



CITY OF GRANDVILLE, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF GRANDVILLE

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INDEPENDENT AUDITORS' REPORT

October 16, 2020

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Grandville, Michigan, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grandville, Michigan, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, and the budgetary comparison information and benefit plan schedules on pages 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020, on our consideration of the City of Grandville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Grandville, Michigan's internal control over financial reporting and compliance.

Urodeuxeld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Grandville (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2019-2020 fiscal year as follows:

- General fund revenue exceeded expenditures by \$498,937.
- Ivanrest Paving Completed - \$2,195,390.
- Paved 7 Local Streets - \$367,486.
- Ivanrest Water Main Project - \$1,148,148.
- Kiowa & Comanche Court Water Main Projects - \$452,886.
- New Plow Truck Purchase - \$174,220.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$50,927,150 at the close of the most recent fiscal year. The following table illustrates the composition of net position.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 8,733,473	\$ 8,800,143	\$22,738,660	\$11,581,160	\$31,472,133	\$20,381,303
Long-term assets	17,623,033	16,043,494	33,544,775	33,484,373	51,167,808	49,527,867
Total assets	26,356,506	24,843,637	56,283,435	45,065,533	82,639,941	69,909,170
Deferred outflows of resources	1,734,636	2,219,016	707,197	695,923	2,441,833	2,914,939
Liabilities						
Current liabilities	1,601,495	1,731,856	3,927,638	633,753	5,529,133	2,365,609
Long-term liabilities	13,309,840	13,924,008	14,824,526	6,691,793	28,134,366	20,615,801
Total liabilities	14,911,335	15,655,864	18,752,164	7,325,546	33,663,499	22,981,410
Deferred inflows of resources	339,041	127,219	152,084	57,158	491,125	184,377
Net position						
Net investment in capital assets	14,400,614	12,358,828	21,140,011	29,390,760	35,540,625	41,749,588
Restricted	1,207,533	1,119,705	717,913	532,888	1,925,446	1,652,593
Unrestricted (deficit)	(2,767,381)	(2,198,963)	16,228,460	8,455,104	13,461,079	6,256,141
Total net position	\$12,840,766	\$11,279,570	\$38,086,384	\$38,378,752	\$50,927,150	\$49,658,322

The City's unrestricted net position in governmental activities is in a deficit position as a result of recording the net pension and net OPEB liabilities. Net investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding was \$35,540,625 at the end of the current fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position in the amount of \$1,925,446 represents resources that are subject to external restrictions on how they may be used.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2020, was \$23,367,686 while total cost of all programs and services was \$22,098,858. This resulted in an increase in net position of \$1,268,828. The following table presents a summary of the changes in net position for the years ended June 30.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 1,348,065	\$ 1,367,180	\$7,768,843	\$8,260,959	\$ 9,116,908	\$ 9,628,139
Operating grants and contributions	2,081,827	2,106,424	-	-	2,081,827	2,106,424
Capital grants and contributions	1,548,119	109,779	558,550	-	2,106,669	109,779
General revenues (expenses)						
Property taxes	8,315,596	7,929,473	-	-	8,315,596	7,929,473
State shared revenues	1,372,711	1,381,843	-	-	1,372,711	1,381,843
Other general revenues	2,332	3,317	3,958	4,011	6,290	7,328
Investment earnings	160,482	177,472	207,203	217,606	367,685	395,078
Total revenues	14,829,132	13,075,488	8,538,554	8,482,576	23,367,686	21,558,064

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Expenses						
General government	\$ 1,714,495	\$ 1,456,624	\$ -	\$ -	\$ 1,714,495	\$ 1,456,624
Judicial	1,373,548	1,199,167	-	-	1,373,548	1,199,167
Public safety	5,603,877	5,024,781	-	-	5,603,877	5,024,781
Public works	3,283,933	3,386,430	-	-	3,283,933	3,386,430
Culture and recreation	1,213,097	1,056,312	-	-	1,213,097	1,056,312
Interest on long-term debt	78,986	87,948	-	-	78,986	87,948
Sewer	-	-	6,537,917	5,558,081	6,537,917	5,558,081
Water	-	-	2,293,005	2,197,585	2,293,005	2,197,585
Total expenses	13,267,936	12,211,262	8,830,922	7,755,666	22,098,858	19,966,928
Increase (decrease) in net position	1,561,196	864,226	(292,368)	726,910	1,268,828	1,591,136
Net position – beginning	11,279,570	10,415,344	38,378,752	37,651,842	49,658,322	48,067,186
Net position – ending	\$12,840,766	\$11,279,570	\$38,086,384	\$38,378,752	\$50,927,150	\$49,658,322

Governmental Activities The preceding table shows that the governmental activities increased the City's net position by \$1,561,196 during this fiscal year. The increase is primarily the result of additional property taxes from increasing taxable values and a large capital grant of Federal Transportation funding of \$1.1 million from the State of Michigan for the Ivanrest repaving project.

Business-type Activities Business-type activities decreased the City's net position by \$292,368 during the year. The decrease is primarily due to increased cost in the Sewer Fund for sludge to land costs, engineering fees, and bond fees.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,899,950, an increase of \$429,323 from the prior year. This was primarily due to an increase in personal property tax reimbursement from the State of Michigan and lower than anticipated expenditures in the General fund.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, nonspendable fund balance of \$153,977 relates to prepaid assets and inventory. Amounts restricted by outside sources total \$137,525 and amounts committed and assigned for various purposes totals \$1,066,142. Unassigned fund balance represents \$3,461,747 of total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 33.6% of total general fund expenditures and transfers.

The Major Street fund is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on major streets by Act 51. The fund balance decreased by \$294,183 during the current fiscal year.

The General Obligation Bonds Debt Service fund is used to account for the payment of debt service with amounts received from the General fund and the Downtown Development Authority.

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

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

Budgetary Highlights

Revenues in the general fund were \$10,828,937 which is 100.0% of the amended budgeted amount for the fiscal year. General fund expenditures and transfers were \$10,330,000, which is 90.7% of the amended budget amount.

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

- State of Michigan revenue sharing was reduced by \$85,000.
- Local Community Stabilization fund revenue (personal property tax reimbursement from the State of Michigan) increased by approximately \$180,000.
- Police Department budget was lowered by approximately \$125,000 due to unfilled budgeted positions.
- Parks & Recreation budget decreased by \$40,000 due to cancellation of Summer Rec programs and the late hire of seasonal workers.
- Special Project Fund Contractual Service increased by \$31,000 due to Library Fundraising Campaign costs and the website upgrade.
- Major Street Fund construction budget increased by \$250,000 due to carry over cost of the Ivanrest street paving.
- Local Street Fund construction increased by \$50,000 due to carryover construction projects from the 2018-2019 fiscal year.
- Local Street maintenance budget increased by \$60,000 due to additional curb and gutter work.
- DDA budget increased \$465,000 due to property purchases and architectural and advance purchases for the DDA Franklin Street Corridor Project.

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, 2020, amounted to \$51,167,808 (net of accumulated depreciation).

Capital Assets		
	Governmental Activities	Business Type Activities
Land	\$ 1,995,881	\$ 15,000
Construction in progress	430,693	1,617,581
Buildings, equipment, infrastructure, and land improvements	15,196,459	31,912,194
Total	\$17,623,033	\$33,544,775

Current year large additions consist of parking lot paving, Council Chamber AV system upgrade, Ivanrest repaving, paving of 7 local streets, 3 water main replacement projects, and the purchase of a plow truck.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Long-term debt At the end of the current fiscal year, the City had bonds outstanding of \$15,225,000. Of this amount, \$3,100,000 was for governmental activities while \$12,125,000 was for business-type activities.

Debt		
	Governmental Activities	Business Type Activities
Accrued employee benefits	\$ 782,313	\$ 109,002
Bonds payable	3,100,000	12,125,000
Unamortized premium (discount)	122,419	279,764
Total	\$4,004,732	\$12,513,766

Additional information on the City's long-term debt can be found in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2020-21 fiscal year:

