



CITY OF EAST GRAND RAPIDS, MICHIGAN

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF EAST GRAND RAPIDS, MICHIGAN

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

Prepared by: Finance Department

CITY OF EAST GRAND RAPIDS

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Transmittal Letter	i-vi
Organizational Chart	v
Certificate of Achievement for Excellence in Financial Reporting	vi
List of Principal Officials	vii
FINANCIAL SECTION	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	5-11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Net Position – Fiduciary Funds	23
Statement of Changes in Net Position – Fiduciary Funds	24
Notes to Financial Statements	25-46
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	47
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Streets Fund	48
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Streets Fund	49
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Municipal Streets Fund	50
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – American Rescue Plan Act Fund	51
Defined Benefit Pension Plan	
Schedule of Changes in Employers Net Pension Liability and Other Ratios	52
Schedule of Employer Contributions	53
Retiree Health Other Post-Employment Benefits Plan	
Schedule of Changes in Employers Net OPEB Liability and Other Ratios	54
Schedule of Employer Contributions	55
Notes to Required Supplementary Information	55

CITY OF EAST GRAND RAPIDS

TABLE OF CONTENTS

	<u>PAGE</u>
Combining and Individual Fund Statements and Schedules	
General fund	
Schedule of Revenues – Budget and Actual	59
Schedule of Expenditures – Budget and Actual	60
Nonmajor Governmental Funds	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	64
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Drug Law Enforcement Fund	65
Internal Service Funds	
Combining Statement of Net Position	66
Combining Statement of Revenues, Expenses and Changes in Net Position	67
Combining Statement of Cash Flows	68

STATISTICAL SECTION

Financial Trends	
Net Position by Component	69
Changes in Net Position	70-71
Fund Balances of Governmental Funds	72
Changes in Fund Balances of Governmental Funds	73
Revenue Capacity	
Tax Revenues by Source, Governmental Funds	74
State Equalized Value and Estimated Actual Value of Taxable Property	75
Property Tax Rates - Direct and Overlapping Governments	76
Principal Property Tax Payers	77
Property Tax Levies and Collections	78
Debt Capacity	
Ratios of Outstanding Debt by Type	79
Ratios of General Bonded Debt Outstanding	80
Direct and Overlapping Governmental Activities Debt	81
Legal Debt Margin Information	82
Demographic and Economic Information	
Demographic and Economic Statistics	83
Operating Information	
City Employees by Function/Program	84

INTERNAL CONTROL AND COMPLIANCE

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85-86
---	-------

INTRODUCTORY SECTION



The City of East Grand Rapids

December 4, 2023

To the Honorable Mayor, Members of the City Commission and Citizens of the City of East Grand Rapids:

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2023.

Management assumes full responsibility for the completeness and reliability of all information contained in this report, based on a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Vredeveld Haefner, a firm of licensed certified public accountants, has issued an unmodified opinion on the City of East Grand Rapids' financial statements for the year ended June 30, 2023. The independent auditors' report is presented at the front of the financial section of this report.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A immediately follows the independent auditors' report.

Profile of the Government

The City of East Grand Rapids (EGR) was settled in the 1830s and built around the 283-acre Reeds Lake (the largest of the two lakes within the city). EGR was a popular daytime resort for the citizens of Grand Rapids. Incorporated as a village in 1891, a city in 1926, it is one of the oldest communities in Kent County. Within the city's 3.4 square miles is more than 179 acres of public parkland including 6 acres of waterfront; a 43-acre woodland; conserved wetlands; trails; and other recreational fields and facilities. Based on the 2020 census the population of EGR is 11,406.

EGR is commission/manager form of local government where all department directors are hired by and report to the city manager. Six non-partisan commissioners represent three wards (two elected officials from each ward) and serve staggered four year-terms. The Mayor is elected at-large and serves a four-year term as well. Elections are held every two years in November of odd years. The commission appoints the city manager, city clerk, finance director/treasurer, attorney, and assessor. The commission sets policy and direction, approves the budget, major expenditures, contracts, sets fees and water and sewer rates while serving as the legislative authority through the approval of ordinances and major

planning initiatives. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically, when deemed appropriate by the city commission.

The city is managed by a professional senior staff. The executive team includes the city manager, finance director/treasurer; public safety director; director of public works/deputy city manager; parks and recreation director and the city clerk who also serves as the administrative assistant to the city manager and mayor. The city manager retains responsibility for labor relations and oversight of human resources functions. The city provides a full range of services, including police; construction and maintenance of streets, and other infrastructure (including water & sewer), yard waste collection; recreational activities; and cultural events.

