



CITY OF EAST GRAND RAPIDS, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF EAST GRAND RAPIDS

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INDEPENDENT AUDITORS' REPORT

October 4, 2021

Honorable Mayor and Members of the City Commission
City of East Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Grand Rapids, Michigan, (the "City") as of and for the year ended June 30, 2021, 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, each major fund, and the aggregate remaining fund information of the City of East Grand Rapids, Michigan, as of June 30, 2021, 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 information on pages 43 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2021, on our consideration of the City'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 the City'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 East Grand Rapids (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, 2021.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2021 fiscal year as follows:

- Significant road and sidewalk projects continue to be completed due to the passing of the dedicated road and sidewalk millage in May of 2015. The City completed 2.82 miles of various types of projects in the current Fiscal Year. Total expenditures for these projects were \$2,378,300.
- In the motor pool equipment replacement fund, \$304,623 was invested in various vehicle and equipment replacements. The City sold numerous vehicles that had been previously been replaced in an auction in October with proceeds in the amount of \$72,000. Lastly the City decommissioned the previous in-car camera system when it replaced this in FY 2021.
- Water and sewer rates remained the same for FY 2021. Capital expenditures of \$957,585 were spent in this fiscal year on water and sewer projects.
- Payroll included 70 full-time and 12 part-time positions with total salary expenditures of approximately \$5,369,395.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, major streets, local streets, municipal streets 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 herein to demonstrate legal compliance.

Proprietary funds The City maintains one enterprise fund. 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 internal service funds to account for its motor pool and self-insurance activities. Because these 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. Conversely, internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements.

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

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

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

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$29,129,114 at the close of the most recent fiscal year. The following chart illustrates the composition of net position.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 9,414,344	\$ 8,319,361	\$ 1,788,633	\$ 992,693	\$11,202,977	\$ 9,312,054
Long-term assets	27,039,744	26,912,141	12,825,555	12,426,545	39,865,299	39,338,686
Total assets	36,454,088	35,231,502	14,614,188	13,419,238	51,068,276	48,650,740
Deferred outflows of resources	785,120	1,477,255	25,613	30,160	810,733	1,507,415
Liabilities						
Current liabilities	2,186,275	1,590,546	634,312	393,689	2,820,587	1,984,235
Long-term liabilities	18,284,125	19,330,832	84,361	98,587	18,368,486	19,429,419
Total liabilities	20,470,400	20,921,378	718,673	492,276	21,189,073	21,413,654
Deferred inflows of resources	1,525,228	521,033	35,594	20,861	1,560,822	541,894
Net position						
Net investment in capital assets	21,147,644	19,852,141	12,825,555	12,426,545	33,973,199	32,278,686
Restricted	1,651,644	1,524,609	-	-	1,651,644	1,524,609
Unrestricted (deficit)	(7,555,708)	(6,110,404)	1,059,979	509,716	(6,495,729)	(5,600,688)
Total net position	\$15,243,580	\$15,266,346	\$13,885,534	\$12,936,261	\$29,129,114	\$28,202,607

The City's unrestricted net position in governmental activities is in a deficit position as a result of recording the net pension and net other post-employment benefits 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 \$33,973,199 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 \$1,651,644 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, 2021, was \$20,660,985 while total cost of all programs and services was \$19,734,478. This resulted in an increase in net position of \$926,507. 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>	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 1,421,312	\$ 1,410,201	\$ 4,723,144	\$ 4,485,862	\$ 6,144,456	\$ 5,896,063
Operating grants and contributions	1,780,334	1,244,771	-	-	1,780,334	1,244,771
Capital grants and contributions	70,477	40,378	-	-	70,477	40,378
General revenues						
Property taxes	11,234,211	10,850,585	-	-	11,234,211	10,850,585
State shared revenues	1,166,801	1,026,752	-	-	1,166,801	1,026,752
Cable franchise fees	184,172	191,996	-	-	184,172	191,996
Investment earnings	50,268	195,277	266	3,304	50,534	198,581
Total revenues	15,907,575	14,959,960	4,723,410	4,489,166	20,630,985	19,449,126
Expenses						
Legislative	31,136	22,157	-	-	31,136	22,157
General government	2,195,308	1,900,352	-	-	2,195,308	1,900,352
Public safety	7,162,737	5,879,970	-	-	7,162,737	5,879,970
Public works	4,553,985	4,490,671	-	-	4,553,985	4,490,671
Culture and recreation	1,797,671	1,905,221	-	-	1,797,671	1,905,221
Interest on long-term debt	189,504	211,269	-	-	189,504	211,269
Water and sewer	-	-	3,774,137	3,838,956	3,774,137	3,838,956
Total expenses	15,930,341	14,409,640	3,774,137	3,838,956	19,704,478	18,248,596
Increase (decrease) in net position	(22,766)	550,320	949,273	650,210	926,507	1,200,530
Net position – beginning	15,266,346	14,716,026	12,936,261	12,286,051	28,202,607	27,002,077
Net position – ending	\$15,243,580	\$15,266,346	\$13,885,534	\$12,936,261	\$29,129,114	\$28,202,607

Governmental Activities The preceding table shows that the governmental activities decreased the City's net position by \$22,766 during this fiscal year. The decrease is the result of changes in the various components of the net pension and other post employments benefits liabilities.

Business-type Activities Business-type activities increased the City's net position by \$949,273 during the year. This is a result of an increase in usage of both water and sewage treatment service.

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 \$6,565,665, an increase of \$948,628 from the prior year, which is primarily due to many expenditures under budget 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 \$35,874 relates to prepaid assets, committed fund balance of \$558,950 relates to future activities committed to by the Board; and assigned fund balance of \$264,700 has been set aside and budgeted for subsequent year expenditures. Unassigned fund balance amounts to \$3,988,350. 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 43.6% of total general fund expenditures and transfers out.

The major street fund is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on major streets by Act 51. The fund balance increased by \$161,881 during the current fiscal year leaving a remaining fund balance of \$893,626.

The local 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 local streets by Act 51. The fund balance increased by \$143,031 during the current fiscal year leaving a remaining fund balance of \$450,750.

The municipal streets fund is used to account for the municipal street millage. The fund balance decreased by \$175,620 during the current fiscal year leaving a remaining fund balance of \$315,840.

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 fund which provides services to most residents and businesses of the City. This fund experienced an increase in net position of \$949,273 as discussed under business-type activities above.

Budgetary Highlights

Revenues in the General Fund were approximately \$12,496,000 which is 100% of the \$12,492,000 amended budgeted amount for the fiscal year. Property tax revenue was \$9,120,179 or 100.0% collected of the original tax roll.

Expenditures in the General Fund were approximately \$10,680,000 or 94.6% of the amended budgeted amount of \$11,295,300. The budget was amended to increase fund balance by \$196,700; however, the actual results will add approximately \$257,000 into unrestricted fund balance which is made up of carryover of capital items to the next fiscal year and savings throughout various departments.

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, 2021, amounted to \$39,865,299 (net of accumulated depreciation). Of this amount, \$27,039,744 was for its governmental activities and \$12,825,555 for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Current year additions included various equipment and several road projects.

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

Long-term debt At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$18,368,486. Of this amount, \$5,329,200 was for governmental activities debt; \$10,266,380 related to the net pension liability and \$2,021,829 related to the liability for other post-employment benefits.

The City made payments on long-term debt of \$6,832,900 during the current fiscal year which includes the issuance of refunding bonds in the amount of \$5,665,000.

Additional information on the City's long-term debt can be found in Note 9 to the financial statements.

The net pension liability increased \$560,041 while the net OPEB liability decreased \$524,646.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2022 fiscal year:

- The General Fund expenditure budget for next year (FY22) is \$40,000 less than last fiscal year's adopted budgeted amount. Budgeted revenues are less than budgeted expenditures by \$194,800. General Fund unrestricted ending balance for the year ending June 30, 2022 is budgeted at 30.71% of expenditures including transfers.
- Property taxes, which comprise 74% of the General Fund budget, were increased by 2.16% in the June 30, 2022 budget. This is due to an overall assessed value increase of 7% and a taxable value increase of 4%.
- Due to an increase of taxable value over the inflation rate of 1.02%, a rollback of the City millage resulted. The General Fund budget for the year ended June 30, 2022 budget contains a property tax levy of 11.7964, which is the maximum available under the Headlee Amendment.
- The estimated tax funding dedicated to roads and sidewalks for the year ended June 30, 2022 is \$1,141,520 after reducing the amount for the additional funds received by the State. Capital projects are planned for the dedicated road and sidewalk millage totaling 2.865 to 3.76 miles of roadwork.
- The budget continues to address the aging water distribution mains and sanitary sewer collection systems. A total of \$705,000 will be spent for the upgrade and replacement of water mains and \$825,000 for upgrades related to the sanitary sewer system for the year ending June 30, 2022.

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 East Grand Rapids, 750 Lakeside Drive SE, East Grand Rapids, MI 49506.