- Millage rate remain unchanged at 11.05 mills
- General fund revenue budget increase of 8.1%.
- General fund expenditure budget increase of 8.7%.
- Pension funding increase of \$107,500 – total contribution of approximately \$1.2 million.
- Deputy Clerk Position moved to full-time from part-time – \$40,000.
- Parking Lot paving - \$135,000.
- Debt Service Increase due to Library Expansion – \$300,000.
- Police/Court HVAC System upgrade - \$100,000.
- Mill Race Park grant match - \$235,000.
- Street paving - \$776,000.
- Clean Water Plant solids handling/methane gas project - \$9,000,000 (City of Grandville portion).
- Water main replacement on two local streets - \$475,000.
- Water Meter Replacements - \$100,000.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF GRANDVILLE
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Downtown	Brownfield
	Governmental	Business-Type	Total	Development	Redevelopment
	Activities	Activities		Authority	Authority
Assets					
Cash and pooled investments	\$ 6,611,208	\$ 19,499,315	\$ 26,110,523	\$ 643,551	\$ -
Accounts receivable	278,996	1,276,032	1,555,028	5,510	-
Due from other governments	471,604	1,219,222	1,690,826	-	-
Special assessments receivable	48,455	-	48,455	-	-
Long-term due from component unit	1,160,000	-	1,160,000	-	-
Prepaid items	107,644	26,178	133,822	1,146	-
Inventory	55,566	-	55,566	-	-
Restricted cash and pooled investments	-	717,913	717,913	-	-
Capital assets					
Land	1,995,881	15,000	2,010,881	616,729	-
Construction in progress	430,693	1,617,581	2,048,274	107,604	-
Depreciable capital assets, net	15,196,459	31,912,194	47,108,653	2,503,590	-
Total assets	26,356,506	56,283,435	82,639,941	3,878,130	-
Deferred outflows of resources					
Deferred charge on refunding	55,868	47,741	103,609	-	-
Deferred outflows related to pensions	442,760	104,148	546,908	-	-
Deferred outflows related to other post-employment benefits	1,236,008	555,308	1,791,316	-	-
Total deferred outflows of resources	1,734,636	707,197	2,441,833	-	-
Liabilities					
Accounts payable	753,365	974,435	1,727,800	17,916	-
Accrued liabilities	388,838	113,565	502,403	8,262	-
Due to other governments	-	2,469,600	2,469,600	-	-
Accrued interest payable	14,292	50,038	64,330	5,800	-
Debt due within one year	445,000	320,000	765,000	-	-
Noncurrent liabilities					
Accrued compensated absences	782,313	109,002	891,315	-	-
Net other post-employment benefits liability	2,459,133	1,104,827	3,563,960	-	-
Net pension liability	7,290,975	1,525,933	8,816,908	-	-
Bond premium (discount)	122,419	279,764	402,183	-	-
Long-term due to primary government	-	-	-	1,160,000	-
Debt due in more than one year	2,655,000	11,805,000	14,460,000	-	-
Total liabilities	14,911,335	18,752,164	33,663,499	1,191,978	-
Deferred inflows of resources					
Deferred inflows related to pensions	13,900	6,004	19,904	-	-
Deferred inflows related to other post-employment benefits	325,141	146,080	471,221	-	-
Total deferred inflows of resources	339,041	152,084	491,125	-	-
Net position					
Net investment in capital assets	14,400,614	21,140,011	35,540,625	1,960,319	-
Restricted for					
Debt service	-	717,913	717,913	-	-
Judicial	43,736	-	43,736	-	-
Streets	683,573	-	683,573	-	-
Capital projects	342,699	-	342,699	-	-
Other	137,525	-	137,525	-	-
Unrestricted (deficit)	(2,767,381)	16,228,460	13,461,079	725,833	-
Total net position	\$ 12,840,766	\$ 38,086,384	\$ 50,927,150	\$ 2,686,152	\$ -

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

CITY OF GRANDVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 1,714,495	\$ 389,380	\$ 131,344	\$ -	\$ (1,193,771)
Judicial	1,373,548	560,548	75,046	-	(737,954)
Public safety	5,603,877	253,621	22,281	-	(5,327,975)
Public works	3,283,933	74,848	1,853,156	1,122,141	(233,788)
Culture and recreation	1,213,097	69,668	-	425,978	(717,451)
Interest on long-term debt	78,986	-	-	-	(78,986)
Total governmental activities	13,267,936	1,348,065	2,081,827	1,548,119	(8,289,925)
Business-type activities					
Sewer	6,537,917	5,109,320	-	558,550	(870,047)
Water	2,293,005	2,659,523	-	-	366,518
Total business-type activities	8,830,922	7,768,843	-	558,550	(503,529)
Total primary government	\$ 22,098,858	\$ 9,116,908	\$ 2,081,827	\$ 2,106,669	\$ (8,793,454)
Component Units					
Downtown Development Authority	\$ 552,761	\$ 12,760	\$ 85,810	\$ -	\$ (454,191)
Brownfield Redevelopment Authority	20,935	-	-	-	(20,935)
Total component units	\$ 573,696	\$ 12,760	\$ 85,810	\$ -	\$ (475,126)

(Continued)

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

CITY OF GRANDVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Primary Government			Downtown Development Authority	Brownfield Redevelopment Authority
	Governmental Activities	Business-type Activities	Total		
Changes in net position					
Net (expense) revenue	<u>\$ (8,289,925)</u>	<u>\$ (503,529)</u>	<u>\$ (8,793,454)</u>	<u>\$ (454,191)</u>	<u>\$ (20,935)</u>
General revenues					
Property taxes	8,315,596	-	8,315,596	472,351	20,935
State shared revenues	1,372,711	-	1,372,711	-	-
Unrestricted investment earnings	160,482	207,203	367,685	25,310	-
Other general revenues	<u>2,332</u>	<u>3,958</u>	<u>6,290</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>9,851,121</u>	<u>211,161</u>	<u>10,062,282</u>	<u>497,661</u>	<u>20,935</u>
Change in net position	1,561,196	(292,368)	1,268,828	43,470	-
Net position, beginning of year	<u>11,279,570</u>	<u>38,378,752</u>	<u>49,658,322</u>	<u>2,642,682</u>	<u>-</u>
Net position, end of year	<u>\$ 12,840,766</u>	<u>\$ 38,086,384</u>	<u>\$ 50,927,150</u>	<u>\$ 2,686,152</u>	<u>\$ -</u>

(Concluded)

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

CITY OF GRANDVILLE

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2020

	<u>General</u>	<u>Major Streets</u>	<u>General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,736,398	\$ 503,948	\$ 1,003	\$ 876,053	\$ 6,117,402
Accounts receivable	267,584	5,324	-	2,623	275,531
Due from other governments	215,941	186,211	-	69,452	471,604
Special assessments receivable	-	-	-	48,455	48,455
Due from other funds	103,092	-	-	-	103,092
Long-term due from component unit	-	-	1,160,000	-	1,160,000
Prepaid items	98,411	5,454	-	3,280	107,145
Inventory	55,566	-	-	-	55,566
Total assets	<u>\$ 5,476,992</u>	<u>\$ 700,937</u>	<u>\$ 1,161,003</u>	<u>\$ 999,863</u>	<u>\$ 8,338,795</u>
Liabilities, deferred inflows and fund balances					
Liabilities					
Accounts payable	\$ 310,142	\$ 128,060	\$ -	\$ 307,077	\$ 745,279
Accrued liabilities	347,459	21,943	-	12,617	382,019
Due to other funds	-	-	-	103,092	103,092
Total liabilities	<u>657,601</u>	<u>150,003</u>	<u>-</u>	<u>422,786</u>	<u>1,230,390</u>
Deferred inflows of resources					
Unavailable revenue	-	-	1,160,000	48,455	1,208,455
Fund balances					
Non-spendable					
Prepaid items	98,411	5,454	-	3,280	107,145
Inventory	55,566	-	-	-	55,566
Restricted					
Judicial	-	-	-	43,736	43,736
Streets	-	545,480	-	138,093	683,573
Drunk driving enforcement	28,728	-	-	-	28,728
Drug forfeiture	83,899	-	-	-	83,899
Construction code enforcement	11,260	-	-	-	11,260
Community policing	12,530	-	-	-	12,530
City art	1,108	-	-	-	1,108
Committed					
Capital projects	-	-	-	343,513	343,513
Cemetery perpetual care	218,041	-	-	-	218,041
Park improvements	71,946	-	-	-	71,946
Pension obligation	135,000	-	-	-	135,000
Assigned					
Debt service funds	-	-	1,003	-	1,003
Subsequent years expenditures	641,155	-	-	-	641,155
Unassigned	3,461,747	-	-	-	3,461,747
Total fund balances	<u>4,819,391</u>	<u>550,934</u>	<u>1,003</u>	<u>528,622</u>	<u>5,899,950</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,476,992</u>	<u>\$ 700,937</u>	<u>\$ 1,161,003</u>	<u>\$ 999,863</u>	<u>\$ 8,338,795</u>

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

CITY OF GRANDVILLE

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

JUNE 30, 2020

Fund balances - total governmental funds	\$ 5,899,950
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	1,995,881
Add - construction in progress	430,693
Add - capital assets (net of accumulated depreciation)	14,617,179
Certain assets are not due and receivable in the current period.	
Add - long-term deferred receivables	1,208,455
Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service funds	1,056,826
Certain items do not impact current financial resources and therefore are not reported in the funds.	
Deduct - compensated absences payable	(776,994)
Deduct - net pension liability	(7,290,975)
Deduct - other post-employment benefits	(2,459,133)
Deduct - long-term debt	(3,100,000)
Deduct - bond premium	(122,419)
Add - deferred loss on bond refunding	55,868
Add - deferred outflows related to pensions	442,760
Deduct - deferred inflows related to pensions	(13,900)
Add - deferred outflows related to post-employment benefits	1,236,008
Deduct - deferred inflows related to post-employment benefits	(325,141)
Deduct - accrued interest on long-term debt	<u>(14,292)</u>
Net position of governmental activities	<u>\$ 12,840,766</u>