The city commission is required to adopt a final budget by the third Monday in June for the ensuing fiscal year. This annual budget serves as the foundation for the city's financial planning and control. The budget is prepared by fund, function, and department. The governmental funds adopted are the 1 General Fund, 5 Special Revenue Funds (Major, Local, Municipal Streets, Drug Law Enforcement, and ARPA), 1 Capital Fund, and 2 Debt Funds. Department heads may transfer resources within a department. Transfers between departments, however, require approval of the commission.

Factors Affecting Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the city operates as described below:

Local economy

Many municipalities in Michigan are struggling to address the fundamental flaws in the existing local government financing system. The combined effect of Proposal A and the Headlee Amendment caps a city's ability to generate revenue at the rate of inflation, while the costs of providing services continue to increase faster than inflation. As taxable values recover, these factors will impede growth in property tax revenues. The state and federal government also limit a city's ability to raise non-tax revenue.

The city's tax base excluding personal property grew by 7.2113%, which was a substantial increase from the prior year's increase of 4.29%. The city's State Equalized Value (SEV) for real property increased by 4.91% and overall (real and personal) grew by 4.99%. While this is encouraging, based on the effects of the Headlee Amendment this increase will result in reducing the city's operating millage. The rollback reduced the operating millage for 2022/2023 to 11.5214 from the prior year's maximum of 11.7975.

Major initiatives

In November 2021 East Grand Rapids voters approved a \$7 Million bond request to update the city's playgrounds, parks, and trails. This bond will be funded through a millage. The first round of playground improvements has taken place with the addition of a dog park and the updating of playgrounds at three schools. Next summer the City plans to update Manhattan parks playgrounds, tennis/pickleball courts, and other park amenities.

The Public Works continues to work to enhance the community's infrastructure. The city ended with a higher than expected PASER rating (street rating system) with 88.9% of city streets are rated fair-excellent up from 87% in 2022.

The following are some high-level accomplishments by the public works department in 2023:

- Over 5.86 total miles of street construction, \$1,608,500.
- 2,709 feet of water main rehabilitations and 900 feet of replacement (system stretches 53 miles), \$513,000.
- 9,068 feet of sewer line rehabilitation (system stretches 42 miles), \$415,500.
- 75 feet of Lakeside Dr. Culvert (system stretches 39 miles), \$250,000.

The City also started to implement new initiatives to reach its goals of becoming carbon neutral by 2040. The City contracted with Blue Path Solar to replace the existing solar panels on City Hall as well as install new solar panels on the DPW building and the Public Safety building at no cost to the City. The City also set up a composting site for residents to drop off their compostable refuse. Lastly the City was the first in the State to enroll in DTE's Energy Clean Vision Natural Gas Balance program.

Budgeting and internal controls

In accordance with state law, the city's budget is prepared on the modified accrual basis for governmental funds, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on long-term debt and accrued leave time benefits. Governmental funds, such as the general fund, special revenue funds, debt service funds and capital project funds are reported on the modified accrual basis. The city's enterprise and internal service funds report on the accrual basis, under which revenues are recorded when earned and expenses are recorded when incurred. All funds' budgets are reviewed for budget to actual variances quarterly.

In developing and evaluating the city's accounting system, consideration has been given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintain accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Financial policies

The city's investment policy is to invest public funds in a manner which will provide the highest investment return with maximum security, while meeting daily cash flow demands and conforming to all state statutes and local ordinances governing the investment of public funds. The city's investment objectives are safety, liquidity, and yield. Disbursement, collection, and deposit of all funds will be managed to ensure that all cash is invested promptly until needed. The City will strive to maximize the return on the portfolio, with the primary objective of preserving capital by prudent investment practices.

Long-term financial planning

City staff is constantly evaluating current and future economic challenges and will make necessary structural changes that may result from these challenges. The city commission is committed to strategies designed to ensure the long-term health of the city. One of the ways to accomplish this is to develop an ongoing financial forecasting model. The city has recently implemented a multi-year financial forecast. By seeing what potential outcomes are available, the city can position itself to deal with its future more adequately.

The city is committed to addressing long-term legacy costs. Since leaving MERS the city has already seen the advantage of making immediate changes in pension contributions to reflect the current market and up to date actuarial evaluations. When under MERS these changes happened anywhere from 18-24 months after the market change, which was usually too late to really make a difference. The city continues to seek ways to lessen long-term retirement liabilities to achieve the financial goal of maintaining long-term financial stability.