BASIC FINANCIAL STATEMENTS

CITY OF EAST GRAND RAPIDS

STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 8,520,579	\$ 1,166,214	\$ 9,686,793
Accounts receivable	192,472	611,833	804,305
Internal balances	30,678	(30,678)	-
Due from other governments	476,937	-	476,937
Inventory	110,674	39,764	150,438
Prepaid and other assets	83,004	1,500	84,504
Capital assets			
Land	2,218,753	-	2,218,753
Depreciable capital assets, net	24,820,991	12,825,555	37,646,546
Total assets	36,454,088	14,614,188	51,068,276
Deferred outflows of resources			
OPEB related	785,120	25,613	810,733
Liabilities			
Accounts payable	571,261	576,389	1,147,650
Accrued liabilities	554,405	38,183	592,588
Unearned revenue	158,012	-	158,012
Compensated absences	339,697	19,740	359,437
Debt due within one year	562,900	-	562,900
Noncurrent liabilities			
Net other post-employment benefits liability	1,937,468	84,361	2,021,829
Net pension liability	10,266,380	-	10,266,380
Bond premium	751,077	-	751,077
Debt due in more than one year	5,329,200	-	5,329,200
Total liabilities	20,470,400	718,673	21,189,073
Deferred inflows of resources			
Pension related	468,066	-	468,066
OPEB related	982,151	35,594	1,017,745
Deferred gain on bond refunding	75,011	-	75,011
Total deferred inflows of resources	1,525,228	35,594	1,560,822
Net position			
Net investment in capital assets	21,147,644	12,825,555	33,973,199
Restricted for			
Streets	1,606,176	-	1,606,176
Public safety	25,776	-	25,776
Debt service	19,692	-	19,692
Unrestricted (deficit)	(7,555,708)	1,059,979	(6,495,729)
Total net position	\$ 15,243,580	\$ 13,885,534	\$ 29,129,114

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

CITY OF EAST GRAND RAPIDS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
Legislative	\$ 31,136	\$ -	\$ -	\$ -	\$ (31,136)
General government	2,195,308	457,084	4,750	10,831	(1,722,643)
Public safety	7,162,737	20,449	481,983	7,150	(6,653,155)
Public works	4,553,985	126,078	1,293,601	18,631	(3,115,675)
Parks and recreation	1,797,671	817,701	-	33,865	(946,105)
Interest on long-term debt	189,504	-	-	-	(189,504)
Total governmental activities	<u>15,930,341</u>	<u>1,421,312</u>	<u>1,780,334</u>	<u>70,477</u>	<u>(12,658,218)</u>
Business-type activities					
Water and sewer	<u>3,774,137</u>	<u>4,723,144</u>	<u>-</u>	<u>-</u>	<u>949,007</u>
Total primary government	<u>\$ 19,704,478</u>	<u>\$ 6,144,456</u>	<u>\$ 1,780,334</u>	<u>\$ 70,477</u>	<u>\$ (11,709,211)</u>

(continued)

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

CITY OF EAST GRAND RAPIDS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net (expense) revenue	\$ (12,658,218)	\$ 949,007	\$ (11,709,211)
General revenues			
Property taxes	11,234,211	-	11,234,211
State shared revenues	1,166,801	-	1,166,801
Cable franchise fees	184,172	-	184,172
Unrestricted investment earnings	50,268	266	50,534
Total general revenues and transfers	12,635,452	266	12,635,718
Change in net position	(22,766)	949,273	926,507
Net position, beginning of year	15,266,346	12,936,261	28,202,607
Net position, end of year	\$ 15,243,580	\$ 13,885,534	\$ 29,129,114

(concluded)

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

CITY OF EAST GRAND RAPIDS

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

	<u>General</u>	<u>Special Revenue</u>			<u>Nonmajor Governmental Funds</u>	<u>Total</u>
		<u>Major Streets</u>	<u>Local Streets</u>	<u>Municipal Streets</u>		
Assets						
Cash and pooled investments	\$ 5,147,390	\$ 737,381	\$ 582,135	\$ 490,211	\$ 46,355	\$ 7,003,472
Accounts receivable	99,655	-	-	-	89,764	189,419
Due from other governments	273,993	147,378	55,566	-	-	476,937
Inventory	-	32,630	32,630	-	-	65,260
Prepaid items	35,874	-	-	-	-	35,874
Total assets	\$ 5,556,912	\$ 917,389	\$ 670,331	\$ 490,211	\$ 136,119	\$ 7,770,962
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 179,874	\$ 9,563	\$ 205,567	\$ 174,371	\$ -	\$ 569,375
Due to other funds	110,183	5,488	5,489	-	-	121,160
Accrued liabilities	260,969	8,712	8,525	-	-	278,206
Unearned revenue	158,012	-	-	-	-	158,012
Total liabilities	709,038	23,763	219,581	174,371	-	1,126,753
Deferred inflows of resources						
Unavailable receivable	-	-	-	-	78,544	78,544
Fund balances						
Nonspendable						
Inventory	-	32,630	32,630	-	-	65,260
Prepaid items	35,874	-	-	-	-	35,874
Restricted						
Streets	-	860,996	418,120	315,840	11,220	1,606,176
Public safety						
Federal portion	-	-	-	-	11,892	11,892
State portion	-	-	-	-	13,884	13,884
Debt service	-	-	-	-	19,692	19,692
Committed						
Turf replacement	528,950	-	-	-	-	528,950
Playgrounds	30,000	-	-	-	-	30,000
Assigned						
Public safety	-	-	-	-	887	887
Subsequent year expenditures	264,700	-	-	-	-	264,700
Unassigned	3,988,350	-	-	-	-	3,988,350
Total fund balances	4,847,874	893,626	450,750	315,840	57,575	6,565,665
Total liabilities and fund balances	\$ 5,556,912	\$ 917,389	\$ 670,331	\$ 490,211	\$ 136,119	\$ 7,770,962

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

CITY OF EAST GRAND RAPIDS

**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, 2021

Fund balances - total governmental funds \$ 6,565,665

Amounts reported for *governmental activities* 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 2,218,753
Add - capital assets (net of accumulated depreciation) 23,075,147

Certain assets are not due and receivable in the current period and therefore are offset with deferred inflows in the funds.

Add - special assessments deferred receivable 78,544

Deferred inflows and outflows relate to future years and are not reported in the funds

Deduct - deferred inflows from pension related items (468,066)
Add - deferred outflows from OPEB related items 785,120
Deduct - deferred inflows from OPEB related items (982,151)

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 3,260,224

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable (327,082)
Deduct - net other post-employment benefit liability (1,937,468)
Deduct - net pension liability (10,266,380)
Deduct - premium on bonds payable (751,077)
Deduct - deferred gain on bond refunding (75,011)
Deduct - long-term debt (5,892,100)
Deduct - accrued interest on bonds payable (40,538)

Net position of governmental activities \$ 15,243,580

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

CITY OF EAST GRAND RAPIDS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	General	Special Revenue			Nonmajor Governmental Funds	Total
		Major Streets	Local Streets	Municipal Streets		
Revenues						
Taxes	\$ 9,120,179	\$ -	\$ -	\$ 1,388,735	\$ 725,297	\$ 11,234,211
Intergovernmental revenues						
Federal	480,472	-	-	-	-	480,472
State	1,177,843	913,374	358,180	-	-	2,449,397
Local	12,636	22,047	-	-	7,150	41,833
Licenses and permits	85,419	-	-	-	-	85,419
Charges for services	529,165	-	-	-	-	529,165
Recreation	817,701	-	-	-	-	817,701
Fines	15,668	-	-	-	-	15,668
Special assessments	-	-	-	-	28,795	28,795
Rentals	40,425	-	-	-	-	40,425
Investment earnings	41,265	1,055	89	3,903	180	46,492
Other	145,956	206	-	28	-	146,190
Total revenues	<u>12,466,729</u>	<u>936,682</u>	<u>358,269</u>	<u>1,392,666</u>	<u>761,422</u>	<u>15,915,768</u>
Expenditures						
Current						
Legislative	31,136	-	-	-	-	31,136
General government	1,541,619	-	-	-	129,219	1,670,838
Public safety	5,521,788	-	-	-	1,616	5,523,404
Public works	1,792,262	1,142,501	2,065,938	380,138	-	5,380,839
Parks and recreation	1,718,785	-	-	-	-	1,718,785
Debt service						
Principal	41,900	-	-	-	531,000	572,900
Interest	3,351	-	-	-	194,596	197,947
Total expenditures	<u>10,650,841</u>	<u>1,142,501</u>	<u>2,065,938</u>	<u>380,138</u>	<u>856,431</u>	<u>15,095,849</u>
Revenues over (under) expenditures	<u>1,815,888</u>	<u>(205,819)</u>	<u>(1,707,669)</u>	<u>1,012,528</u>	<u>(95,009)</u>	<u>819,919</u>
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	-	6,416,077	6,416,077
Payment to refunded bond escrow	-	-	-	-	(6,287,368)	(6,287,368)
Transfers in	-	367,700	1,850,700	530,252	-	2,748,652
Transfers out	(1,000,000)	-	-	(1,718,400)	(30,252)	(2,748,652)
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>367,700</u>	<u>1,850,700</u>	<u>(1,188,148)</u>	<u>98,457</u>	<u>128,709</u>
Net changes in fund balances	815,888	161,881	143,031	(175,620)	3,448	948,628
Fund balances, beginning of year	<u>4,031,986</u>	<u>731,745</u>	<u>307,719</u>	<u>491,460</u>	<u>54,127</u>	<u>5,617,037</u>
Fund balances, end of year	<u>\$ 4,847,874</u>	<u>\$ 893,626</u>	<u>\$ 450,750</u>	<u>\$ 315,840</u>	<u>\$ 57,575</u>	<u>\$ 6,565,665</u>

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

CITY OF EAST GRAND RAPIDS

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, 2021

Net changes in fund balances - total governmental funds \$ 948,628

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

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

Add - capital outlay	2,439,703
Deduct - depreciation expense	(2,121,999)
Deduct - net book value of disposed capital assets	(2,092)

Some receivables are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.

Deduct - special assessment receipts	(22,800)
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Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. 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.