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

CITY OF GRANDVILLE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Major Streets</u>	<u>General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 7,695,031	\$ 155,141	-	\$ 465,424	\$ 8,315,596
Intergovernmental revenues					
State	1,440,376	1,332,267	-	467,805	3,240,448
Local	-	-	112,550	-	112,550
Special assessments	-	-	-	12,600	12,600
Licenses and permits	26,362	-	-	-	26,362
Charges for services	1,174,104	-	-	200	1,174,304
Fines	203,513	-	-	-	203,513
Donations	-	-	-	327,886	327,886
Investment earnings	162,608	5,881	-	10,900	179,389
Miscellaneous	126,943	-	-	-	126,943
Total revenues	<u>10,828,937</u>	<u>1,493,289</u>	<u>112,550</u>	<u>1,284,815</u>	<u>13,719,591</u>
Expenditures					
Current					
General government	1,379,988	-	1,000	-	1,380,988
Judicial	1,137,808	-	-	63,984	1,201,792
Public safety	5,142,994	-	-	-	5,142,994
Public works	831,935	1,800,072	-	957,897	3,589,904
Culture and recreation	1,344,848	-	-	98,092	1,442,940
Debt service					
Principal	-	-	440,000	-	440,000
Interest	-	-	91,650	-	91,650
Total expenditures	<u>9,837,573</u>	<u>1,800,072</u>	<u>532,650</u>	<u>1,119,973</u>	<u>13,290,268</u>
Revenues over (under) expenditures	<u>991,364</u>	<u>(306,783)</u>	<u>(420,100)</u>	<u>164,842</u>	<u>429,323</u>
Other financing sources (uses)					
Transfers in	-	12,600	420,100	72,327	505,027
Transfers out	<u>(492,427)</u>	<u>-</u>	<u>-</u>	<u>(12,600)</u>	<u>(505,027)</u>
Total other financing sources (uses)	<u>(492,427)</u>	<u>12,600</u>	<u>420,100</u>	<u>59,727</u>	<u>-</u>
Net changes in fund balances	498,937	(294,183)	-	224,569	429,323
Fund balances, beginning of year	<u>4,320,454</u>	<u>845,117</u>	<u>1,003</u>	<u>304,053</u>	<u>5,470,627</u>
Fund balances, end of year	<u>\$ 4,819,391</u>	<u>\$ 550,934</u>	<u>\$ 1,003</u>	<u>\$ 528,622</u>	<u>\$ 5,899,950</u>

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

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2020

Net changes in fund balances - total governmental funds	\$ 429,323
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Add - capital outlay	2,835,503
Deduct - depreciation expense	(1,335,988)
<p>Certain receivables are long-term in nature and are collectable over several years. However only the current year's receipts are reflected as revenues on the fund statements.</p>	
Deduct - decrease in unavailable revenues	(87,600)
<p>Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Add - principal payments on debt	440,000
<p>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.</p>	
Deduct - increase in compensated absences	(60,317)
Add - amortization of bond premium	22,247
Deduct - amortization of deferred charge on refunding	(11,174)
Add - decrease in accrued interest	1,591
Add - decrease in net pension liability	47,398
Deduct - decrease in deferred outflows related to pensions	(656,880)
Deduct - increase in deferred inflows related to pensions	(13,900)
Deduct - increase in other post-employment benefit liability	(282,732)
Add - increase in deferred outflows related to other post-employment benefits	183,674
Deduct - increase in deferred inflows related to other post-employment benefits	(197,922)
<p>Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.</p>	
Add - increase in net position from the internal service funds	<u>247,973</u>
Change in net position of governmental activities	\$ <u>1,561,196</u>

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

CITY OF GRANDVILLE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Assets				
Current assets				
Cash and pooled investments	\$ 17,525,069	\$ 1,974,246	\$ 19,499,315	\$ 493,806
Accounts receivable	560,067	715,965	1,276,032	3,465
Due from other governments	1,112,564	106,658	1,219,222	-
Prepaid items	20,948	5,230	26,178	499
Total current assets	<u>19,218,648</u>	<u>2,802,099</u>	<u>22,020,747</u>	<u>497,770</u>
Noncurrent assets				
Restricted cash and pooled investments	717,913	-	717,913	-
Capital assets				
Land	15,000	-	15,000	-
Construction in progress	1,617,581	-	1,617,581	-
Depreciable capital assets, net	<u>23,513,827</u>	<u>8,398,367</u>	<u>31,912,194</u>	<u>579,280</u>
Total noncurrent assets	<u>25,864,321</u>	<u>8,398,367</u>	<u>34,262,688</u>	<u>579,280</u>
Total assets	<u>45,082,969</u>	<u>11,200,466</u>	<u>56,283,435</u>	<u>1,077,050</u>
Deferred outflows of resources				
Deferred outflows related to pensions	87,479	16,669	104,148	-
Deferred outflows related to post-employment benefits	<u>376,177</u>	<u>179,131</u>	<u>555,308</u>	<u>-</u>
Total deferred outflows	<u>511,397</u>	<u>195,800</u>	<u>707,197</u>	<u>-</u>
Liabilities				
Current liabilities				
Accounts payable	631,570	342,865	974,435	8,086
Accrued liabilities	91,228	22,337	113,565	6,819
Due to other governments	2,469,600	-	2,469,600	-
Accrued interest payable	50,038	-	50,038	-
Current portion of long-term debt	<u>320,000</u>	<u>-</u>	<u>320,000</u>	<u>-</u>
Total current liabilities	<u>3,562,436</u>	<u>365,202</u>	<u>3,927,638</u>	<u>14,905</u>
Long-term liabilities				
Accrued compensated absences	78,984	30,018	109,002	5,319
Net other post-employment benefits liability	748,432	356,395	1,104,827	-
Net pension liability	1,306,779	219,154	1,525,933	-
Discount on bonds	279,764	-	279,764	-
Bonds payable, net of current portion	<u>11,805,000</u>	<u>-</u>	<u>11,805,000</u>	<u>-</u>
Total long-term liabilities	<u>14,218,959</u>	<u>605,567</u>	<u>14,824,526</u>	<u>5,319</u>
Total liabilities	<u>17,781,395</u>	<u>970,769</u>	<u>18,752,164</u>	<u>20,224</u>
Deferred inflows of resources				
Deferred inflows related to pensions	-	6,004	6,004	-
Deferred inflows related to post-employment benefits	<u>98,957</u>	<u>47,123</u>	<u>146,080</u>	<u>-</u>
Total deferred inflows	<u>98,957</u>	<u>53,127</u>	<u>152,084</u>	<u>-</u>
Net position				
Net investment in capital assets	12,741,644	8,398,367	21,140,011	579,280
Restricted for revenue bond requirements	717,913	-	717,913	-
Unrestricted	<u>14,254,457</u>	<u>1,974,003</u>	<u>16,228,460</u>	<u>477,546</u>
Total net position	<u>\$ 27,714,014</u>	<u>\$ 10,372,370</u>	<u>\$ 38,086,384</u>	<u>\$ 1,056,826</u>

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

CITY OF GRANDVILLE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			Governmental Activities Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
Operating revenues				
Charges for services	\$ 5,095,779	\$ 2,640,392	\$ 7,736,171	\$ 775,231
Interest and penalties	13,541	19,131	32,672	-
Total operating revenue	<u>5,109,320</u>	<u>2,659,523</u>	<u>7,768,843</u>	<u>775,231</u>
Operating expenses				
Water purchases	-	984,119	984,119	-
Labor	1,986,738	556,781	2,543,519	113,561
Administrative and general	2,527,093	360,907	2,888,000	289,308
Depreciation	1,838,665	391,198	2,229,863	142,467
Total operating expenses	<u>6,352,496</u>	<u>2,293,005</u>	<u>8,645,501</u>	<u>545,336</u>
Operating income (loss)	<u>(1,243,176)</u>	<u>366,518</u>	<u>(876,658)</u>	<u>229,895</u>
Non-operating revenues (expenses)				
Gain on sale of capital assets	-	-	-	7,750
Investment earnings	162,825	44,378	207,203	10,328
Other	3,712	246	3,958	-
Interest expense	(185,421)	-	(185,421)	-
Total non-operating revenues (expenses)	<u>(18,884)</u>	<u>44,624</u>	<u>25,740</u>	<u>18,078</u>
Income (loss) before other items	<u>(1,262,060)</u>	<u>411,142</u>	<u>(850,918)</u>	<u>247,973</u>
Capital contribution	<u>558,550</u>	<u>-</u>	<u>558,550</u>	<u>-</u>
Changes in net position	<u>(703,510)</u>	<u>411,142</u>	<u>(292,368)</u>	<u>247,973</u>
Net position, beginning of year	<u>28,417,524</u>	<u>9,961,228</u>	<u>38,378,752</u>	<u>808,853</u>
Net position, end of year	<u>\$ 27,714,014</u>	<u>\$ 10,372,370</u>	<u>\$ 38,086,384</u>	<u>\$ 1,056,826</u>

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

CITY OF GRANDVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 774,434
Receipts from customers and users	4,502,272	2,596,258	7,098,530	-
Payments to employees	(1,788,360)	(482,184)	(2,270,544)	(116,133)
Payments to suppliers	(2,023,349)	(1,096,251)	(3,119,600)	(291,111)
Net cash provided by (used in) operating activities	<u>690,563</u>	<u>1,017,823</u>	<u>1,708,386</u>	<u>367,190</u>
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	-	-	7,750
Interest paid on long-term debt	(185,421)	-	(185,421)	-
Capital contribution	558,550	-	558,550	-
Increase in deposit from County	2,469,600	-	2,469,600	-
Bonds issued	8,360,000	-	8,360,000	-
Principal paid on long-term debt	(345,000)	-	(345,000)	-
Acquisitions of capital assets	(1,282,059)	(1,008,206)	(2,290,265)	(222,491)
Net cash provided by (used in) capital and related financing activities	<u>9,575,670</u>	<u>(1,008,206)</u>	<u>8,567,464</u>	<u>(214,741)</u>
Cash flows from investing activities				
Interest received	<u>162,825</u>	<u>44,378</u>	<u>207,203</u>	<u>10,328</u>
Net increase (decrease) in cash and pooled investments	10,429,058	53,995	10,483,053	162,777
Cash and pooled investments, beginning of year	<u>7,813,924</u>	<u>1,920,251</u>	<u>9,734,175</u>	<u>331,029</u>
Cash and pooled investments, end of year	<u>\$ 18,242,982</u>	<u>\$ 1,974,246</u>	<u>\$ 20,217,228</u>	<u>\$ 493,806</u>
Cash flows from operating activities				
Operating income (loss)	\$ (1,243,176)	\$ 366,518	\$ (876,658)	\$ 229,895
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	1,838,665	391,198	2,229,863	142,467
Amortization	248,410	-	248,410	-
Decrease in deferred inflows related to pensions	-	6,004	6,004	-
Increase in deferred outflows related to pensions	101,572	17,415	118,987	-
Decrease in deferred outflows related to OPEB	(55,901)	(26,619)	(82,520)	-
Increase in deferred inflows related to OPEB	60,237	28,685	88,922	-
Miscellaneous revenue	3,712	246	3,958	-
Change in operating assets and liabilities which provided (used) cash				
Receivables	26,610	13,349	39,959	(797)
Due from other governmental units	(637,370)	(76,860)	(714,230)	-
Prepaid and other assets	(995)	819	(176)	1,400
Accounts payable	220,607	245,678	466,285	(4,315)
Accrued liabilities	35,722	2,278	38,000	1,112
Compensated absences	13,002	9,920	22,922	(2,572)
Net OPEB liability	86,049	40,976	127,025	-
Net pension liability	(6,581)	(1,784)	(8,365)	-
Net cash provided by (used in) operating activities	<u>\$ 690,563</u>	<u>\$ 1,017,823</u>	<u>\$ 1,708,386</u>	<u>\$ 367,190</u>