Awards and Acknowledgements

The city transitioned from a basic financial statement annual audited report to an Annual Comprehensive Financial Report (ACFR) for year ending June 30, 2022. The City was awarded the Certificate of Achievement for Excellence in Financial Reporting from Government Financial Officers Association (GFOA). This award recognizes municipalities that prepare their annual financial reports transparently and with full disclosure.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of East Grand Rapids' finances.

Respectfully submitted,

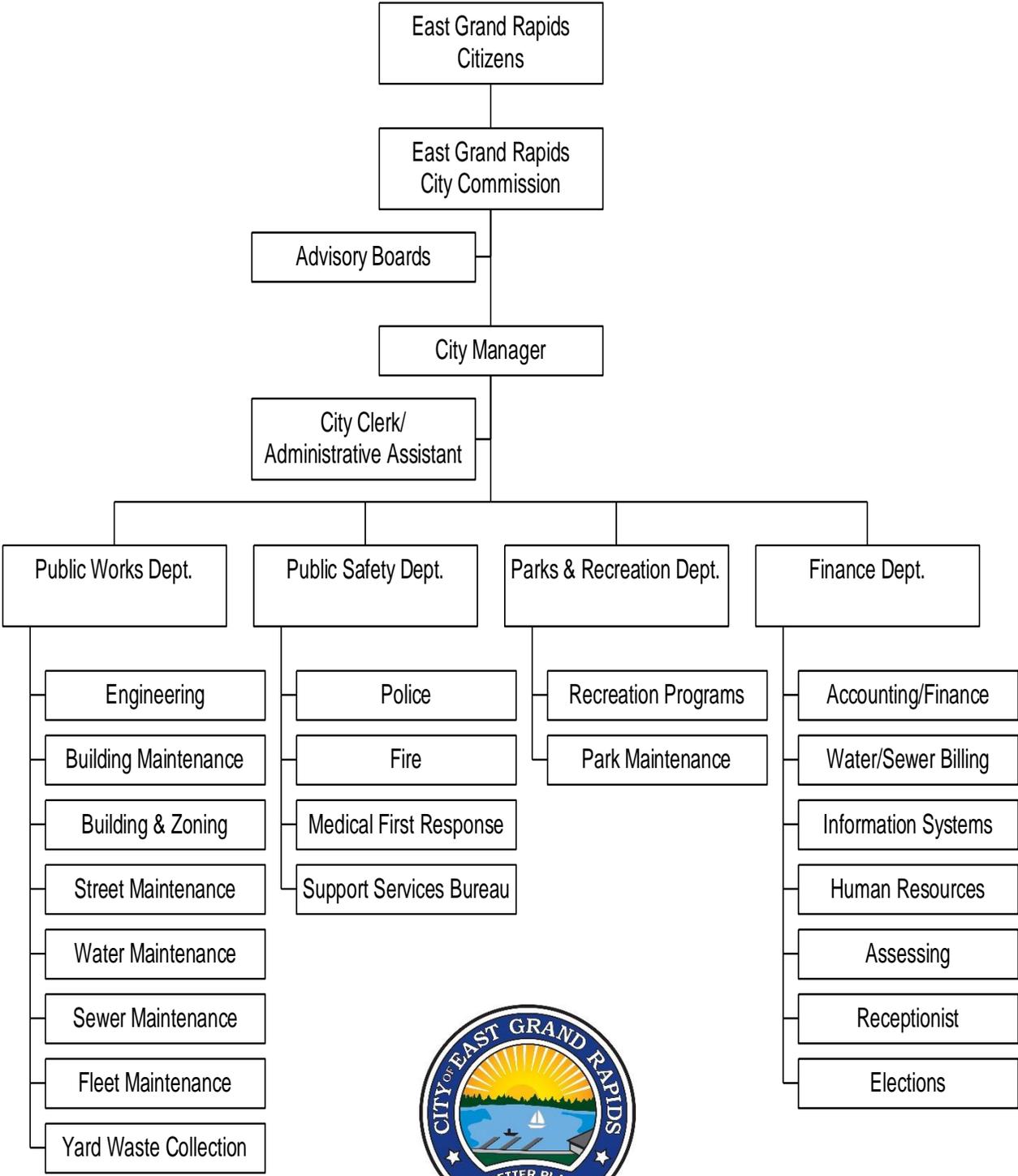
A handwritten signature in black ink, appearing to read "Shea Charles".