Deduct - issuance of debt	(5,665,000)
Deduct - premium on bonds issued	(751,077)
Add - principal payments on debt	572,900
Add - deposit to escrow	6,287,368

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.

Deduct - increase in compensated absences	(1,119)
Add - decrease in net other post-employment benefits liability	524,646
Add - increase in deferred outflows from OPEB related items	31,910
Deduct - increase in deferred inflows from OPEB related items	(461,118)
Deduct - increase in net pension liability	(560,041)
Deduct - decrease in deferred outflows from pension related items	(724,045)
Deduct - increase in deferred inflows from pension related items	(468,066)
Add - decrease in accrued interest	8,443

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.

Add - increase in net position of the internal service funds	(59,007)
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Change in net position of governmental activities \$ (22,766)

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

CITY OF EAST GRAND RAPIDS

PROPRIETARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
Assets		
Current assets		
Cash and pooled investments	\$ 1,166,214	\$ 1,517,107
Accounts receivable	611,833	3,053
Due from other funds	-	155,484
Prepaid and other assets	1,500	47,130
Inventory	<u>39,764</u>	<u>45,414</u>
Total current assets	1,819,311	1,768,188
Capital assets		
Depreciable capital assets, net	<u>12,825,555</u>	<u>1,745,844</u>
Total assets	<u>14,644,866</u>	<u>3,514,032</u>
Deferred outflows of resources		
OPEB related items	<u>25,613</u>	<u>-</u>
Liabilities		
Current liabilities		
Accounts payable	576,389	1,886
Accrued liabilities	38,183	235,661
Due to other funds	30,678	3,646
Compensated absences	<u>19,740</u>	<u>12,615</u>
Total current liabilities	664,990	253,808
Long-term liabilities		
Net other post-employment benefits liability	<u>84,361</u>	<u>-</u>
Total liabilities	<u>749,351</u>	<u>253,808</u>
Deferred inflows of resources		
OPEB related items	<u>35,594</u>	<u>-</u>
Net position		
Net investment in capital assets	12,825,555	1,745,844
Unrestricted	<u>1,059,979</u>	<u>1,514,380</u>
Total net position	<u>\$ 13,885,534</u>	<u>\$ 3,260,224</u>

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

CITY OF EAST GRAND RAPIDS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
Operating revenue		
Charges for services	\$ 4,668,654	\$ 2,346,698
Other	54,490	130,246
Total operating revenue	<u>4,723,144</u>	<u>2,476,944</u>
Operating expense		
Personnel services	743,356	203,050
Contractual services	903,909	508,419
Materials and supplies	1,061,849	210,517
Equipment	205,869	8,279
Claims	-	881,714
Administration	282,222	307,464
Depreciation	558,575	477,472
Miscellaneous	18,357	-
Total operating expense	<u>3,774,137</u>	<u>2,596,915</u>
Operating income (loss)	949,007	(119,971)
Non-operating revenue (expense)		
Gain on sale of capital assets	-	57,188
Investment earnings	266	3,776
Total non-operating revenue (expense)	<u>266</u>	<u>60,964</u>
Changes in net position	949,273	(59,007)
Net position, beginning of year	<u>12,936,261</u>	<u>3,319,231</u>
Net position, end of year	<u>\$ 13,885,534</u>	<u>\$ 3,260,224</u>

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

CITY OF EAST GRAND RAPIDS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
Cash flows from operating activities		
Receipts from internal services provided	\$ -	\$ 2,472,003
Receipts from customers and users	4,657,352	-
Payments to employees	(712,646)	(200,513)
Payments to suppliers	<u>(2,232,171)</u>	<u>(1,894,343)</u>
Net cash provided by (used in) operating activities	<u>1,712,535</u>	<u>377,147</u>
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	-	72,348
Acquisitions of capital assets	<u>(957,585)</u>	<u>(304,623)</u>
Net cash provided by (used in) capital and related financing activities	<u>(957,585)</u>	<u>(232,275)</u>
Cash flows from investing activities		
Interest income	<u>266</u>	<u>3,776</u>
Net increase (decrease) in cash and pooled investments	755,216	148,648
Cash and pooled investments, beginning of year	<u>410,998</u>	<u>1,368,459</u>
Cash and pooled investments, end of year	<u>\$ 1,166,214</u>	<u>\$ 1,517,107</u>
Cash flows from operating activities		
Operating income (loss)	\$ 949,007	\$ (119,971)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	558,575	477,472
Deferred outflows of resources	4,547	-
Deferred inflows of resources	14,733	-
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	(65,792)	(2,277)
Due from other funds	-	(2,664)
Prepaid and other assets	2,753	10,924
Inventory	3,249	3,661
Accounts payable	214,967	(3,862)
Due to other funds	19,066	-
Accrued liabilities	23,362	12,150
Compensated absences	2,294	1,714
Net other post-employment benefits liability	<u>(14,226)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 1,712,535</u>	<u>\$ 377,147</u>

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

CITY OF EAST GRAND RAPIDS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION**

JUNE 30, 2021

	Other Post-employment Benefit <u>Trust</u>	Pension Benefit <u>Trust</u>	Custodial <u>Fund</u>
Assets			
Cash and pooled investments	\$ 164,236	\$ -	\$ 7,351
Investments	1,733,515	10,486,957	-
Accounts receivable	-	<u>49,220</u>	<u>-</u>
Total assets	<u>1,897,751</u>	<u>10,536,177</u>	<u>7,351</u>
Liabilities			
Accrued liabilities	43,972	7,642	-
Due to other governmental units	<u>-</u>	<u>-</u>	<u>6,556</u>
Total liabilities	<u>43,972</u>	<u>7,642</u>	<u>6,556</u>
Net position			
Held in trust for other post-employment benefits	<u>\$ 1,853,779</u>	<u>\$ 10,528,535</u>	<u>\$ 795</u>

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

CITY OF EAST GRAND RAPIDS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Other Post-employment Benefit Trust	Pension Benefit Trust	Custodial Fund
Additions			
Contributions:			
Employer	\$ 244,388	\$ 10,601,019	\$ -
Employee		5,020	-
Other	17,043	49,220	-
Property taxes collected for other governments	-	-	54,002,348
Investment earnings	<u>241,882</u>	<u>185,407</u>	<u>795</u>
Total Additions	503,313	10,840,666	54,003,143
Deductions			
Benefits	133,328	304,489	-
Property taxes distributed to other governments	-	-	54,002,348
Administrative expenses	<u>1,500</u>	<u>7,642</u>	<u>-</u>
Total deductions	<u>134,828</u>	<u>312,131</u>	<u>54,002,348</u>
Net increase	368,485	10,528,535	795
Net position, beginning of year	<u>1,485,294</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ 1,853,779</u>	<u>\$ 10,528,535</u>	<u>\$ 795</u>

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

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of East Grand Rapids, 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. The City has no component units.

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

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

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. 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.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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, state shared revenue 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, pension and OPEB liabilities, and claims and judgments, are recorded only when payment is due. Property taxes, state revenue, grants, 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.

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 repairs and equipment utilization and insurance coverage. 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 (including claims), administration 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 transfers from the City's municipal street millage fund.

The *Local Streets Fund* accounts for funds specifically intended for the maintenance and construction of local streets. Financing is provided from Public Act 51 State Shared Gas and Weight Tax and transfers from the City's municipal street millage fund.

The *Municipal Streets Fund* accounts for the proceeds of a voted millage specifically intended for the maintenance and construction of streets.

The City reports the following major proprietary fund:

The *Water and Sewer Enterprise Fund* is used to account for the operations of the City's sewer and water department that provides sewer and water services 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.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The *Debt Service Funds* are used to account for resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *Capital Project Fund* accounts for the accumulation and disbursement of resources for a street project within a special assessment district.

The *Internal Service Funds* are used to account for equipment and vehicle purchases, repairs and maintenance and claims and benefits services provided to the City departments on a cost reimbursement basis.

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

The *Custodial Funds* are used to account for the collection and disbursement of funds that are collected on behalf of employees, outside governments or other parties.

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. Prior to May 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 30th 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 expenditure budgets 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 Commission. The City Manager is authorized to transfer budgeted amounts within an activity subject to the condition that the total expenditures do not exceed the approved appropriations for each fund. The Commission approves the annual budget at the activity level. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

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 at any time similar to a demand deposit account.

CITY OF EAST GRAND RAPIDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Investments

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

City investment policy allows for all investments authorized by State statutes. State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- 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.
- h. The City OPEB plan is also allowed to invest in corporate debt and equity securities.

Receivables/Due from Other Governments

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.

Prepaid and Other Assets

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

Inventory

All inventories are valued at original cost using the first-in/first-out (FIFO) method. Inventory represents parts, materials, and supplies utilized in the various City operations. Inventory is accounted for following the consumption method.

Capital Assets

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

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 two 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.

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 incurred or 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>
Water and Sewage Systems	20-50
Buildings and improvements	10-35
Vehicles and equipment	4-20
Infrastructure	5-20

Unearned/Unavailable Revenue

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and *unearned revenue* for resources that have been received, but not yet earned. At the end of the current fiscal year, the unearned revenue reported in the general fund consisted of fees received in advance.

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.

Compensated Absences

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets 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. The balances of compensated absences are all considered current liabilities at year-end.

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.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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/expenses in all funds and activities.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has items that are reported in this category related to OPEB items as discussed in note 8.

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 reported in this category related to deferred bond refunding gains which are amortized over the life of the bond, pension items as discussed in Note 7, OPEB items as discussed in note 8, and unavailable assessments receivable reported in the fund financial statements.