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

CITY OF GRANDVILLE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	Other Post-employment Benefits <u>Trust</u>	Agency <u>Fund</u>
Assets		
Cash and pooled investments	\$ 21,196	\$ 86,325
Funds on deposit with MERS	1,379,802	-
Accounts receivables	4,182	58
Prepaid items	<u>9,760</u>	<u>-</u>
Total assets	<u>1,414,940</u>	<u>\$ 86,383</u>
Liabilities		
Accounts payable	-	\$ 5,464
Trust deposits	<u>-</u>	<u>80,919</u>
Total liabilities	<u>-</u>	<u>\$ 86,383</u>
Net position		
Restricted for other post-employment benefits	<u>\$ 1,414,940</u>	

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

CITY OF GRANDVILLE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2020

	Other Post-employment Benefits <u>Trust</u>
Additions	
Contributions:	
Employer	\$ 123,564
Plan participants	33,458
Total contributions	<u>157,022</u>
Investment income	<u>31,345</u>
Total additions	<u>188,367</u>
Deductions	
Health insurance premiums paid	112,583
Administrative expenses	<u>8,563</u>
Total deductions	<u>121,146</u>
Change in net position	67,221
Net position, beginning of year	<u>1,347,719</u>
Net position, end of year	<u><u>\$ 1,414,940</u></u>

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Blended Component Unit

The Building Authority - The members of the governing board of the Building Authority are appointed by the City Council. The City has significant influence over operations of the Building Authority and is also accountable for its fiscal matters. The Building Authority provides services exclusively to the City but was not used in the current year.

Discretely Presented Component Units

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

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

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

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

The City reports the following major governmental funds:

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

The *Major Streets Fund* accounts for funds specifically intended for the maintenance and construction of major streets. Financing is provided from Public Act 51 state shared gas and weight tax and miscellaneous service revenues.

The *General Obligation Bonds Debt Service Fund* is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental activities debt.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Budgets and Budgetary Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

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

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

Restricted Cash and Investments

Restricted cash and investments of enterprise funds consist of amounts held in accordance with various debt requirements.

Receivables

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

Due to and Due from Other Funds

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

Special Assessments

Special assessments are recorded as revenue when due not when levied in the governmental fund financial statements. Estimated annual installments not yet available are reflected as deferred inflows of resources.

Inventory

Inventory is accounted for following the consumption method of accounting. It is valued at original cost using the first-in/first-out (FIFO) method. Inventory represents road salt.

Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for following the consumption method of accounting.

Capital Assets

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

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. No interest expense has been capitalized on capital assets reported in proprietary funds.

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

	<u>Years</u>
Road and sidewalks	10-50
Water and sewer distribution systems	10-100
Land improvements	15-20
Buildings and building improvements	7-46
Vehicles	3-15
Office furnishings	5-20
Other tools and equipment	2-40

Compensated Absences

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

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

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

The City has adopted a policy stating that the City, at a minimum, should maintain an unassigned fund balance in the general fund equal to 15 percent of general fund expenditures. At June 30, 2020 unassigned fund balance of the general fund was equal to 34 percent of general fund expenditures and transfers out.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Net Position and Fund Balance Flow Assumptions

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

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City may have items that qualify for reporting in this category related to the net pension liability which are discussed in Note 6, and the net OPEB liability which is discussed in Note 8, and deferred charges from bond refundings which are amortized over the life of the refunding or refunded bonds, whichever is shorter.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has items which arises only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments and long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also may have items that qualify for reporting in this category related to the net pension liability which are discussed in Note 6, and the net OPEB liability which is discussed in Note 8

Grants and Other Intergovernmental Revenues

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Property Taxes

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

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2020, the City carried commercial insurance to cover the risk of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. The City has not significantly reduced insurance coverage during the past year.

Interfund Transactions

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

Pensions

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

2. COMPLIANCE

Deficit Net Position/Fund Balance

At June 30, 2020, the City reported a deficit unrestricted net position in its governmental activities of \$2,767,381.

Expenditures Over Appropriations

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

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

During the year ended June 30, 2020, the City incurred expenditures in budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General fund			
Public works			
Highways, streets and bridges	\$262,750	\$265,700	\$ (2,950)
Parking lots	51,358	85,198	(33,840)
Transfers out	477,927	492,427	(14,500)
Revolving fund			
Transfers out	-	12,600	(12,600)

3. CASH AND INVESTMENTS

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and pooled investments	\$26,110,523	\$643,551	\$ 107,521	\$26,861,595
Funds on deposit with MERS	-	-	1,379,802	1,379,802
Restricted cash and pooled investment	717,913	-	-	717,913
	<u>\$26,828,436</u>	<u>\$643,551</u>	<u>\$1,487,323</u>	<u>\$28,959,310</u>

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

Deposits	\$23,994,434
Pooled investment funds	4,963,774
Petty cash	<u>1,102</u>
Total	<u>\$28,959,310</u>

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$20,448,922 of the City's bank balance of \$24,199,540 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
MBIA Class	N/A	\$ 528,595	AAAm	S&P
	Through			
Commercial paper	3/2021	1,995,246	A1	S&P
MERS total market portfolio	N/A	1,379,802	Unrated	
Kent County Pool	N/A	1,060,131	Unrated	
		<u>\$4,963,774</u>		

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

The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of year-end.

- The City does not have any investments that report fair value using quoted market prices (Level 1 inputs).
- The MBIA Class, MERS total market portfolio, and Kent County Pool investments are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

Investment risk

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

At June 30, 2020, the balance of the Kent County Public Funds Investment Pool consisted of the following:

<u>Investment</u>	<u>Percentage of pool total</u>	<u>Maturity in years</u>
Government agency securities	13%	0-3
Certificates of deposits	53%	0-3
Deposits, money markets and other pools	34%	Not applicable

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

At June 30, 2020 the balance of the MBIA Michigan Class investment pool consisted of the following:

<u>Investment</u>	<u>Percentage of pool total</u>	<u>Maturity in years</u>
Commercial paper	78.72%	Not applicable
U.S. Treasury securities	2.08%	Not applicable
Collateralized bank deposits	5.42%	Not applicable
Money market funds	13.06%	Not applicable
Repurchase agreements	0.72%	Not applicable

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

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

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

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2020, consisted of \$420,100 to the General Obligation Bond fund and \$72,327 to nonmajor governmental funds, totaling \$492,427, from the General fund. In addition, \$12,600 was transferred from nonmajor funds to the Major Streets fund

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

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,995,881	\$ -	\$ -	\$ 1,995,881
Construction in progress	270,585	430,693	270,585	430,693
Total capital assets, not being depreciated	2,266,466	430,693	270,585	2,426,574
Capital assets, being depreciated				
Infrastructure	85,367,710	2,562,876	-	87,930,586
Land improvements	919,489	16,711	-	936,200
Buildings and improvements	9,721,681	33,689	-	9,755,370
Office furnishings and equipment	5,512,199	284,610	65,110	5,731,699
Total capital assets, being depreciated	101,521,079	2,897,886	65,110	104,353,855
Less accumulated depreciation for				
Infrastructure	77,020,940	963,740	-	77,984,680
Land improvements	559,334	37,622	-	596,956
Buildings and improvements	5,593,221	248,199	-	5,841,420
Office furnishings and equipment	4,570,556	228,894	65,110	4,734,340
Total accumulated depreciation	87,744,051	1,478,455	65,110	89,157,396
Net capital assets, being depreciated	13,777,028	1,419,431	-	15,196,459
Governmental Activities capital assets, net	\$16,043,494	\$1,850,124	\$270,585	\$17,623,033
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	1,035,148	1,393,948	811,515	1,617,581
Total capital assets, not being depreciated	1,050,148	1,393,948	811,515	1,632,581
Capital assets being depreciated				
Land improvements	31,676	-	-	31,676
Water and sewer distribution systems	48,176,349	1,601,034	-	49,777,383
Building and building improvements	7,659,528	-	-	7,659,528
Other tools and equipment	5,167,896	106,798	7,544	5,267,150
Total capital assets, being depreciated	61,035,449	1,707,832	7,544	62,735,737
Less accumulated depreciation for				
Land improvements	19,005	1,584	-	20,589
Water and sewer distribution systems	20,411,749	1,898,305	-	22,310,054
Building and building improvements	4,102,856	202,816	-	4,305,672
Other tools and equipment	4,067,614	127,158	7,544	4,187,228
Total accumulated depreciation	28,601,224	2,229,863	7,544	30,823,543
Net capital assets, being depreciated	32,434,225	(522,031)	-	31,912,194
Business-type Activities capital assets, net	\$33,484,373	\$ 871,917	\$811,515	\$33,544,775