Shea Charles, City Manager

A handwritten signature in blue ink, appearing to read "Sharla Seath".

Sharla Seath, Finance Director

East Grand Rapids Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of East Grand Rapids
Michigan**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

City of East Grand Rapids, Michigan

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2023

City Officials at June 30, 2023

Katie Favale

Mayor

Ryan Burdick

Marc Schulz

Chris Wessley

Karey Hamrick

John Arendshorst

Laura Schwartz

Shea Charles

City Manager

Prepared by
City of East Grand Rapids
Finance Department

(This page left intentionally blank)

FINANCIAL SECTION



Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

November 22, 2023

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 and budgetary comparison and benefit plan trend information on pages 47 through 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Uredewald Haefner LLC

(This page left intentionally blank)

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, 2023.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2023 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 5.363 miles of various types of projects in the current Fiscal Year. Total expenditures for these projects were \$2,264,089.
- In the motor pool equipment replacement fund, \$386,111 was invested in various vehicle and equipment replacements.
- Water and sewer rates were increased 3% across the board (water, sewer, & RTS) in FY 2023. Capital expenditures of \$884,203 was spent in this fiscal year on water and sewer projects.
- Parks projects began in June of 2023 related to the Parks millage approved in 2022. Three playground construction projects were started, and a dog park was completed at a cost of \$246,882.
- The roofs on both the community center building and the Public Safety building were replaced prior to new solar panels being installed at a total cost of \$241,917 which was funded with ARPA funding.
- Payroll included 66 full-time and 4 part-time positions with total salary expenditures of approximately \$5,821,016.

Overview of the Financial Statements

This discussion and analysis are 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 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).

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, 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 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 and ARPA funds which are 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 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 \$33,237,392 at the close of the most recent fiscal year. The following chart illustrates the composition of net position.

Net Position

	Governmental Activities		Business Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 18,598,187	\$ 17,833,411	\$ 1,773,230	\$ 1,879,473	\$ 20,371,417	\$ 19,712,884
Capital assets	27,927,130	26,977,333	13,281,483	12,990,112	41,208,613	39,967,445
Total assets	46,525,317	44,810,744	15,054,713	14,869,585	61,580,030	59,680,329
Deferred outflows of resources	1,996,151	1,931,874	38,946	25,910	2,035,097	1,957,784
Liabilities						
Current liabilities	3,581,565	3,988,231	231,357	355,918	3,812,922	4,344,149
Long-term liabilities	25,187,617	23,948,142	119,265	94,163	25,306,882	24,042,305
Total Liabilities	28,769,182	27,936,373	350,622	450,081	29,119,804	28,386,454
Deferred inflows of resources	1,217,418	1,373,084	40,513	44,445	1,257,931	1,417,529
Net position						
Net investment in capital assets	21,720,432	20,846,358	13,281,483	12,990,112	35,001,915	33,836,470
Restricted	2,266,125	2,283,182	-	-	2,266,125	2,283,182
Unrestricted	(5,451,689)	(5,696,379)	1,421,041	1,410,857	(4,030,648)	(4,285,522)
Total net position	18,534,868	17,433,161	14,702,524	14,400,969	33,237,392	31,834,130

A substantial portion of the City's net position, \$35,001,915, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets. 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.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2023, was \$23,130,798 while total cost of all programs and services was \$21,727,536. This resulted in an increase in net position of \$1,403,262. The following table presents a summary of the changes in net position for the years ended June 30.