Fund Equity

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.

Fund balance can only be committed by resolution of the City Commission. The City Commission has delegated the authority to assign fund balance to the City Manager.

The City's policy requires the general fund to maintain between 20% and 25% of budgeted expenditures in unassigned fund balance.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 resources 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.

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 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 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 collected on behalf of other taxing units are 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.

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. Changes 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.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, 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 budgetary funds have been shown at the functional level. The approved budgets of the City for these budgetary funds were adopted at the activity level.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General Fund			
General government			
City manager	\$276,100	\$278,560	\$(2,460)
Public safety			
State programs	2,500	2,535	(35)

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

3. DEFICIT NET POSITION

At June 30, 2021, the City reported a deficit unrestricted net position in its governmental activities of \$7,555,708.

4. CASH AND INVESTMENTS

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

	Primary Government	Fiduciary Funds	Total
Cash and pooled investments	\$9,686,793	\$ 171,587	\$ 9,858,380
Investments	-	12,220,472	12,220,472
	\$9,686,793	\$12,392,059	\$22,078,852

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

Deposits	\$ 4,356,813
Investments	17,722,039
Total	\$22,078,852

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 June 30, 2021, \$3,342,665 of the City's bank balance of \$4,342,665 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

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

	Maturity	Fair Value
Governmental activities		
Kent County Investment Pool	N/A	\$5,501,567
Other Post-employment Benefits Trust Fund		
VT II VP Milestone Ret. Income collective investment trust (CIT)	N/A	1,733,515

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Maturity</u>	<u>Fair Value</u>
Pension Trust Fund		
Cash and equivalents:		
Federated government obligation institutional shares	N/A	\$ 624,957
Fixed income securities:		
Domestic corporate bonds	N/A	2,090,588
High-yield corporate bonds	N/A	236,248
Fixed income related strategy	N/A	244,016
Equity securities:		
Large cap domestic equities	N/A	4,350,216
Small and mid-cap domestic equities	N/A	512,097
International equities	N/A	1,133,139
Emerging markets equities	N/A	519,714
Equity related strategy equities	N/A	35,845
Alternative strategies securities:		
Diversifying strategies	N/A	125,512
Real assets:		
REITs	N/A	280,739
Global infrastructure	N/A	237,791
Commodities	N/A	96,095
Total		\$17,722,039

The Morning Star rating breakdown of the City's investment summary is as follows:

<u>Rating</u>	<u>Amount</u>
1 Star	\$ 237,791
2 Stars	1,198,849
3 Stars	862,144
4 Stars	3,111,014
5 Stars	4,452,202
Unrated	7,860,039
Total	\$17,722,039

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 valued using quoted market prices (Level 1 inputs).
- The VT II VP Milestone CIT, the Pension Trust Fund investments through 5/3rd and the 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).

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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

Investment and deposit 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. There is no stated maturity date for the City's investments identified above.

At June 30, 2021 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	12%	0-3
Certificates of deposits	71%	0-5
Deposits, money markets and other pools	17%	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, qualified external investment pools and other investments as identified in Note 1, the summary of significant accounting policies. The 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. Of the above pooled and mutual fund investments, the City's custodial credit risk exposure cannot be determined because the City's participation in the pool/funds does 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.

CITY OF EAST GRAND RAPIDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

5. INTERFUND TRANSACTIONS

Interfund receivables and payables of individual funds at June 30, 2021 were as follows:

<u>Payable fund</u>	<u>Receivable Fund</u> <u>Internal service</u>
General fund	\$110,183
Major streets fund	5,488
Local streets fund	5,489
Water and sewer fund	30,678
Internal service fund	3,646
	\$155,484

Interfund balances reflect amounts owed to an internal service fund for services provided.

Transfers in and out for the year ended June 30, 2021 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>			<u>Total</u>
	<u>General fund</u>	<u>Municipal streets fund</u>	<u>Nonmajor governmental funds</u>	
Major streets fund	\$ -	\$ 367,700	\$ -	\$ 367,700
Local streets fund	500,000	1,350,700	-	1,850,700
Municipal streets fund	500,000	-	30,252	530,252
	\$1,000,000	\$1,718,400	\$30,252	\$2,748,652

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 restricted revenues to the funds that are authorized to expend the resources in accordance with their restricted purpose.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

6. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,144,700	\$ 74,053	\$ -	\$ 2,218,753
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>2,144,700</u>	<u>74,053</u>	<u>-</u>	<u>2,218,753</u>
Capital assets, being depreciated				
Land improvements	2,124,261	81,457	-	2,205,718
Buildings	12,422,529	29,126	-	12,451,655
Building improvements	3,889,578	-	-	3,889,578
Vehicles and equipment	6,745,818	517,686	579,431	6,684,073
Infrastructure	29,435,769	2,042,004	-	31,477,773
Total capital assets, being depreciated	<u>54,617,955</u>	<u>2,670,273</u>	<u>579,431</u>	<u>56,708,797</u>
Less accumulated depreciation for				
Land improvements	1,252,784	117,782	-	1,370,566
Buildings	5,768,093	402,383	-	6,170,476
Building improvements	3,326,302	109,143	-	3,435,445
Vehicles and equipment	4,433,686	650,452	562,179	4,521,959
Infrastructure	15,069,649	1,319,711	-	16,389,360
Total accumulated depreciation	<u>29,850,514</u>	<u>2,599,471</u>	<u>562,179</u>	<u>31,887,806</u>
Net capital assets, being depreciated	<u>24,767,441</u>	<u>70,802</u>	<u>17,252</u>	<u>24,820,991</u>
Governmental Activities capital assets, net	<u>\$26,912,141</u>	<u>\$ 144,855</u>	<u>\$ 17,252</u>	<u>\$27,039,744</u>
Business-type Activities				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Sewer system	9,820,090	86,823	-	9,906,913
Water system	12,176,761	546,026	-	12,722,787
Lift station	727,085	313,719	-	1,040,804
Water tower	617,425	-	-	617,425
Drains	1,726,036	-	-	1,726,036
Meters	529,895	11,017	-	540,912
Total capital assets, being depreciated	<u>25,597,292</u>	<u>957,585</u>	<u>-</u>	<u>26,554,877</u>
Less accumulated depreciation for				
Sewer system	6,695,444	144,718	-	6,840,162
Water system	3,632,819	329,735	-	3,962,554
Lift station	356,651	9,394	-	366,045
Water tower	509,574	42,444	-	552,018
Drains	1,618,582	9,769	-	1,628,351
Meters	357,677	22,515	-	380,192
Total accumulated depreciation	<u>13,170,747</u>	<u>558,575</u>	<u>-</u>	<u>13,729,322</u>
Net capital assets, being depreciated	<u>12,426,545</u>	<u>399,010</u>	<u>-</u>	<u>12,825,555</u>
Business-type Activities capital assets, net	<u>\$12,426,545</u>	<u>\$ 399,010</u>	<u>\$ -</u>	<u>\$12,825,555</u>

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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

Governmental Activities	
General government	\$ 468,150
Public safety	45,499
Public works	1,441,470
Recreation and culture	166,880
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	477,472
Total depreciation expense - governmental activities	\$2,599,471
 Business-type Activities	
Water and sewer	\$558,575

7. PENSION PLANS

Defined Benefit Plan

Plan Description

The City of East Grand Rapids Retirement Plan (the Plan) is a single employer defined benefit pension plan providing retirement benefits to a portion of certain current and past City employees. The Plan is included as a pension trust fund in the City's financial statements. This plan is closed to new entrants, and a stand-alone financial report of the Plan has not been issued.

During the current fiscal year, the City moved its pension plan assets from MERS (Municipal Employee Retirement System) to a self-administered pension trust held at Fifth Third. Formerly, the plan year ended December 31, but the plan now is on the same fiscal year as the City. The actuarial valuation used to value the pension plan accounted for all activity for the period January 1, 2020 through June 30, 2021.

Benefits Provided

Benefits provided include a multiplier of 2.50 times final average compensation with a vesting period of 10 years. Normal retirement age is 60 with early retirement at 50 with 25 or 55 with 15 to 25 years of service with various benefits. Benefits are calculated using final average compensation of 3 or 5 years depending on the employee's position and classification.

Membership of the defined benefit plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Active plan members	2
Inactive employees entitled but not yet receiving benefits	8
Inactive employees or beneficiaries currently receiving benefits	46
Total	56

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was \$1,761,020. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 3.77% to 5.0% percent of gross

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

wages to the Plan based on position and classification. The contribution requirements of employees are established and may be amended by labor agreements. The plan also calls for the City to contribute amounts sufficient to fund the plan in accordance with minimum funding standards of the Internal Revenue Code. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Net Pension Liability

The employer's net pension liability was measured as of June 30, 2021, 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 June 30, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2%

Salary Increases: 3.00%

Investment rate of return: 6.64%, net of investment expense, including inflation

Mortality rates used were Pub-2010 Public Retirement Plans Mortality Tables for General and Public Safety Employees; annuitant and non-annuitant, sex-distinct with modified MP-2020 improvement factors

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

The long-term expected rate of return on pension plan investments was determined using a building-block 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	62.6%	5.96%	3.73%
Alternatives	2.9%	2.28%	0.07%
Fixed Income	23.1%	0.85%	0.20%
Real Estate	5.9%	10.91%	0.64%
Cash	5.5%	0.00%	0.00%
Inflation			2.00%
Investment rate of return			6.64%

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Discount rate

The discount rate used to measure the total pension liability is 6.64%. 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2019	\$18,995,705	\$ 9,289,366	\$ 9,706,339
Changes for the Year:			
Service cost	70,203	-	70,203
Interest	2,033,696	-	2,033,696
Change in benefits	-	-	-
Differences between expected and actual experience	595,749	-	595,749
Change in assumptions	1,510,913	-	1,510,913
Contributions: employer	-	1,961,020	(1,961,020)
Contributions: employee	-	10,853	(10,853)
Net investment income	-	1,702,114	(1,702,114)
Benefit payments, including refunds	(2,452,929)	(2,452,929)	-
Administrative expense	-	(23,467)	23,467
Other changes	-	-	-
Net changes	1,757,632	1,197,591	560,041
Balance at June 30, 2021	\$20,753,337	\$10,486,957	\$10,266,380

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 6.64%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (5.64%) or higher (7.64%) than the current rate.