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Balance July 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2020</u>
Component units				
Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 264,567	\$352,162	\$ -	\$ 616,729
Construction in progress	-	107,604	-	107,604
Total capital assets not being depreciated	264,567	459,766	-	724,333
Capital assets being depreciated				
Land improvements	4,613,486	-	-	4,613,486
Less accumulated depreciation for Land improvements	1,896,514	213,382	-	2,109,896
Net capital assets, being depreciated	<u>2,716,972</u>	<u>(213,382)</u>	<u>-</u>	<u>2,503,590</u>
Component units capital assets, net	<u>\$2,981,539</u>	<u>\$246,384</u>	<u>\$ -</u>	<u>\$3,227,923</u>

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

Governmental Activities

General government	\$ 35,579
Judicial	46,654
Public safety	133,832
Public works	971,327
Culture and recreation	148,596
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	142,467

Total depreciation expense - governmental activities **\$1,478,455**

Business-type Activities

Sewer	\$1,838,665
Water	391,198

Total depreciation expense - business- type activities **\$2,229,863**

6. PENSION PLANS

Defined Contribution Plan

The City of Grandville provides pension benefits to substantially all of its full-time employees not participating in the defined benefit plan through a defined contribution plan administered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes 10% of eligible earnings for participating employees. Non-union, police sergeant, police rank and file, and public works employees are required to contribute at a rate of 4% while clean water employees are required to contribute at a rate of 5% as defined in the plan document which may be amended by the City Council. Employee contributions plus investment earnings are fully vested after five years of service. In accordance with these requirements, the City contributed \$514,532 during the year ended June 30, 2020. In addition, employee contributions amounted to \$213,441 during the year ended June 30, 2020.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Defined Benefit Plan

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent 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.

This plan is closed to new entrants.

Benefits provided

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

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2019):

Active plan members	10
Inactive employees entitled but not yet receiving benefits	4
Inactive employees or beneficiaries currently receiving benefits	65
Total	79

This plan is closed to additional participants

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was \$86,778 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 0% to 4.24% percent of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3% in the long-term
- Investment rate of return: 7.35%, net of investment expense, including inflation
- Mortality rates used were based on the RP-2014 Annuity Mortality Table with a 50% Male and 50% Female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50% Male and 50% Female blend.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	7.75%	3.15%
Global Fixed Income	20.0%	3.75%	0.25%
Private Investments	20.0%	9.75%	1.45%
Inflation			2.50%
Administrative fee			0.25%
Investment rate of return			<u>7.60%</u>

Discount rate. The discount rate used to measure the total pension liability is 7.6%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at December 31, 2018	\$19,439,609	\$10,566,938	\$8,872,671
Changes for the year:			
Service cost	76,844	-	76,844
Interest	1,492,787	-	1,492,787
Change in benefits	-	-	-
Differences between expected and actual experience	263,210	-	263,210
Change in assumptions	572,669	-	572,669
Contributions: employer	-	1,059,480	(1,059,480)
Contributions: employee	-	15,080	(15,080)
Net investment income	-	1,411,005	(1,411,005)
Benefit payments, including refunds	(1,636,399)	(1,636,399)	-
Administrative expense	-	(24,292)	24,292
Other changes	-	-	-
Net Changes	769,111	824,874	(55,763)
Balance at December 31, 2019	\$20,208,720	\$11,391,812	\$8,816,908

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

The following presents the net pension liability of the employer, calculated using the discount rate of 8%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (7%) or higher (9%) than the current rate.

	1% Decrease	Current Discount rate	1% increase
Total pension liability	\$22,009,711	\$20,208,720	\$18,645,351
Fiduciary net position	11,391,812	11,391,812	11,391,812
Net pension liability	<u>\$10,617,899</u>	<u>\$ 8,816,908</u>	<u>\$ 7,253,539</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2020 the City recognized pension expense of \$1,809,050. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (deficit) investment returns	\$ 26,014	\$19,904
Contributions subsequent to the measurement date*	520,894	-
Total	<u>\$546,908</u>	<u>\$19,904</u>

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2021.

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

2021	\$ (40,268)
2022	29,798
2023	142,619
2024	(126,039)
Thereafter	-
Total	<u>\$ 6,110</u>

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Governmental Activities					
2015 Refunding Bonds, due in annual installments of \$345,000 to \$410,000 through 2024, plus interest at 2.00% to 4.00% (public offering)	\$2,305,000	\$ -	\$365,000	\$1,940,000	\$370,000

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
2017 Refunding Bonds, due in annual installments of \$70,000 to \$110,000 through 2032, plus interest at 3.00% (public offering)	\$1,235,000	\$ -	\$ 75,000	\$1,160,000	\$ 75,000
Unamortized premium	144,666	-	22,247	122,419	-
Compensated absences	724,568	57,745	-	782,313	-
Total Governmental Activities	\$4,409,234	\$57,745	\$462,247	\$4,004,732	\$445,000
Business-type Activities					
2010 Sewage System Revenue Bonds, due in annual installments of \$25,000 to \$340,000 through 2035, plus interest at 2.25% to 4.25% (public offering)	\$4,110,000	\$ -	\$4,110,000	\$ -	\$ -
2020 Sewage System Revenue Refunding Bonds, due in annual installments of \$205,000 to \$285,000 through 2035, plus interest at 2.0% (public offering)	-	3,765,000	-	3,765,000	205,000
2020A Sewage System Revenue Bonds, due in annual installments of \$115,000 to \$670,000 through 2044, plus interest at 3.0% (public offering)	-	8,360,000	-	8,360,000	115,000
Unamortized discount	(16,387)	-	(16,387)	-	-
Unamortized premium	-	279,764	-	279,764	-
Compensated absences	86,080	22,922	-	109,002	-
Total Business-type Activities	\$4,179,693	\$12,427,686	\$4,093,613	\$12,513,766	\$320,000
Component Unit – Downtown Development Authority					
Long-term obligation to primary government to pay 2017 refunding bonds	\$1,235,000	\$ -	\$75,000	\$1,160,000	\$75,000

Compensated absences of governmental activities are generally liquidated with general fund resources.

During fiscal year 2020, the City issued its 2020 refunding bonds in the amount of \$3,765,000. The proceeds of the refunding were placed into a trust account to repay outstanding 2010 Sewage system revenue bonds which are considered to be defeased. The City's total debt service requirement was reduced by approximately \$773,000, which resulted in an economic gain of approximately \$678,000. As of June 30, 2020, \$3,915,000 of the refunded bonds payable are considered to be defeased and are scheduled to be called and paid in full in July, 2020.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The City has pledged future sewer fund revenues, to repay \$12,125,000 in remaining sewer system revenue bonds issued in 2020. Proceeds from the bonds provided financing for sewer system improvements. The bonds are payable solely from sewer fund revenues and are payable through 2044. There were no principal and interest payments on the bonds in 2020, annual principal and interest payments are estimated to total approximately 12.75% percent of pledged revenues in 2021. Future pledged revenues are expected to exceed debt service requires with a specific coverage percentage being inestimable. The total principal and interest remaining to be paid on the bonds is approximately \$16,779,000. There were no principal and interest payments due during the year and pledged revenues amounted to approximately \$5,109,000.

The debt documents of the public offering debt contain various provisions that in the event of default, the City shall be required to use money from its general fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

The annual requirements to amortize all debt outstanding (excluding unamortized premiums and discounts and compensated absences) as of June 30, 2020 are as follows:

Year Ending June 30	Governmental Activities (public offering)		Business-type Activities (public offering)	
	Principal	Interest	Principal	Interest
2021	\$ 445,000	\$ 82,050	\$ 320,000	\$ 333,269
2022	460,000	72,300	395,000	318,550
2023	465,000	62,250	405,000	308,950
2024	485,000	50,075	415,000	299,150
2025	510,000	33,250	425,000	289,050
2026-2030	515,000	79,800	2,280,000	1,284,450
2031-2035	220,000	9,900	2,585,000	989,300
2036-2040	-	-	2,740,000	636,150
2041-2044	-	-	2,560,000	195,000
Total	\$3,100,000	\$389,625	\$12,125,000	\$4,653,869

8. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City maintains a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 6, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance funded on a discretionary basis. The Plan is included as an other post-employment benefits trust fund in the City's financial statements; a stand-alone financial report of the Plan has not been issued.

Benefits provided

The City includes pre-Medicare retirees in its insured healthcare plan and pays the monthly premium cost in effect at the date of retirement through the date of eligibility for Medicare. The participant must pay any balance for increases in premiums after the date of retirement. Benefit provisions are established through policy and available to all qualifying fulltime employees.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2020):

Active plan members	84
Retirees and beneficiaries receiving benefits	<u>8</u>
Total	<u>92</u>

Contributions

The Plan was established and is being funded under the authority of the City Council. The Plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation. There are no long-term contracts for contributions to the Plan. The plan has no legally required reserves.