Changes in Net Position

	Governmental Activities		Business Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 1,775,498	\$ 1,731,512	\$ 4,784,063	\$ 4,614,600	\$ 6,559,561	\$ 6,346,112
Operating grants and contributions	2,335,891	1,462,150	-	-	2,335,891	1,462,150
Capital grants and contributions	8,177	6,848	-	-	8,177	6,848
General revenue						
Property taxes	12,163,236	11,418,930	-	-	12,163,236	11,418,930
State shared revenues	1,352,273	1,371,659	-	-	1,352,273	1,371,659
Cable franchise fees	171,762	178,947	-	-	171,762	178,947
Investment earnings	423,802	36,804	36	9	423,838	36,813
Gain on sale of capital assets	116,060	-	-	-	116,060	-
Total revenues	18,346,699	16,206,850	4,784,099	4,614,609	23,130,798	20,821,459
Expenses						
Legislative	27,647	28,188	-	-	27,647	28,188
General government	4,074,915	2,916,373	-	-	4,074,915	2,916,373
Public safety	4,344,864	4,172,367	-	-	4,344,864	4,172,367
Public works	5,410,618	4,742,874	-	-	5,410,618	4,742,874
Culture and recreation	3,058,753	1,947,121	-	-	3,058,753	1,947,121
Interest on long-term debt	328,195	210,346	-	-	328,195	210,346
Water and sewer	-	-	4,482,544	4,099,174	4,482,544	4,099,174
Total Expenses	17,244,992	14,017,269	4,482,544	4,099,174	21,727,536	18,116,443
Increase (decrease) in net position	1,101,707	2,189,581	301,555	515,435	1,403,262	2,705,016
Net position- beginning	17,433,161	15,243,580	14,400,969	13,885,534	31,834,130	29,129,114
Net position- ending	\$ 18,534,868	\$ 17,433,161	\$ 14,702,524	\$ 14,400,969	\$ 33,237,392	\$ 31,834,130

Governmental Activities The preceding table shows that the governmental activities increased the City's net position by \$1,101,707 during this fiscal year. The increases are explained below.

Revenue changes

- Operating grants and contribution: ARPA funding received.
- Property tax: New parks construction millage tax implemented.
- Investment earnings: The City saw record investment earnings, which were \$658,825 compared to last year's \$36,804 based on the market rates.
- Gain on sale of capital assets: The City held an auction and sold some large, priced equipment that had been fully depreciated.

Expenses changes:

- General Government: The main increase in expenditures here is related to a pension adjustment of \$950,000.
- Public Works: There were street projects that were rolled over to and completed in FY23 because of supply chain issues.
- Culture and recreation: Construction began on a \$4 million playground project and the dog park project was completed.

Business-type Activities Business-type activities increased the City's net position by \$301,555 during the year. This is the collection of the readiness to serve rate collection that the City bills its residence to plan for future projects related to the water, sewer, and storm water lines.

Financial Analysis of the City'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. 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 \$13,514,049, an increase of \$149,488.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, a non-spendable fund balance of \$186,135 relates to prepaid assets and assigned fund balance of \$180,610 has been set aside and budgeted for subsequent year expenditures. Unassigned fund balance amounts to \$5,854,316, an increase of \$1,347,662 from FY22. 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 45.8% of total general fund expenditures and transfers out.

The changes that attribute to this increase in fund balance for FY 23 are as follows. Increase in taxes received based on the increase in taxable value of 7%. However due to Headlee the City had to roll back its operating millage from 11.7975 to 11.524 which decreased the tax increase to 4.5%. The City also received \$400,000 more in interest earnings than it had anticipated. The City had a larger increase in revenue than in expenses which led to an increase in fund balance in total of \$948,617.

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 \$95,900 during the current fiscal year leaving a remaining fund balance of \$1,014,353. Revenue did remain flat as set by Act 51, there was a slight increase in projects by about \$150,000 and a slight increase in the amount transferred to this fund from the municipal road millage fund, which lead to this increase in fund balance.

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 decreased by \$50,508 during the current fiscal year leaving a remaining fund balance of \$456,582. This change is very similar to the major street funds except the transfer from municipal road millage fund was less due to the fund balance already available in the fund.

The municipal streets fund is used to account for the municipal street millage. The fund balance decreased by \$91,444 during the current fiscal year leaving a remaining fund balance of \$711,182. This is based on the transfers needed to fund road projects in the major and local funds as well as an increase in the project amounts of approximately \$300,000 for municipal road projects.

The ARPA fund accounts for the proceeds from the American Rescue Plan Act. The second payment was received during the year and approximately \$542,000 was spent. The remaining funds of \$694,864 are included as unearned revenue until they are spent.

The capital projects fund was established in FY2022 from bond proceeds and a \$628,000 transfer from the general fund. The decrease in fund balance of \$780,661 to \$5,017,614 was from \$1.3 million of parks project completed/started in FY23. This fund saw over \$200,000 in interest earned for FY23.

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 \$301,555 as discussed under business-type activities above.

General Fund Budgetary Highlights

During the year there was an increase in revenue from the original to the amended in the amount of \$757,950. This is mainly three areas: interest, revenue sharing, and ARPA grant funding used to replace the roof on the community center and public safety building. There was an increase in expenditure from the original to the amended budget, but actual expenditures were \$700,000 less than budgeted. The main reasons for this were projects moved to FY24 because of supply chain issues, elimination/consolidation of positions, decrease in health insurance costs because of low claims and vacancy savings.