	Current		
	1% Decrease	Discount rate	1% Increase
Total pension liability	\$22,740,929	\$20,753,337	\$19,066,858
Fiduciary net position	10,486,957	10,486,957	10,486,957
Net pension liability	\$12,253,972	\$10,266,380	\$ 8,579,901

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2021 the employer recognized pension expense of \$2,996,862. 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	\$ -	\$ -
Differences in assumptions	-	-
Excess (deficit) investment returns	-	(468,066)
Total	\$ -	\$(468,066)

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

2022	\$ (71,126)
2023	(134,442)
2024	(191,922)
2025	(70,576)
Total	\$(468,066)

Defined Contribution Plans

The City also maintains a defined contribution retirement plan administered by ICMA-RC. The plan has a vesting period of 5 years and can be amended by City Council within the limits of various union agreements. The City's contribution for the year was \$654,215 and employee contributions were \$146,688. The Plan covers all employees whose contributions are determined based on their position and classification as follows:

City services employees hired on or after July 7, 1999 and all City services employees hired prior to July 7, 1999 who elected to convert from the defined benefit plan on July 7, 1999. City services employees contribute 6% and the City contributes 10.5% of the participants' salaries to the Plan.

Non-union employees hired on or after July 1, 1999 and all non-union employees hired prior to July 1, 1999 who elected to convert from the defined benefit plan on July 1, 1999. Non-Union employees have the option to contribute up to 1% of their salary to the plan. The City is required to contribute 14% of the participants' salaries and match the employees' optional contribution.

All public safety officers, lieutenants, and sergeants hired on or after January 1, 2002 and all officers, lieutenants and sergeants hired prior to January 1, 2002 who elected to convert to the defined contribution plan on January 1, 2002. Public safety participants are required to contribute 3.77-3.81% of their salary to the plan. The City is required to contribute 15% of the participants' salaries to the Plan.

CITY OF EAST GRAND RAPIDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 7, 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.

This plan is closed to new entrants as of October 2020.

Benefits provided

The plan provides 100% of health insurance benefits to eligible retirees and their spouse until age 65. Dependents are covered until age 26. Eligibility is determined based on position and classification and is maintained until the employee is eligible for federal Medicare coverage at age 65.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2021):

Active plan members	54
Retirees and beneficiaries receiving benefits	13
Total	67

Contributions

The Plan was established and is being funded under the authority of the City Commission. 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, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.1%

Salary Increases: 2.25%

Investment rate of return: 3.85%, net of investment expense, including inflation

Healthcare cost trend rates: 5% per year

20-year Aa Municipal bond rate: 2.18%

Mortality rates used headcount weighted mortality tables with improvement scale MP-2020.

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

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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>
US equity	27.3%	6.68%
International equity	7.9%	7.13%
Fixed income	60.8%	2.11%
Diversifying strategies	4.0%	4.64%

The sum of each target benefit times its long-term expected real rate is 3.85%.

Discount rate. The discount rate used to measure the total OPEB liability for June 30, 2021 is 2.31% (2.72% for 2020). The projection of cash flows used to determine the discount rate assumes that no City contributions will be made as assets are drawn down to pay retiree benefits. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to pay all projected future benefit payments of current members through 2025. 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.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at June 30, 2020	\$4,047,344	\$1,529,266	\$2,518,078
Changes for the Year:			
Service cost	179,047	-	179,047
Interest	113,377	-	113,377
Change in benefits	-	-	-
Differences between expected and actual experience	(436,636)	-	(436,636)
Change in assumptions	132,735	-	132,735
Contributions: employer	-	244,388	(244,388)
Contributions: employee	-	-	-
Net investment income	-	241,884	(241,884)
Benefit payments, including refunds	(116,285)	(116,285)	-
Administrative expense	-	(1,500)	1,500
Other changes	-	-	-
Net changes	(127,762)	368,487	(496,249)
Balance at June 30, 2021	\$3,919,582	\$1,897,753	\$2,021,829

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 2.31%, 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	\$4,267,593	\$3,919,582	\$3,612,531
Fiduciary net position	1,897,753	1,897,753	1,897,753
Net OPEB liability	\$2,369,840	\$2,021,829	\$1,714,778
Plan fiduciary position as a percentage of the total OPEB liability	48.4%		

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 5.0%, 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	\$3,539,913	\$3,919,582	\$4,376,565
Fiduciary net position	1,897,753	1,897,753	1,897,753
Net OBEB liability	\$1,642,160	\$2,021,829	\$2,478,812

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

For the year ended June 30, 2021 the employer recognized OPEB expense of \$196,626. 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	\$228,337	\$ (886,960)
Differences in assumptions	582,396	-
Excess(deficit) investment returns	-	(130,785)
Total	\$810,733	\$(1,017,745)

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

2022	\$ (34,689)
2023	(41,624)
2024	(45,208)
2025	(45,723)
2026	(9,115)
Thereafter	(30,653)
Total	\$(207,012)

CITY OF EAST GRAND RAPIDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Governmental Activities					
Public Placement Bonds					
\$8,400,000 Unlimited Tax General Obligation Bonds, Series 2012B; due in annual installments of \$70,000 to \$570,000 through June 2033, plus interest at 2% to 4%	\$6,645,000	\$ -	\$6,645,000	\$ -	\$ -
\$5,665,000 Unlimited Tax General Obligation Refunding Bonds, Series 2021; due in annual installments of \$370,000 to \$515,000 through April 2033, plus interest at 2% to 4%	-	5,665,000	-	5,665,000	370,000
Total Public Placement Bonds	6,645,000	5,665,000	6,645,000	5,665,000	370,000
Private Placement Bonds and Notes					
\$1,243,000 Unlimited Tax General Obligation Refunding Bonds Series 2012; due in annual installments of \$97,000 to \$151,000 through April 2022, plus interest at 1.99%	297,000	-	146,000	151,000	151,000
\$119,900 2018 Installment Purchase Agreement; due in annual installments of \$23,980 through May 2023, plus interest at 2.84%	64,240	-	23,980	40,260	23,980
\$89,600 2018 Installment Purchase Agreement; due in annual installments of \$17,920 through May 2023, plus interest at 2.84%	53,760	-	17,920	35,840	17,920
Total Private Placement Bonds and Notes	415,000	-	187,900	227,100	192,900
Total	7,060,000	5,665,000	6,832,900	5,892,100	562,900
Unamortized premium	102,379	751,077	102,379	751,077	105,007
Accrued compensated absences	336,864	2,833	-	339,697	-
Total Governmental Activities	\$7,499,243	\$6,418,910	\$6,935,279	\$6,982,874	\$667,907

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Business-type Activities	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Accrued compensated absences	\$17,446	\$2,294	\$ -	\$19,740	\$ -

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

The annual requirements to amortize all debt outstanding (excluding unamortized premium and accrued compensated absences) as of June 30, 2021 are as follows:

Governmental Activities				
Year Ending June 30	Public Placement Bonds		Private Placement Bonds and Notes and Capital Leases	
	Principal	Interest	Principal	Interest
2022	\$ 370,000	\$ 258,059	\$192,900	\$ 5,167
2023	390,000	174,450	34,200	972
2024	420,000	162,750	-	-
2025	460,000	150,150	-	-
2026	495,000	136,350	-	-
2027-2031	2,545,000	402,900	-	-
2032-2033	985,000	29,400	-	-
Total	\$5,665,000	\$1,314,059	\$227,100	\$6,139

The debt documents 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.

During fiscal 2021, the City issued \$5,665,000 of refunding bonds to refund their 2012 general obligation bonds. This refunding was undertaken to reduce total debt service payments by \$571,466, which resulted in an economic gain of \$520,327.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no changes in insurance coverage from the prior year.

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its member by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The City is self-funded for employees' health benefits. The claims liability of \$37,801 reported at June 30, 2021 is based on the requirements of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The activity of the self-funded insurance is accounted for in the Health Insurance Internal Service fund. An excess coverage insurance policy covers claims in excess of \$50,000 per covered individual. There were no changes in insurance coverage from the prior year other than an increase in the premium contribution for all coverage levels. The City is responsible for paying administrative charges which are included in this fund. The revenues for this fund's operation are charges to various funds, employee withholdings, and co-payments. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Settled claims have not exceeded insurance coverage in the history of the self-insurance program, and there have been no significant reductions in insurance coverage from the prior year.

The changes in the claims liability for the years ended June 30, 2021 and 2020 were as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2021	\$39,751	\$1,083,883	\$1,085,833	\$37,801
2020	77,093	988,190	1,025,532	39,751

11. 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. During the year, the City collected fees of \$18,322 with related direct and indirect expenditures in excess of that amount.

12. CONTINGENCIES

In the normal course of its operations, the City has become a party in various legal actions. 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 related to legal actions have not been included as a liability in the financial statements.

