55,629)	(55,629)	33,666	89,295
Fund balance, beginning of year	163,263	163,263	163,263	-
Fund balance, end of year	\$ 107,634	\$ 107,634	\$ 196,929	\$ 89,295

CITY OF GRAND LEDGE, MICHIGAN

Statement of Net Position

Local Development Finance Authority

June 30, 2017

Assets	
Cash and cash equivalents	\$ 269,295
Capital assets not being depreciated	<u>2,422,571</u>
Total assets	<u>2,691,866</u>
Deferred outflows of resources	
Deferred charge on bond refunding, net	<u>4,802</u>
Liabilities	
Accounts payable and accrued expenses	342
Accrued interest payable	733
Long-term debt:	
Due within one year	35,902
Due in more than one year	<u>189,510</u>
Total liabilities	<u>226,487</u>
Net position	
Net investment in capital assets	2,201,961
Unrestricted	<u>268,220</u>
Total net position	<u><u>\$ 2,470,181</u></u>

CITY OF GRAND LEDGE, MICHIGAN

Statement of Activities

Local Development Finance Authority
For the Year Ended June 30, 2017

Operating revenues	
Property taxes	\$ 19,464
Operating expenses	
Economic development	<u>27,380</u>
Operating loss	<u>(7,916)</u>
Nonoperating revenue (expense)	
Intergovernmental revenue from primary government	134,000
Contributions and donations	30,000
Interest revenue	904
Interest expense	<u>(13,744)</u>
Total nonoperating revenue (expense)	<u>151,160</u>
Change in net position	143,244
Net position, beginning of year	<u>2,326,937</u>
Net position, end of year	<u><u>\$ 2,470,181</u></u>

CITY OF GRAND LEDGE, MICHIGAN

Statement of Cash Flows

Local Development Finance Authority
For the Year Ended June 30, 2017

Cash flows from operating activities	
Cash received from property taxes and other revenues	\$ 19,464
Cash payments to suppliers for goods and services	<u>(28,727)</u>
Net cash used by operating activities	<u>(9,263)</u>
Cash flows from noncapital financing activities	
Cash receipts from primary government	134,000
Cash contributions and donations	<u>30,000</u>
Net cash provided by noncapital financial activities	<u>164,000</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(21,500)
Long-term debt principal payments	(35,000)
Payment to refunding bond escrow agent	(220,602)
Proceeds from issuance of long-term debt	225,000
Premium on issuance of long-term debt	6,314
Interest payments on long-term debt	<u>(15,152)</u>
Net cash used in capital and related financing activities	<u>(60,940)</u>
Cash flows from investing activities	
Interest income received	<u>904</u>
Net change in cash and cash equivalents	94,701
Cash and cash equivalents, beginning of year	<u>174,594</u>
Cash and cash equivalents, end of year	<u>\$ 269,295</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (7,916)
Adjustments to reconcile operating loss to net cash used by operating activities -	
Change in assets and liabilities -	
Accounts payable	<u>(1,347)</u>
Net cash used by operating activities	<u>\$ (9,263)</u>

This page intentionally left blank.

INTERNAL CONTROL AND COMPLIANCE

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

September 12, 2017

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Grand Ledge, Michigan* (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 12, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

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

City of Grand Ledge's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rehmann Lobson LLC

CITY OF GRAND LEDGE, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2017

2017-001 - Material Audit Adjustment

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed a single adjustment (which was approved and posted by management) to record capital assets and a corresponding capital contribution for street infrastructure paid for directly by the Michigan Department of Transportation (MDOT).

Cause. This condition was the result of an oversight in identifying that certain street improvements (which required no cash payment by the City) represented a capital asset.

Effect. As a result of this condition, the City's financial statements were initially misstated by an amount material to the governmental activities opinion unit.

Recommendation. The adjustment noted above has been reviewed by management, posted to the City's records, and is reported correctly in the audited financial statements. No further corrective action is required

View of Responsible Officials. The City will be cognizant of similar contributed capital if/when future projects are undertaken with MDOT.