The general fund originally budgeted for a decrease in fund balance of \$600,210. Based on changes to the amended budget it showed an increase of \$125,840. The actual increase to fund balance was \$948,617 based on the information listed above.

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, 2023, amounted to \$41,208,613 (net of accumulated depreciation). Of this amount, \$27,927,130 was for its governmental activities and \$13,281,483 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.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,218,753	\$ 2,218,753			\$ 2,218,753	\$ 2,218,753
Land Improvements	871,533	717,370			871,533	717,370
Buildings	5,476,413	5,878,796			5,476,413	5,878,796
Building Improvements	596,464	345,684			596,464	345,684
Vehicles	2,357,163	2,219,698			2,357,163	2,219,698
Intrastructure	16,406,804	15,597,032			16,406,804	15,597,032
Water system			9,307,145	9,024,625	9,307,145	9,024,625
Water tower			17,489	22,963	17,489	22,963
Meters			243,156	211,389	243,156	211,389
Sewer system			3,042,464	3,015,858	3,042,464	3,015,858
Lift station			593,080	627,359	593,080	627,359
Drains			78,149	87,918	78,149	87,918
	<u>\$ 27,927,130</u>	<u>\$ 26,977,333</u>	<u>\$ 13,281,483</u>	<u>\$ 12,990,112</u>	<u>\$ 41,208,613</u>	<u>\$ 39,967,445</u>

Long-term debt At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$24,906,266. Of this amount, \$10,483,247 was for governmental activities debt; \$11,840,205 related to the net pension liability and \$2,582,814 related to the liability for other post-employment benefits.

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

During FY23 the net pension liability increased \$249,909 based on market earnings and census changes based on number of participants in the plan. The net OPEB liability increased \$744,012 based on market earnings and plan utilization.

Economic Factors and Next Year’s Budgets and Rates

The City considered these factors in preparing the City’s budget for the 2024 fiscal year.

- The economic vitality of the City
- Departmental needs and priorities
- Inflationary effect on expenses
- Legislative outlook
- Infrastructure maintenance and replacement
- Continuing of implementing Master Plan initiative and the Parks and Recreation Plan as well as thoughts on new items that may arise during the develop from updating the current Master Plan

Requests for Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the 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.

(This page left intentionally blank)

BASIC FINANCIAL STATEMENTS

CITY OF EAST GRAND RAPIDS

STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 17,620,669	\$ 1,077,558	\$ 18,698,227
Accounts receivable	148,915	637,893	786,808
Due from other governments	450,350	-	450,350
Inventory	111,634	56,579	168,213
Prepaid items	266,619	1,200	267,819
Capital assets			
Land	2,218,753	-	2,218,753
Depreciable capital assets, net	<u>25,708,377</u>	<u>13,281,483</u>	<u>38,989,860</u>
Total assets	<u>46,525,317</u>	<u>15,054,713</u>	<u>61,580,030</u>
Deferred outflows of resources			
Pension related	719,259	-	719,259
OPEB related	<u>1,276,892</u>	<u>38,946</u>	<u>1,315,838</u>
Total deferred outflows of resources	<u>1,996,151</u>	<u>38,946</u>	<u>2,035,097</u>
Liabilities			
Accounts payable	2,216,289	214,402	2,430,691
Accrued liabilities	505,798	16,955	522,753
Unearned revenue	859,478	-	859,478
Compensated absences	380,522	20,094	400,616
Debt due within one year	630,000	-	630,000
Noncurrent liabilities			
Other post-employment benefits liability	2,483,643	99,171	2,582,814
Net pension liability	11,840,205	-	11,840,205
Debt due in more than one year	<u>9,853,247</u>	<u>-</u>	<u>9,853,247</u>
Total liabilities	<u>28,769,182</u>	<u>350,622</u>	<u>29,119,804</u>
Deferred inflows of resources			
OPEB related	1,163,553	40,513	1,204,066
Deferred gain on bond refunding	<u>53,865</u>	<u>-</u>	<u>53,865</u>
Total deferred inflows of resources	<u>1,217,418</u>	<u>40,513</u>	<u>1,257,931</u>
Net position			
Net investment in capital assets	21,720,432	13,281,483	35,001,915
Restricted for			
Streets	2,182,117	-	2,182,117
Capital projects	31,097	-	31,097
Public safety	28,496	-	28,496
Debt service	24,415	-	24,415
Unrestricted (deficit)	<u>(5,451,689)</u>	<u>1,421,041</u>	<u>(4,030,648)</u>
Total net position	<u>\$ 18,534,868</u>	<u>\$ 14,702,524</u>	<u>\$ 33,237,392</u>