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 9,120,800	\$ 9,120,800	\$ 9,120,179	\$ (621)
Intergovernmental revenues				
Federal	-	493,100	480,472	(12,628)
State	1,075,000	1,149,700	1,177,843	28,143
Local	-	-	12,636	12,636
Licenses and permits	75,000	75,000	85,419	10,419
Charges for services	558,300	564,800	529,165	(35,635)
Recreation	1,212,300	837,200	817,701	(19,499)
Fines	33,000	33,000	15,668	(17,332)
Rentals	40,400	40,400	40,425	25
Investment earnings	100,000	35,000	41,265	6,265
Other	115,000	143,000	145,956	2,956
Total revenues	<u>12,329,800</u>	<u>12,492,000</u>	<u>12,466,729</u>	<u>(25,271)</u>
Expenditures				
Current				
Legislative	31,800	31,800	31,136	664
General government	1,742,500	1,597,900	1,541,619	56,281
Public safety	5,558,000	5,613,100	5,521,788	91,312
Public works	2,151,100	2,119,600	1,792,262	327,338
Parks and recreation	2,261,100	1,887,600	1,718,785	168,815
Debt service				
Principal	45,300	45,300	41,900	3,400
Interest and fiscal charges	-	-	3,351	(3,351)
Total expenditures	<u>11,789,800</u>	<u>11,295,300</u>	<u>10,650,841</u>	<u>644,459</u>
Revenues over (under) expenditures	540,000	1,196,700	1,815,888	619,188
Other financing sources (uses)				
Transfers out	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Net changes in fund balance	(460,000)	196,700	815,888	619,188
Fund balance, beginning of year	<u>4,031,986</u>	<u>4,031,986</u>	<u>4,031,986</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,571,986</u>	<u>\$ 4,228,686</u>	<u>\$ 4,847,874</u>	<u>\$ 619,188</u>

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 890,000	\$ 890,000	\$ 913,374	\$ 23,374
Local	-	-	22,047	22,047
Investment earnings	3,000	3,000	1,055	(1,945)
Miscellaneous	-	-	206	206
Total revenues	<u>893,000</u>	<u>893,000</u>	<u>936,682</u>	<u>43,682</u>
Expenditures				
Current				
Public works				
Street maintenance	748,600	706,700	620,322	86,378
Street construction	367,700	608,100	343,248	264,852
Street administration	110,700	108,900	95,185	13,715
Engineering	78,700	93,900	83,746	10,154
Total expenditures	<u>1,305,700</u>	<u>1,517,600</u>	<u>1,142,501</u>	<u>375,099</u>
Revenues over (under) expenditures	(412,700)	(624,600)	(205,819)	418,781
Other financing sources (uses)				
Transfers in	<u>367,700</u>	<u>367,700</u>	<u>367,700</u>	<u>-</u>
Net changes in fund balance	(45,000)	(256,900)	161,881	418,781
Fund balance, beginning of year	<u>731,745</u>	<u>731,745</u>	<u>731,745</u>	<u>-</u>
Fund balance, end of year	<u>\$ 686,745</u>	<u>\$ 474,845</u>	<u>\$ 893,626</u>	<u>\$ 418,781</u>

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 335,000	\$ 335,000	\$ 358,180	\$ 23,180
Investment earnings	2,900	2,900	89	(2,811)
Total revenues	<u>337,900</u>	<u>337,900</u>	<u>358,269</u>	<u>20,369</u>
Expenditures				
Current				
Public works				
Street maintenance	708,500	724,700	608,540	116,160
Street construction	1,090,000	1,457,300	1,362,219	95,081
Street administration	124,400	111,500	95,179	16,321
Total expenditures	<u>1,922,900</u>	<u>2,293,500</u>	<u>2,065,938</u>	<u>227,562</u>
Revenues over (under) expenditures	(1,585,000)	(1,955,600)	(1,707,669)	247,931
Other financing source (uses)				
Transfers in	<u>1,590,000</u>	<u>1,850,700</u>	<u>1,850,700</u>	<u>-</u>
Net changes in fund balance	5,000	(104,900)	143,031	247,931
Fund balance, beginning of year	<u>307,719</u>	<u>307,719</u>	<u>307,719</u>	<u>-</u>
Fund balance, end of year	<u>\$ 312,719</u>	<u>\$ 202,819</u>	<u>\$ 450,750</u>	<u>\$ 247,931</u>

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,386,900	\$ 1,386,900	\$ 1,388,735	\$ 1,835
Investment earnings	4,300	4,300	3,903	(397)
Miscellaneous	-	-	28	28
Total revenues	<u>1,391,200</u>	<u>1,391,200</u>	<u>1,392,666</u>	<u>1,466</u>
Expenditures				
Current				
Public works				
Street maintenance	293,500	311,100	265,877	45,223
Street construction	<u>200,000</u>	<u>181,700</u>	<u>114,261</u>	<u>67,439</u>
Total expenditures	<u>493,500</u>	<u>492,800</u>	<u>380,138</u>	<u>112,662</u>
Revenues over (under) expenditures	<u>897,700</u>	<u>898,400</u>	<u>1,012,528</u>	<u>114,128</u>
Other financing source (uses)				
Transfers in	520,000	520,000	530,252	10,252
Transfers out	<u>(1,457,700)</u>	<u>(1,718,400)</u>	<u>(1,718,400)</u>	<u>-</u>
Total other financing sources (uses)	<u>(937,700)</u>	<u>(1,198,400)</u>	<u>(1,188,148)</u>	<u>10,252</u>
Net changes in fund balance	(40,000)	(300,000)	(175,620)	124,380
Fund balance, beginning of year	<u>491,460</u>	<u>491,460</u>	<u>491,460</u>	<u>-</u>
Fund balance, end of year	<u>\$ 451,460</u>	<u>\$ 191,460</u>	<u>\$ 315,840</u>	<u>\$ 124,380</u>

CITY OF EAST GRAND RAPIDS
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2021</u>
Total pension liability							
Service cost	\$ 52,264	\$ 53,644	\$ 55,650	\$ 52,483	\$ 41,833	\$ 46,802	\$ 70,203
Interest	1,418,426	1,361,488	1,439,882	1,403,486	1,416,984	1,408,165	2,033,696
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	-	268,503	(284,896)	383,019	121,807	257,416	595,749
Changes in assumptions	-	921,755	-	-	-	570,530	1,510,913
Benefit payments including employee refunds	(1,606,741)	(1,684,931)	(1,653,090)	(1,674,899)	(1,654,980)	(1,731,729)	(2,452,929)
Other	-	42,544	-	-	1	-	-
Net change in total pension liability	<u>(136,051)</u>	<u>963,003</u>	<u>(442,454)</u>	<u>164,089</u>	<u>(74,355)</u>	<u>551,184</u>	<u>1,757,632</u>
Total pension liability, beginning of year	<u>17,970,289</u>	<u>17,834,238</u>	<u>18,797,241</u>	<u>18,354,787</u>	<u>18,518,876</u>	<u>18,444,521</u>	<u>18,995,705</u>
Total pension liability, end of year	<u>\$ 17,834,238</u>	<u>\$ 18,797,241</u>	<u>\$ 18,354,787</u>	<u>\$ 18,518,876</u>	<u>\$ 18,444,521</u>	<u>\$ 18,995,705</u>	<u>\$ 20,753,337</u>
Plan Fiduciary Net Position							
Contributions-employer	\$ 750,996	\$ 815,262	\$ 968,148	\$ 1,123,500	\$ 1,240,368	\$ 1,354,386	\$ 1,961,020
Contributions-employee	18,124	15,034	17,480	14,249	14,080	11,242	10,853
Net investment income	600,334	(132,612)	931,223	1,125,955	(354,678)	1,141,559	1,702,114
Benefit payments including employee refunds	(1,606,741)	(1,684,931)	(1,653,090)	(1,674,899)	(1,654,980)	(1,731,729)	(2,452,929)
Administrative expense	(21,858)	(19,970)	(18,426)	(17,873)	(17,783)	(19,634)	(23,467)
Net change in plan fiduciary net position	<u>(259,145)</u>	<u>(1,007,217)</u>	<u>245,335</u>	<u>570,932</u>	<u>(772,993)</u>	<u>755,824</u>	<u>1,197,591</u>
Plan fiduciary net position, beginning of year	<u>9,756,630</u>	<u>9,497,485</u>	<u>8,490,268</u>	<u>8,735,603</u>	<u>9,306,535</u>	<u>8,533,542</u>	<u>9,289,366</u>
Plan fiduciary net position, end of year	<u>\$ 9,497,485</u>	<u>\$ 8,490,268</u>	<u>\$ 8,735,603</u>	<u>\$ 9,306,535</u>	<u>\$ 8,533,542</u>	<u>\$ 9,289,366</u>	<u>\$ 10,486,957</u>
Total net pension liability	<u>\$ 8,336,753</u>	<u>\$ 10,306,973</u>	<u>\$ 9,619,184</u>	<u>\$ 9,212,341</u>	<u>\$ 9,910,979</u>	<u>\$ 9,706,339</u>	<u>\$ 10,266,380</u>
Plan fiduciary net position as a percentage of the total pension liability	53.3%	45.2%	47.6%	50.3%	46.3%	48.9%	50.5%
Covered employee payroll	\$ 415,614	\$ 425,735	\$ 437,527	\$ 402,095	\$ 324,417	\$ 330,318	\$ 195,497
Employer's net pension liability as a percentage of covered employee payroll	2005.9%	2421.0%	2198.5%	2291.1%	3055.0%	2938.5%	5251.4%

Notes to schedule:

Above data is based on a December 31 measurement date for years 2014 through 2019. Subsequent to 2019, the measurement date is June 30. This schedule is being accumulated prospectively until ten years of data is presented.