Net OPEB Liability

The total OPEB liability in the June 30, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.5%

Investment rate of return: 7.35%

Healthcare cost trend rates: 8.0% in 2018 graded down .5% per year to an ultimate rate of 5%

20-year Aa municipal bond yield: 2.66%

Mortality rates used general/public safety 2010 employee and healthy retiree, headcount weighted, 2018 improvement scale mortality tables

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Global equity	60.0%	5.25%
Global fixed income	20.0%	1.25%
Private Instruments	20.0%	7.25%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.35%.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.8%. For projected benefits that are expected to be covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. As of June 30, 2019, the discount rate used to value OPEB liabilities was 3.03%.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2019	\$4,485,160	\$1,330,957	\$3,154,203
Changes for the Year:			
Service cost	321,582	-	321,582
Interest	144,422	-	144,422
Change in benefits	-	-	-
Differences between expected and actual experience	6,177	-	6,177
Change in assumptions	67,067	-	67,067
Contributions: employer	-	20,064	(20,064)
Contributions: benefits paid from general operating funds	-	80,646	(80,646)
Net investment Income	-	31,217	(31,217)
Benefit payments, including refunds	(80,646)	(80,646)	-
Administrative expense	-	(2,436)	2,436
Other changes	-	-	-
Net changes	458,602	48,845	409,757
Balance at June 30, 2020	\$4,943,762	\$1,379,802	\$3,563,960

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

The following presents the net OPEB liability of the employer, calculated using the discount rate of 3.03%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current discount rate	1% Increase
Total OPEB liability	\$5,246,358	\$4,943,762	\$4,651,780
Fiduciary net position	1,379,802	1,379,802	1,379,802
Net OPEB liability	\$3,866,556	\$3,563,960	\$3,271,978
Plan fiduciary position as a percentage of the total OPEB liability		27.9%	

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 8.0%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current healthcare cost trend rate	1% Increase
Total OPEB liability	\$4,447,817	\$4,943,762	\$5,523,066
Fiduciary net position	1,379,802	1,379,802	1,379,802
Net OPEB liability	\$3,068,015	\$3,563,960	\$4,143,264

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plan

For the year ended June 30, 2020 the employer recognized OPEB expense of \$531,117. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 304,878	\$471,221
Changes in assumptions	1,411,281	-
Excess(deficit) investment returns	75,157	-
Total	\$1,791,316	\$471,221

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

2020	\$ 166,120
2021	181,962
2022	183,829
2023	171,514
2024	157,067
Thereafter	459,603
Total	\$1,320,095

9. TAX ABATEMENTS

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Tax Exemption (IFTE) certificate entitles the facility to a partial exemption from ad valorem real and/or personal property taxes for a term of 12 years for real property and 6 years for personal property as determined by the local unit of government. The IFTE is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement cease operations and no successor employer is providing employment during the term of the abatement.

For the year ended June 30, 2020 the City abated property tax revenues of approximately \$37,000.

CITY OF GRANDVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

For the year ended June 30, 2020 the City abated property tax revenues of approximately \$20,900.

10. CONSTRUCTION CODE FEES

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

Cumulative surplus – July 1, 2019	<u>\$ 47,031</u>
Current year building permit revenues	269,408
Related Expenses	
Direct costs	295,884
Indirect Costs	<u>9,295</u>
Total construction code expenses	<u>305,179</u>
Cumulative surplus – June 30, 2020	<u><u>\$ 11,260</u></u>

11. CONTINGENCY

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

12. COMMITMENTS

At year-end, the City had outstanding commitments of approximately \$7,600,000 related to the City's portion of the solids handling project at the clean water plant and the Canal Avenue lift station construction projects, and approximately \$300,000 for various other equipment purchases.

13. SUBSEQUENT EVENTS

Subsequent to year end, the City issued general obligation capital improvement bonds in the amount of \$8,735,000 to fund various construction projects including renovation of the library and downtown improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes				
Property taxes	\$ 7,494,275	\$ 7,674,275	\$ 7,695,031	\$ 20,756
Intergovernmental revenues				
State	1,492,460	1,407,460	1,440,376	32,916
Licenses and permits	39,000	39,000	26,362	(12,638)
Charges for services	1,191,704	1,166,704	1,174,104	7,400
Fines	278,500	228,500	203,513	(24,987)
Investment earnings	100,000	150,000	162,608	12,608
Miscellaneous	158,200	158,200	126,943	(31,257)
Total revenues	<u>10,754,139</u>	<u>10,824,139</u>	<u>10,828,937</u>	<u>4,798</u>
Expenditures				
Current				
General government	1,539,658	1,499,658	1,379,988	119,670
Judicial	1,217,303	1,217,303	1,137,808	79,495
Public safety	5,485,348	5,405,348	5,142,994	262,354
Public works	867,033	912,033	831,935	80,098
Culture and recreation	1,881,763	1,872,763	1,344,848	527,915
Total expenditures	<u>10,991,105</u>	<u>10,907,105</u>	<u>9,837,573</u>	<u>1,069,532</u>
Revenues over (under) expenditures	(236,966)	(82,966)	991,364	1,074,330
Other financing sources (uses)				
Transfers in	455,950	455,950	-	(455,950)
Transfers out	(477,927)	(477,927)	(492,427)	(14,500)
Total other financing sources (uses)	<u>(21,977)</u>	<u>(21,977)</u>	<u>(492,427)</u>	<u>(470,450)</u>
Net changes in fund balance	(258,943)	(104,943)	498,937	603,880
Fund balance, beginning of year	<u>4,320,454</u>	<u>4,320,454</u>	<u>4,320,454</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,061,511</u>	<u>\$ 4,215,511</u>	<u>\$ 4,819,391</u>	<u>\$ 603,880</u>

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 155,148	\$ 155,148	\$ 155,141	\$ (7)
Intergovernmental revenues				
State	1,294,430	1,294,430	1,332,267	37,837
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>5,881</u>	<u>(4,119)</u>
Total revenues	1,459,578	1,459,578	1,493,289	33,711
Expenditures				
Current				
Public works	<u>1,616,906</u>	<u>1,974,906</u>	<u>1,800,072</u>	<u>174,834</u>
Net changes in fund balance	(157,328)	(515,328)	(294,183)	221,145
Fund balance, beginning of year	<u>845,117</u>	<u>845,117</u>	<u>845,117</u>	<u>-</u>
Fund balance, end of year	<u>\$ 687,789</u>	<u>\$ 329,789</u>	<u>\$ 550,934</u>	<u>\$ 221,145</u>

CITY OF GRANDVILLE
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020

	2014	2015	2016	2017	2018	2019
Total pension liability						
Service cost	\$ 77,171	\$ 80,268	\$ 82,506	\$ 75,866	\$ 78,367	76,844
Interest	1,468,963	1,476,837	1,513,938	1,515,791	1,505,008	1,492,787
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	164,446	(30,639)	(148,389)	(126,202)	263,210
Changes in assumptions	-	808,006	-	-	-	572,669
Benefit payments including employee refunds	(1,391,493)	(1,512,979)	(1,502,019)	(1,576,642)	(1,581,963)	-1,636,399
Other	-	-	-	-	-	-
Net change in total pension liability	154,641	1,016,578	63,786	(133,374)	(124,790)	769,111
Total pension liability, beginning of year	18,462,768	18,617,409	19,633,987	19,697,773	19,564,399	19,439,609
Total pension liability, end of year	<u>\$ 18,617,409</u>	<u>\$ 19,633,987</u>	<u>\$ 19,697,773</u>	<u>\$ 19,564,399</u>	<u>\$ 19,439,609</u>	<u>\$ 20,208,720</u>
Plan Fiduciary Net Position						
Contributions-employer	\$ 555,936	\$ 613,908	\$ 784,728	\$ 880,938	\$ 981,851	1,059,480
Contributions-employee	21,478	16,518	16,962	16,256	16,025	15,080
Net investment income	722,739	(162,504)	1,158,952	1,408,445	(438,597)	1,411,005
Benefit payments including employee refunds	(1,391,493)	(1,512,979)	(1,502,019)	(1,576,642)	(1,581,963)	(1,636,399)
Administrative expense	(26,381)	(24,459)	(22,916)	(22,357)	(22,122)	(24,292)
Net change in plan fiduciary net position	(117,721)	(1,069,516)	435,707	706,640	(1,044,806)	824,874
Plan fiduciary net position, beginning of year	11,656,634	11,538,913	10,469,397	10,905,104	11,611,744	10,566,938
Plan fiduciary net position, end of year	<u>\$ 11,538,913</u>	<u>\$ 10,469,397</u>	<u>\$ 10,905,104</u>	<u>\$ 11,611,744</u>	<u>\$ 10,566,938</u>	<u>\$ 11,391,812</u>
Employer net pension liability	<u>\$ 7,078,496</u>	<u>\$ 9,164,590</u>	<u>\$ 8,792,669</u>	<u>\$ 7,952,655</u>	<u>\$ 8,872,671</u>	<u>\$ 8,816,908</u>
Plan fiduciary net position as a percentage of the total pension liability	62%	53%	55%	59%	54%	56%
Covered employee payroll	\$ 787,329	\$ 819,146	\$ 845,600	\$ 778,623	\$ 781,993	767,625
Employer's net pension liability as a percentage of covered employee payroll	899%	1119%	1040%	1021%	1135%	1149%

CITY OF GRANDVILLE
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020

	2015	2016	2017	2018	2019	2020
Actuarially determined contributions	\$ 521,892	\$ 705,924	\$ 863,532	\$ 898,344	\$ 1,018,740	\$ 1,041,336
Contributions in relation to the actuarially determined contribution	<u>521,892</u>	<u>705,924</u>	<u>863,532</u>	<u>898,344</u>	<u>1,044,011</u>	<u>1,042,217</u>
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ 25,271	\$ 881
Covered employee payroll	\$ 787,329	\$ 819,146	\$ 845,600	\$ 778,623	\$ 781,993	\$ 767,625
Contributions as a percentage of covered employee payroll	66%	86%	102%	115%	134%	136%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.35% (7.75% for 2019)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