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, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Legislative	\$ 27,647	\$ -	\$ -	\$ -	\$ (27,647)
General government	4,074,915	498,395	621,292	-	(2,955,228)
Public safety	4,344,864	24,440	4,214	585	(4,315,625)
Public works	5,410,618	154,794	1,490,824	3,592	(3,761,408)
Parks and recreation	3,058,753	1,097,869	219,561	4,000	(1,737,323)
Interest on long-term debt	328,195	-	-	-	(328,195)
Total governmental activities	17,244,992	1,775,498	2,335,891	8,177	(13,125,426)
Business-type activities					
Water and sewer	4,482,544	4,784,063	-	-	301,519
Total primary government	\$ 21,727,536	\$ 6,559,561	\$ 2,335,891	\$ 8,177	\$ (12,823,907)

(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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net (expense) revenue	\$ (13,125,426)	\$ 301,519	\$ (12,823,907)
General revenues			
Property taxes	12,163,236	-	12,163,236
State shared revenues	1,352,273	-	1,352,273
Cable franchise fees	171,762	-	171,762
Unrestricted investment earnings	423,802	36	423,838
Gain on sale of capital assets	116,060	-	116,060
Total general revenues and transfers	<u>14,227,133</u>	<u>36</u>	<u>14,227,169</u>
Change in net position	1,101,707	301,555	1,403,262
Net position, beginning of year	<u>17,433,161</u>	<u>14,400,969</u>	<u>31,834,130</u>
Net position, end of year	<u>\$ 18,534,868</u>	<u>\$ 14,702,524</u>	<u>\$ 33,237,392</u>

(concluded)

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

CITY OF EAST GRAND RAPIDS

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

	General	Special Revenue				Capital Project Parks	Nonmajor Governmental Funds	Total
		Major Streets	Local Streets	Municipal Streets	ARPA			
Assets								
Cash and pooled investments	\$ 6,359,262	\$ 1,110,248	\$ 1,325,928	\$ 976,769	\$ 725,961	\$ 5,524,906	\$ 53,473	\$ 16,076,547
Accounts receivable	95,928	-	-	-	-	-	50,495	146,423
Due from other governments	210,853	174,010	65,487	-	-	-	-	450,350
Inventory	-	20,760	20,760	-	-	-	-	41,520
Prepaid items	186,135	-	-	-	-	-	-	186,135
Total assets	\$ 6,852,178	\$ 1,305,018	\$ 1,412,175	\$ 976,769	\$ 725,961	\$ 5,524,906	\$ 103,968	\$ 16,900,975
Liabilities and fund balances								
Liabilities								
Accounts payable	\$ 290,064	\$ 281,422	\$ 948,420	\$ 265,587	\$ -	\$ 422,515	\$ -	\$ 2,208,008
Accrued liabilities	176,439	9,243	7,173	-	-	84,777	-	277,632
Unearned revenue	164,614	-	-	-	694,864	-	-	859,478
Total liabilities	631,117	290,665	955,593	265,587	694,864	507,292	-	3,345,118
Deferred inflows of resources								
Unavailable receivables	-	-	-	-	-	-	41,808	41,808
Fund balances								
Nonspendable								
Inventory	-	20,760	20,760	-	-	-	-	41,520
Prepaid items	186,135	-	-	-	-	-	-	186,135
Restricted								
Streets	-	993,593	435,822	711,182	-	-	8,362	2,148,959
Public safety								
Federal portion	-	-	-	-	-	-	11,892	11,892
State portion	-	-	-	-	-	-	16,604	16,604
Debt service	-	-	-	-	-	-	24,415	24,415
Committed								
Turf replacement	-	-	-	-	-	537,200	-	537,200
Playgrounds	-	-	-	-	-	150,000	-	150,000
Park improvements	-	-	-	-	-	4,330,414	-	4,330,414
Assigned								
Public safety	-	-	-	-	-	-	887	887
Capital projects	-	-	-	-	31,097	-	-	31,097
Subsequent year expenditures	180,610	-	-	-	-	-	-	180,610
Unassigned	5,854,316	-	-	-	-	-	-	5,854,316
Total fund balances	6,221,061	1,014,353	456,582	711,182	31,097	5,017,614	62,160	13,514,049
Total liabilities and fund balances	\$ 6,852,178	\$ 1,305,018	\$ 1,412,175	\$ 976,769	\$ 725,961	\$ 5,524,906	\$ 103,968	\$ 16,900,975