CITY OF EAST GRAND RAPIDS
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021

	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contributions	\$ 736,644	\$ 893,880	\$ 1,042,416	\$ 1,204,584	\$ 1,276,152	\$ 1,432,620	\$ 1,761,020
Contributions in relation to the actuarially determined contribution	<u>736,644</u>	<u>893,880</u>	<u>1,042,416</u>	<u>1,204,584</u>	<u>1,276,152</u>	<u>1,432,620</u>	<u>1,961,020</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (200,000)
Covered employee payroll	\$ 415,614	\$ 425,735	\$ 437,527	\$ 402,095	\$ 324,417	\$ 330,318	\$ 195,497
Contributions as a percentage of covered employee payroll	177%	210%	238%	300%	393%	434%	1003%

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	2.00% (2.5% for 2015 through 2020)
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	6.64% (7.35% for 2020, 7.75% for 2015 through 2019)
Retirement age	Varies depending on plan adoption
Mortality	Pub-2010 Public Retirement Plans Mortality Tables for General and Public Safety Employees; annuitant and non-annuitant, sex-distinct with modified MP-2020 improvement factors (20% female/ 50% male RP-2014 mortality table for years 2015 through 2020)

This schedule is being accumulated prospectively until ten years of data is presented.

CITY OF EAST GRAND RAPIDS
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB liability					
Service cost	\$ 140,181	\$ 148,494	\$ 151,489	\$ 165,617	\$ 179,047
Interest	179,527	114,168	117,156	123,553	113,377
Changes in benefit terms	(126,139)	-	-	-	-
Difference between expected and actual experience	(767,215)	137,121	90,081	74,393	(436,636)
Changes in assumptions	425,060	53,689	46,177	138,896	132,735
Benefit payments including employee refunds	(75,031)	(226,255)	(98,437)	(253,065)	(116,285)
Net change in total OPEB liability	<u>(223,617)</u>	<u>227,217</u>	<u>306,466</u>	<u>249,394</u>	<u>(127,762)</u>
Total OPEB liability, beginning of year	<u>3,487,884</u>	<u>3,264,267</u>	<u>3,491,484</u>	<u>3,797,950</u>	<u>4,047,344</u>
Total OPEB liability, end of year	<u>\$ 3,264,267</u>	<u>\$ 3,491,484</u>	<u>\$ 3,797,950</u>	<u>\$ 4,047,344</u>	<u>\$ 3,919,582</u>
Plan Fiduciary Net Position					
Contributions-employer	\$ 75,031	\$ 226,255	\$ 112,437	\$ 253,065	\$ 244,388
Net investment income	79,601	48,773	68,663	59,639	284,507
Benefit payments including employee refunds	(75,031)	(226,255)	(98,437)	(253,065)	(116,285)
Administrative expense	-	-	-	-	(1,500)
Net change in plan fiduciary net position	<u>79,601</u>	<u>48,773</u>	<u>82,663</u>	<u>59,639</u>	<u>411,110</u>
Plan fiduciary net position, beginning of year	<u>1,215,967</u>	<u>1,295,568</u>	<u>1,344,341</u>	<u>1,427,004</u>	<u>1,486,643</u>
Plan fiduciary net position, end of year	<u>\$ 1,295,568</u>	<u>\$ 1,344,341</u>	<u>\$ 1,427,004</u>	<u>\$ 1,486,643</u>	<u>\$ 1,897,753</u>
Employer net OPEB liability	<u>\$ 1,968,699</u>	<u>\$ 2,147,143</u>	<u>\$ 2,370,946</u>	<u>\$ 2,560,701</u>	<u>\$ 2,021,829</u>
Plan fiduciary net position as a percentage of the total OPEB liability	40%	39%	38%	37%	48%
Covered employee payroll	\$ 5,022,780	\$ 5,086,305	\$ 5,236,223	\$ 4,091,493	\$ 3,787,778
Employer's net OPEB liability as a percentage of covered employee payroll	39%	42%	45%	63%	53%

This schedule is being accumulated prospectively until ten years of data is presented.

CITY OF EAST GRAND RAPIDS
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2021

	2017	2018	2019	2020	2021
Actuarially determined contributions	\$ -	\$ 300,886	\$ 325,111	\$ 334,974	\$ 361,946
Contributions in relation to the actuarially determined contribution	<u>99,352</u>	<u>226,255</u>	<u>112,437</u>	<u>253,065</u>	<u>244,388</u>
Contribution deficiency (excess)	<u>\$ (99,352)</u>	<u>\$ 74,631</u>	<u>\$ 212,674</u>	<u>\$ 81,909</u>	<u>\$ 117,558</u>
Covered employee payroll	\$ 5,022,780	\$ 5,086,305	\$ 5,236,223	\$ 4,091,493	\$ 3,787,778
Contributions as a percentage of covered employee payroll	2%	4%	2%	6%	6%

Notes to schedule

Actuarial cost method	Entry Age Normal (level percent)
Amortization method	Level percent, closed
Remaining amortization period	16 years (average future service)
Asset valuation method	Market value
Inflation	2.1% (3.26% for 2018, 3.46% for 2017)
Salary increases	2.25%
Investment rate of return	3.85% (4.36% for 2019, 6.44% for 2018, 7.31% for 2017)
20-year Aa Municipal bond yield	2.18% (2.66% for 2020, 3.15% for 2019, 3.1% for 2018)
Retirement age	Varies depending on plan adoption
Mortality	RP Mortality with 2019 mortality projections

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with No. Letter 2018-3	\$ 361,946
Minimum required contribution under PA 202	147,488
Actual contribution	244,388
Contribution for employees hired after June 30, 2018 (included above)	31,203

State of Michigan PA 202 assumptions, if different from GASB

Mortality - PRH 2014 at 2006 with improvement scale MP-2018
Healthcare cost trend
Pre-65 - 8.25% graded .25% per year to 4.5% ultimate rate
Discount rate - 3.75% (blended effective rate 7.0% while funded; 3.5% while deficient)
Salary scale - 3.5%

This schedule is being accumulated prospectively until ten years of data is presented.

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).

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF EAST GRAND RAPIDS

**GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 9,100,800	\$ 9,100,800	\$ 9,097,410	\$ (3,390)
Interest and penalties on property taxes	20,000	20,000	22,769	2,769
Total taxes	9,120,800	9,120,800	9,120,179	(621)
Intergovernmental revenue				
Federal revenue	-	493,100	480,472	(12,628)
State shared revenue	1,048,000	1,122,700	1,148,096	25,396
Community stabilization	21,500	21,500	21,406	(94)
State grants	5,500	5,500	8,341	2,841
Local grants	-	-	12,636	12,636
Total intergovernmental revenue	1,075,000	1,642,800	1,670,951	28,151
Licenses and permits				
Business licenses	15,000	15,000	15,600	600
Building permits	45,000	45,000	42,986	(2,014)
Other	15,000	15,000	26,833	11,833
Total licenses and permits	75,000	75,000	85,419	10,419
Charges for services				
Administrative charges	280,000	280,000	280,000	-
Cable television franchise fees	210,000	210,000	184,172	(25,828)
Clerk's services	4,000	4,000	22	(3,978)
Right-of-way fees	35,000	35,000	50,252	15,252
Other	29,300	35,800	14,719	(21,081)
Total charges for services	558,300	564,800	529,165	(35,635)
Recreation fees	1,212,300	837,200	817,701	(19,499)
Fines and penalties	33,000	33,000	15,668	(17,332)
Rentals				
Library rental fee	40,400	40,400	40,425	25
Investment earnings	100,000	35,000	41,265	6,265
Other revenue				
Cable tower rental	70,000	70,000	71,859	1,859
Cable television capital fees	45,000	45,000	40,232	(4,768)
Miscellaneous revenue	-	28,000	33,865	5,865
Total other revenue	115,000	143,000	145,956	2,956
Total revenues	\$ 12,329,800	\$ 12,492,000	\$ 12,466,729	\$ (25,271)

CITY OF EAST GRAND RAPIDS

**GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2021

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
City Commission	\$ 31,800	\$ 31,800	\$ 31,136	\$ 664
General government				
City manager	290,100	276,100	278,560	(2,460)
City attorney	296,000	278,000	245,479	32,521
Elections	28,300	29,200	28,827	373
City assessor	155,300	137,800	135,022	2,778
Finance	779,800	706,100	685,060	21,040
Other	193,000	170,700	168,671	2,029
Total general government	1,742,500	1,597,900	1,541,619	56,281
Public safety				
General activity	5,552,500	5,610,600	5,519,253	91,347
State programs	5,500	2,500	2,535	(35)
Total public safety	5,558,000	5,613,100	5,521,788	91,312
Public works				
City buildings	991,100	982,100	832,689	149,411
Zoning administration	142,100	129,600	123,733	5,867
Street lighting	103,100	100,500	85,699	14,801
Wealthy streetscape maintenance	228,000	181,800	120,195	61,605
Waste collection	490,100	489,400	425,449	63,951
Lake restoration	31,800	48,500	44,709	3,791
Tree maintenance and removal	164,900	187,700	159,788	27,912
Total public works	2,151,100	2,119,600	1,792,262	327,338
Parks and recreation				
Parks	921,800	859,300	764,405	94,895
Pool	211,300	159,200	157,540	1,660
Special events	149,500	48,800	29,398	19,402
Recreation programming	115,000	58,900	39,335	19,565
Grounds maintenance	490,800	447,000	434,908	12,092
Recreation sports	205,400	196,600	184,297	12,303
Middle school sports	67,000	37,400	34,771	2,629
Aquatic club	100,300	80,400	74,131	6,269
Total culture and recreation	2,261,100	1,887,600	1,718,785	168,815
Debt service	45,300	45,300	45,251	49
Total expenditures	\$ 11,789,800	\$ 11,295,300	\$ 10,650,841	\$ 644,459