CITY OF GRANDVILLE

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2020

	2017	2018	2019	2020
Total OPEB liability				
Service cost	\$ 141,255	\$ 251,510	\$ 271,591	\$ 321,582
Interest	101,060	207,102	206,810	144,422
Difference between expected and actual experience	446,894	(58,616)	(516,246)	6,177
Changes in assumptions	1,636,304	147,356	174,800	67,067
Benefit payments including employee refunds	(183,447)	(144,701)	(76,159)	(80,646)
Net change in total OPEB liability	2,142,066	402,651	60,796	458,602
Total OPEB liability, beginning of year	1,879,647	4,021,713	4,424,364	4,485,160
Total OPEB liability, end of year	\$ 4,021,713	\$ 4,424,364	\$ 4,485,160	\$ 4,943,762
Plan Fiduciary Net Position				
Contributions-employer	\$ 175,000	\$ 127,000	\$ 14,100	\$ 20,064
Contributions-benefits paid from general operating funds	8,447	17,701	76,159	80,646
Net investment income	137,273	92,646	38,171	31,217
Benefit payments including employee refunds	(183,447)	(144,701)	(76,159)	(80,646)
Administrative expense	(2,770)	(3,008)	(2,699)	(2,436)
Net change in plan fiduciary net position	134,503	89,638	49,572	48,845
Plan fiduciary net position, beginning of year	1,057,244	1,191,747	1,281,385	1,330,957
Plan fiduciary net position, end of year	\$ 1,191,747	\$ 1,281,385	\$ 1,330,957	\$ 1,379,802
Employer net OPEB liability	\$ 2,829,966	\$ 3,142,979	\$ 3,154,203	\$ 3,563,960
Plan fiduciary net position as a percentage of the total OPEB liability	29.6%	29.0%	29.7%	27.9%
Covered employee payroll	\$ 5,203,932	\$ 5,449,832	\$ 6,021,905	\$ 5,117,128
Employer's net OPEB liability as a percentage of covered employee payroll	54.4%	57.7%	52.4%	69.6%

CITY OF GRANDVILLE

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2020

	2017	2018	2019	2020
Actuarially determined contributions	\$ 401,525	\$ 428,908	\$ 547,751	\$ 574,540
Contributions in relation to the actuarially determined contribution	183,447	144,701	90,259	100,710
Contribution excess (deficiency)	\$ (218,078)	\$ (284,207)	\$ (457,492)	\$ (473,830)
Covered employee payroll	\$ 5,203,932	\$ 5,449,832	\$ 6,021,905	\$ 5,117,128
Contributions as a percentage of covered employee payroll	3.5%	2.7%	1.5%	2.0%

Notes to schedule

Actuarial cost method	Entry Age Normal (level percent)
Amortization method	Level percent, closed
Remaining amortization period	15 years (average future service)
Asset valuation method	Market value
Inflation	2.50%
Salary increases	3.5% (2.5% in 2018)
Investment rate of return	7.75% (7% in 2018)
20-year Aa Municipal bond yield	2.79% (3.1% in 2018)
Healthcare cost trend rates	8.0% for 2018 graded down .5% annually to rate of 5.0%
Retirement age	Varies depending on plan adoption
	General/public safety 2010 employee and healthy retiree, headcount weighted, 2018 improvement scale mortality tables (IRS 2017 annuitant/non-annuitant mortality for 2018)
Mortality	

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with No. Letter 2018-3	\$ 574,540
Minimum required contribution under PA 202	96,199
Actual contribution	100,710
Contribution for employees hired after June 30, 2018	15,553

State of Michigan PA 202 assumptions, if different from GASB:

- Mortality - PRH 2014 at 2006 with improvement scale MP-2018
- Expected asset return - 7.0%
- Expected salary increase - 3.5%
- Effective discount rate - 3.17%
- Medical trend - Pre-medicare: 8.5% graded down to 4.25% by .25% per year, Post-medicare 7.0% graded to 4.5% by .25% per year

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Pension and OPEB data

The data presented on the schedule of changes in employers net pension liability schedule is based on a December 31 measurement date.

The data presented on the schedule of changes in employers net OPEB liability schedule is based on a June 30 measurement date.

The pension and OPEB schedules are being accumulated prospectively until 10 years of information is presented.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenue				
Taxes				
Property taxes	\$ 7,494,275	\$ 7,674,275	\$ 7,695,031	\$ 20,756
Intergovernmental revenues				
State	1,492,460	1,407,460	1,440,376	32,916
Licenses and permits	39,000	39,000	26,362	(12,638)
Charges for services	1,191,704	1,166,704	1,174,104	7,400
Fines	278,500	228,500	203,513	(24,987)
Investment earnings	100,000	150,000	162,608	12,608
Miscellaneous	158,200	158,200	126,943	(31,257)
Total revenues	<u>10,754,139</u>	<u>10,824,139</u>	<u>10,828,937</u>	<u>4,798</u>
Expenditures				
Current				
General government				
Legislative	69,617	69,617	66,387	3,230
City Manager	198,690	198,690	193,693	4,997
Elections	82,294	72,294	58,684	13,610
Attorney	262,000	237,000	203,044	33,956
Assessor	234,579	219,579	201,999	17,580
Clerk	186,537	186,537	168,818	17,719
Treasurer	190,668	195,668	187,329	8,339
General office	250,273	255,273	247,534	7,739
Retiree healthcare premiums	65,000	65,000	52,500	12,500
	<u>1,539,658</u>	<u>1,499,658</u>	<u>1,379,988</u>	<u>119,670</u>
Judicial				
District Court	754,314	754,314	692,942	61,372
Probation	412,767	412,767	402,913	9,854
Shared costs	50,222	50,222	41,953	8,269
	<u>1,217,303</u>	<u>1,217,303</u>	<u>1,137,808</u>	<u>79,495</u>
Public safety				
Police	4,071,906	3,946,906	3,804,536	142,370
Fire	1,403,742	1,448,742	1,328,937	119,805
Narcotics enforcement	9,700	9,700	9,521	179
	<u>5,485,348</u>	<u>5,405,348</u>	<u>5,142,994</u>	<u>262,354</u>
Public works				
Highways, streets and bridges	247,750	262,750	265,700	(2,950)
Sidewalks	28,489	28,489	19,267	9,222
Grounds and building maintenance	210,041	210,041	174,754	35,287
Parking lots	51,358	51,358	85,198	(33,840)
Cemetery	291,195	321,195	274,663	46,532
Sanitation and other	38,200	38,200	12,353	25,847
	<u>867,033</u>	<u>912,033</u>	<u>831,935</u>	<u>80,098</u>

(continued)

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Culture and recreation				
Parks	\$ 531,582	\$ 491,582	\$ 448,045	\$ 43,537
Library	150,826	150,826	126,162	24,664
Library building project	805,950	805,950	409,481	396,469
Special projects	141,250	172,250	159,899	12,351
Planning and zoning	76,750	76,750	59,852	16,898
Other	175,405	175,405	141,409	33,996
	<u>1,881,763</u>	<u>1,872,763</u>	<u>1,344,848</u>	<u>527,915</u>
Total expenditures	<u>10,991,105</u>	<u>10,907,105</u>	<u>9,837,573</u>	<u>1,069,532</u>
Revenues over (under) expenditures	<u>(236,966)</u>	<u>(82,966)</u>	<u>991,364</u>	<u>1,074,330</u>
Other financing sources (uses)				
Transfers out	<u>(477,927)</u>	<u>(477,927)</u>	<u>(492,427)</u>	<u>(14,500)</u>
Net changes in fund balances	<u>(258,943)</u>	<u>(104,943)</u>	<u>498,937</u>	<u>603,880</u>
Fund balances, beginning of year	<u>4,320,454</u>	<u>4,320,454</u>	<u>4,320,454</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,061,511</u>	<u>\$ 4,215,511</u>	<u>\$ 4,819,391</u>	<u>\$ 603,880</u>

(concluded)

CITY OF GRANDVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2020

	<u>Special Revenue</u>				<u>Capital Projects</u>	
	<u>Local Streets</u>	<u>Revolving</u>	<u>Storm Sewer Trunkage</u>	<u>Indigent Defense</u>	<u>Library Construction</u>	<u>Total</u>
Assets						
Cash and pooled investments	\$ 369,859	\$ -	\$ 5,960	\$ 54,443	\$ 445,791	\$ 876,053
Accounts receivable	2,595	-	28	-	-	2,623
Due from other governments	69,452	-	-	-	-	69,452
Special assessments receivable	-	48,455	-	-	-	48,455
Prepaid items	2,702	-	578	-	-	3,280
Total assets	<u>\$ 444,608</u>	<u>\$ 48,455</u>	<u>\$ 6,566</u>	<u>\$ 54,443</u>	<u>\$ 445,791</u>	<u>\$ 999,863</u>
Liabilities, deferred inflows and fund balances						
Liabilities						
Accounts payable	\$ 293,354	\$ -	\$ 3,126	\$ 10,597	\$ -	\$ 307,077
Accrued liabilities	10,459	-	2,048	110	-	12,617
Due to other funds	-	-	-	-	103,092	103,092
Total liabilities	<u>303,813</u>	<u>-</u>	<u>5,174</u>	<u>10,707</u>	<u>103,092</u>	<u>422,786</u>
Deferred inflows of resources						
Unavailable revenue	-	48,455	-	-	-	48,455
Fund balances						
Non-spendable						
Prepaid items	2,702	-	578	-	-	3,280
Restricted						
Judicial	-	-	-	43,736	-	43,736
Streets	138,093	-	-	-	-	138,093
Committed						
Capital projects	-	-	814	-	342,699	343,513
Total fund balances	<u>140,795</u>	<u>-</u>	<u>1,392</u>	<u>43,736</u>	<u>342,699</u>	<u>528,622</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 444,608</u>	<u>\$ 48,455</u>	<u>\$ 6,566</u>	<u>\$ 54,443</u>	<u>\$ 445,791</u>	<u>\$ 999,863</u>