CITY OF EAST GRAND RAPIDS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2021

	Special Revenue	Debt Service		Capital Projects	Total
	<u>Drug Law Enforcement</u>	<u>Wealthy Pool</u>	<u>Municipal Complex</u>	<u>Special Assessments</u>	
Assets					
Cash and pooled investments	\$ 26,663	\$ 7,297	\$ 12,395	\$ -	\$ 46,355
Accounts receivable	-	-	-	89,764	89,764
Total assets	<u>\$ 26,663</u>	<u>\$ 7,297</u>	<u>\$ 12,395</u>	<u>\$ 89,764</u>	<u>\$ 136,119</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources					
Unavailable receivables	-	-	-	78,544	78,544
Fund balances					
Restricted					
Streets	-	-	-	11,220	11,220
Drug seizure					
Federal portion	11,892	-	-	-	11,892
State portion	13,884	-	-	-	13,884
Debt service	-	7,297	12,395	-	19,692
Assigned	887	-	-	-	887
Total fund balances	<u>26,663</u>	<u>7,297</u>	<u>12,395</u>	<u>11,220</u>	<u>57,575</u>
Total liabilities and fund balances	<u>\$ 26,663</u>	<u>\$ 7,297</u>	<u>\$ 12,395</u>	<u>\$ 89,764</u>	<u>\$ 136,119</u>

CITY OF EAST GRAND RAPIDS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue	Debt Service		Capital Projects	Total
	<u>Drug Law Enforcement</u>	<u>Wealthy Pool</u>	<u>Municipal Complex</u>	<u>Special Assessments</u>	
Revenues					
Taxes	\$ -	\$ 151,905	\$ 573,392	\$ -	\$ 725,297
Intergovernmental revenues					
Local	7,150	-	-	-	7,150
Special assessments	-	-	-	28,795	28,795
Investment earnings	13	37	121	9	180
Total revenues	<u>7,163</u>	<u>151,942</u>	<u>573,513</u>	<u>28,804</u>	<u>761,422</u>
Expenditures					
Current					
General government	-	-	129,219	-	129,219
Public safety	1,616	-	-	-	1,616
Debt service					
Principal	-	146,000	385,000	-	531,000
Interest	-	5,856	188,740	-	194,596
Total expenditures	<u>1,616</u>	<u>151,856</u>	<u>702,959</u>	<u>-</u>	<u>856,431</u>
Revenues over (under) expenditures	<u>5,547</u>	<u>86</u>	<u>(129,446)</u>	<u>28,804</u>	<u>(95,009)</u>
Other financing sources (uses)					
Issuance of long-term debt		-	6,416,077	-	6,416,077
Payment to refunded bond escrow agent		-	(6,287,368)	-	(6,287,368)
Transfers out	-	-	-	(30,252)	(30,252)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>128,709</u>	<u>(30,252)</u>	<u>98,457</u>
Net changes in fund balances	5,547	86	(737)	(1,448)	3,448
Fund balances, beginning of year	<u>21,116</u>	<u>7,211</u>	<u>13,132</u>	<u>12,668</u>	<u>54,127</u>
Fund balances, end of year	<u>\$ 26,663</u>	<u>\$ 7,297</u>	<u>\$ 12,395</u>	<u>\$ 11,220</u>	<u>\$ 57,575</u>

CITY OF EAST GRAND RAPIDS

**DRUG LAW ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ -	\$ 7,100	\$ 7,150	\$ 50
Investment earnings	-	-	13	13
Total revenues	-	7,100	7,163	63
Expenditures				
Current				
Public safety				
Drug law enforcement	<u>3,500</u>	<u>3,500</u>	<u>1,616</u>	<u>1,884</u>
Net changes in fund balance	(3,500)	3,600	5,547	1,947
Fund balance, beginning of year	<u>21,116</u>	<u>21,116</u>	<u>21,116</u>	<u>-</u>
Fund balance, end of year	<u>\$ 17,616</u>	<u>\$ 24,716</u>	<u>\$ 26,663</u>	<u>\$ 1,947</u>

CITY OF EAST GRAND RAPIDS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2021

Assets	Motor Pool	Health Insurance	Total
Current assets			
Cash and pooled investments	\$ 743,044	\$ 774,063	\$ 1,517,107
Accounts receivable	2,316	737	3,053
Due from other funds	-	155,484	155,484
Prepaid and other assets	-	47,130	47,130
Inventory	45,414	-	45,414
	<u>790,774</u>	<u>977,414</u>	<u>1,768,188</u>
Total current assets			
Capital assets			
Capital assets being depreciated	5,495,481	-	5,495,481
Less accumulated depreciation	<u>(3,749,637)</u>	<u>-</u>	<u>(3,749,637)</u>
Net capital assets	<u>1,745,844</u>	<u>-</u>	<u>1,745,844</u>
Total assets	<u>2,536,618</u>	<u>977,414</u>	<u>3,514,032</u>
Liabilities			
Current liabilities			
Accounts payable	1,886	-	1,886
Due to other funds	3,646	-	3,646
Accrued liabilities	6,226	229,435	235,661
Compensated absences	12,615	-	12,615
	<u>24,373</u>	<u>229,435</u>	<u>253,808</u>
Total liabilities			
Net position			
Net investment in capital assets	1,745,844	-	1,745,844
Unrestricted	<u>766,401</u>	<u>747,979</u>	<u>1,514,380</u>
Total net position	<u>\$ 2,512,245</u>	<u>\$ 747,979</u>	<u>\$ 3,260,224</u>

CITY OF EAST GRAND RAPIDS

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

FOR THE YEAR ENDED JUNE 30, 2021

	Motor Pool	Health Insurance	Total
Operating revenue			
Charges for services	\$ 757,775	\$ 1,588,923	\$ 2,346,698
Other	<u>19,672</u>	<u>110,574</u>	<u>130,246</u>
Total operating revenue	<u>777,447</u>	<u>1,699,497</u>	<u>2,476,944</u>
Operating expense			
Salaries and wages	203,050	-	203,050
Contracted services	10,253	498,166	508,419
Materials and supplies	210,517	-	210,517
Equipment	8,279	-	8,279
Claims	-	881,714	881,714
Administration	-	307,464	307,464
Depreciation	<u>477,472</u>	<u>-</u>	<u>477,472</u>
Total operating expense	<u>909,571</u>	<u>1,687,344</u>	<u>2,596,915</u>
Operating income (loss)	<u>(132,124)</u>	<u>12,153</u>	<u>(119,971)</u>
Non-operating revenue (expense)			
Gain on sale of capital assets	57,188	-	57,188
Investment earnings	<u>658</u>	<u>3,118</u>	<u>3,776</u>
Total non-operating revenue (expense)	<u>57,846</u>	<u>3,118</u>	<u>60,964</u>
Changes in net position	(74,278)	15,271	(59,007)
Net position, beginning of year	<u>2,586,523</u>	<u>732,708</u>	<u>3,319,231</u>
Net position, end of year	<u>\$ 2,512,245</u>	<u>\$ 747,979</u>	<u>\$ 3,260,224</u>

CITY OF EAST GRAND RAPIDS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Motor Pool</u>	<u>Health Insurance</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from internal services provided	\$ 775,167	\$ 1,696,836	\$ 2,472,003
Payments to employees	(200,513)	-	(200,513)
Payments to suppliers	(195,856)	(1,698,487)	(1,894,343)
Net cash provided by (used in) operating activities	<u>378,798</u>	<u>(1,651)</u>	<u>377,147</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	72,348	-	72,348
Acquisitions of capital assets	(304,623)	-	(304,623)
Net cash provided by (used in) capital and related financing activities	<u>(232,275)</u>	<u>-</u>	<u>(232,275)</u>
Cash flows from investing activities			
Interest income	658	3,118	3,776
Net increase (decrease) in cash and pooled investments	147,181	1,467	148,648
Cash and pooled investments, beginning of year	<u>595,863</u>	<u>772,596</u>	<u>1,368,459</u>
Cash and pooled investments, end of year	<u>\$ 743,044</u>	<u>\$ 774,063</u>	<u>\$ 1,517,107</u>
Cash flows from operating activities			
Operating income (loss)	\$ (132,124)	\$ 12,153	\$ (119,971)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	477,472	-	477,472
Change in operating assets and liabilities which provided (used) cash			
Accounts receivable	(2,280)	3	(2,277)
Due from other funds	-	(2,664)	(2,664)
Prepaid and other assets	32,787	(21,863)	10,924
Inventory	3,661	-	3,661
Accounts payable	(3,255)	(607)	(3,862)
Accrued liabilities	823	11,327	12,150
Compensated absences	1,714	-	1,714
Net cash provided by (used in) operating activities	<u>\$ 378,798</u>	<u>\$ (1,651)</u>	<u>\$ 377,147</u>

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 4, 2021

Honorable Mayor and Members of the City Commission
City of East Grand Rapids, 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, each major fund, and the aggregate remaining fund information of the City of East Grand Rapids, Michigan, (the "City") as of and for the year ended June 30, 2021, 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 4, 2021.

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.

Orederold Haefner LLC