CITY OF GRANDVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Special Revenue</u>				<u>Capital Projects</u>	
	<u>Local Streets</u>	<u>Revolving</u>	<u>Storm Sewer Trunkage</u>	<u>Indigent Defense</u>	<u>Library Construction</u>	<u>Total</u>
Revenues						
Taxes	\$ 465,424	\$ -	\$ -	\$ -	\$ -	\$ 465,424
Intergovernmental revenues						
State	440,726	-	-	27,079	-	467,805
Special assessments	-	12,600	-	-	-	12,600
Charges for services	-	-	200	-	-	200
Donations	-	-	-	-	327,886	327,886
Investment earnings	8,071	-	(92)	356	2,565	10,900
Total revenues	<u>914,221</u>	<u>12,600</u>	<u>108</u>	<u>27,435</u>	<u>330,451</u>	<u>1,284,815</u>
Expenditures						
Current						
Judicial	-	-	-	63,984	-	63,984
Public works	872,153	-	85,744	-	-	957,897
Culture and recreation	-	-	-	-	98,092	98,092
Total expenditures	<u>872,153</u>	<u>-</u>	<u>85,744</u>	<u>63,984</u>	<u>98,092</u>	<u>1,119,973</u>
Revenues over (under) expenditures	<u>42,068</u>	<u>12,600</u>	<u>(85,636)</u>	<u>(36,549)</u>	<u>232,359</u>	<u>164,842</u>
Other financing sources (uses)						
Transfers in	-	-	69,500	2,827	-	72,327
Transfers out	-	(12,600)	-	-	-	(12,600)
Total other financing sources (uses)	<u>-</u>	<u>(12,600)</u>	<u>69,500</u>	<u>2,827</u>	<u>-</u>	<u>59,727</u>
Net changes in fund balances	42,068	-	(16,136)	(33,722)	232,359	224,569
Fund balances, beginning of year	<u>98,727</u>	<u>-</u>	<u>17,528</u>	<u>77,458</u>	<u>110,340</u>	<u>304,053</u>
Fund balances, end of year	<u>\$ 140,795</u>	<u>\$ -</u>	<u>\$ 1,392</u>	<u>\$ 43,736</u>	<u>\$ 342,699</u>	<u>\$ 528,622</u>

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 465,445	\$ 465,445	\$ 465,424	\$ (21)
Intergovernmental revenues				
State	442,211	442,211	440,726	(1,485)
Investment earnings	<u>7,500</u>	<u>7,500</u>	<u>8,071</u>	<u>571</u>
Total revenues	915,156	915,156	914,221	(935)
Expenditures				
Current				
Public works	<u>818,021</u>	<u>945,021</u>	<u>872,153</u>	<u>72,868</u>
Net changes in fund balance	97,135	(29,865)	42,068	71,933
Fund balance, beginning of year	<u>98,727</u>	<u>98,727</u>	<u>98,727</u>	<u>-</u>
Fund balance, end of year	<u>\$ 195,862</u>	<u>\$ 68,862</u>	<u>\$ 140,795</u>	<u>\$ 71,933</u>

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Special assessments	\$ -	\$ -	\$ 12,600	\$ 12,600
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	-	-	12,600	12,600
Other financing sources (uses)				
Transfers out	-	-	(12,600)	(12,600)
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Charges for services	\$ 2,000	\$ 2,000	\$ 200	\$ (1,800)
Investment earnings	<u>200</u>	<u>200</u>	<u>(92)</u>	<u>(292)</u>
Total revenues	2,200	2,200	108	(2,092)
Expenditures				
Current				
Public works	<u>82,929</u>	<u>90,929</u>	<u>85,744</u>	<u>5,185</u>
Revenues over (under) expenditures	(80,729)	(88,729)	(85,636)	3,093
Other financing sources (uses)				
Transfers in	<u>55,000</u>	<u>55,000</u>	<u>69,500</u>	<u>14,500</u>
Net changes in fund balance	(25,729)	(33,729)	(16,136)	17,593
Fund balance, beginning of year	<u>17,528</u>	<u>17,528</u>	<u>17,528</u>	<u>-</u>
Fund balance, end of year	<u>\$ (8,201)</u>	<u>\$ (16,201)</u>	<u>\$ 1,392</u>	<u>\$ 17,593</u>

CITY OF GRANDVILLE

INDIGENT DEFENSE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 79,873	\$ 79,873	\$ 27,079	\$ (52,794)
Investment earnings	<u>-</u>	<u>-</u>	<u>356</u>	<u>356</u>
Total revenues	79,873	79,873	27,435	(52,438)
Expenditures				
Current				
Judicial	<u>82,700</u>	<u>82,700</u>	<u>63,984</u>	<u>18,716</u>
Revenues over (under) expenditures	(2,827)	(2,827)	(36,549)	(33,722)
Other financing sources (uses)				
Transfers in	<u>2,827</u>	<u>2,827</u>	<u>2,827</u>	<u>-</u>
Net changes in fund balance	-	-	(33,722)	(33,722)
Fund balance, beginning of year	<u>77,458</u>	<u>77,458</u>	<u>77,458</u>	<u>-</u>
Fund balance, end of year	<u>\$ 77,458</u>	<u>\$ 77,458</u>	<u>\$ 43,736</u>	<u>\$ (33,722)</u>

CITY OF GRANDVILLE

AGENCY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2020

	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 5,406	\$ 80,919	\$ 86,325
Accounts receivables	<u>58</u>	<u>-</u>	<u>58</u>
	\$ 5,464	\$ 80,919	\$ 86,383
Total assets			
Liabilities			
Accounts Payable	\$ 5,464	\$ -	\$ 5,464
Deposits	<u>-</u>	<u>80,919</u>	<u>80,919</u>
	\$ 5,464	\$ 80,919	\$ 86,383
Total liabilities			

CITY OF GRANDVILLE

DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 643,551	\$ -	\$ 643,551
Accounts receivable	5,510	-	5,510
Prepaid items	1,146	-	1,146
Capital assets			
Land	-	616,729	616,729
Construction in progress	-	107,604	107,604
Depreciable capital assets, net	-	2,503,590	2,503,590
Total assets	<u>\$ 650,207</u>	<u>3,227,923</u>	<u>3,878,130</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 17,916	-	17,916
Accrued liabilities	8,262	-	8,262
Accrued interest	-	5,800	5,800
Long-term due to primary government	-	1,160,000	1,160,000
Total liabilities	<u>26,178</u>	<u>1,165,800</u>	<u>1,191,978</u>
Fund balances			
Unassigned	<u>624,029</u>	<u>(624,029)</u>	
Total liabilities and fund balances	<u>\$ 650,207</u>		
Net position			
Net investment in capital assets			1,960,319
Unrestricted			725,833
Total net position		<u>\$ 2,686,152</u>	<u>\$ 2,686,152</u>
Reconciliation of fund balances to net position			
Fund balance of the governmental fund			\$ 624,029
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund.			
Add - land			616,729
Add - construction in progress			107,604
Add - capital assets (net of accumulated depreciation)			2,503,590
Certain liabilities are not due and payable in the current period and therefore are not reported in the fund.			
Deduct - long-term due to primary government			(1,160,000)
Deduct - accrued interest on debt payable			(5,800)
Net position of governmental activities			<u>\$ 2,686,152</u>

CITY OF GRANDVILLE

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 472,351	\$ -	\$ 472,351
Intergovernmental revenues			
Local	51,577	-	51,577
Investment earnings	25,310	-	25,310
Miscellaneous	46,993	-	46,993
Total revenues	<u>596,231</u>	<u>-</u>	<u>596,231</u>
Expenditures/expenses			
Salaries	92,939	-	92,939
Administration	24,436	-	24,436
Operations	644,595	(459,766)	184,829
Depreciation	-	213,382	213,382
Debt service payment to primary government	112,550	(75,000)	37,550
Debt service			
Interest	-	(375)	(375)
Total expenditures/expenses	<u>874,520</u>	<u>(321,759)</u>	<u>552,761</u>
Net changes in fund balance	(278,289)	278,289	
Change in net position		43,470	43,470
Fund balance/net position, beginning of year	<u>902,318</u>		<u>2,642,682</u>
Fund balance/net position, end of year	<u>\$ 624,029</u>		<u>\$ 2,686,152</u>
Reconciliation of changes in fund balance to change in net position			
Net changes in fund balance of governmental fund			\$ (278,289)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.			
Add - capital outlay			459,766
Deduct - depreciation expense			(213,382)
Repayment of bond or note principal is an expenditure in the governmental fund, but the repayment reduces the long-term liabilities in the statement of net position.			
Add - principal payments on payment to primary government			75,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the fund.			
Deduct increase in accrued interest			375
Change in net position of governmental activities			<u>\$ 43,470</u>

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CONTROL AND COMPLIANCE



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

October 16, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grandville, Michigan, (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 16, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Orlando Haefner LLC