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, 2023

Fund balances - total governmental funds	\$ 13,514,049
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,218,753
Add - capital assets (net of accumulated depreciation)	23,807,992
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	41,808
Deferred inflows and outflows relate to future years and are not reported in the funds	
Add - deferred outflows from pension related items	719,259
Add - deferred outflows from OPEB related items	1,276,892
Deduct - deferred inflows from OPEB related items	(1,163,553)
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	3,436,078
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(376,325)
Deduct - net other post-employment benefit liability	(2,483,643)
Deduct - net pension liability	(11,840,205)
Deduct - deferred gain on bond refunding	(53,865)
Deduct - long-term debt	(10,483,247)
Deduct - accrued interest on bonds payable	(79,125)
Net position of governmental activities	<u>\$ 18,534,868</u>

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, 2023

	General	Special Revenue			ARPA	Capital Project Parks	Nonmajor Governmental Funds	Total
		Major Streets	Local Streets	Municipal Streets				
Revenues								
Taxes	\$ 9,746,132	\$ -	\$ -	\$ 1,485,613	\$ -	\$ -	\$ 931,491	\$ 12,163,236
Intergovernmental revenues								
Federal	-	-	-	-	561,573	-	-	561,573
State	1,367,714	1,061,296	416,066	-	-	-	-	2,845,076
Local	-	-	-	-	-	-	585	585
Licenses and permits	104,263	-	-	-	-	-	-	104,263
Charges for services	633,500	-	-	-	-	-	-	633,500
Recreation	1,097,869	-	-	-	-	-	-	1,097,869
Fines	19,361	-	-	-	-	-	-	19,361
Special assessments	-	-	-	-	-	-	20,422	20,422
Rentals	50,531	-	-	-	-	-	-	50,531
Investment earnings	413,044	2,960	81	10,421	45,488	219,561	-	691,555
Other	48,740	-	-	-	-	-	-	48,740
Total revenues	13,481,154	1,064,256	416,147	1,496,034	607,061	219,561	952,498	18,236,711
Expenditures								
Current								
Legislative	27,647	-	-	-	-	-	-	27,647
General government	3,008,083	-	-	-	35,520	-	-	3,043,603
Public safety	4,344,971	-	-	-	-	-	-	4,344,971
Public works	2,270,020	1,465,956	1,898,655	679,711	-	-	-	6,314,342
Parks and recreation	2,018,572	-	-	-	-	1,370,222	-	3,388,794
Debt service								
Principal	34,200	-	-	-	-	-	605,000	639,200
Interest	971	-	-	-	-	-	327,695	328,666
Total expenditures	11,704,464	1,465,956	1,898,655	679,711	35,520	1,370,222	932,695	18,087,223
Revenues over (under) expenditures	1,776,690	(401,700)	(1,482,508)	816,323	571,541	(1,150,661)	19,803	149,488
Other financing sources (uses)								
Transfers in	241,927	497,600	1,432,000	521,833	-	370,000	5,000	3,068,360
Transfers out	(1,070,000)	-	-	(1,429,600)	(541,927)	-	(26,833)	(3,068,360)
Total other financing sources (uses)	(828,073)	497,600	1,432,000	(907,767)	(541,927)	370,000	(21,833)	-
Net changes in fund balances	948,617	95,900	(50,508)	(91,444)	29,614	(780,661)	(2,030)	149,488
Fund balances, beginning of year	5,272,444	918,453	507,090	802,626	1,483	5,798,275	64,190	13,364,561
Fund balances, end of year	\$ 6,221,061	\$ 1,014,353	\$ 456,582	\$ 711,182	\$ 31,097	\$ 5,017,614	\$ 62,160	\$ 13,514,049

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, 2023

Net changes in fund balances - total governmental funds	\$ 149,488
--	-------------------

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	3,116,438
Deduct - depreciation expense	(2,209,060)
Deduct - net book value of disposed capital assets	(7,289)

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	(16,830)
--------------------------------------	----------

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.

Add - principal payments on debt	639,200
Add - amortization of deferred gain on refunded debt	10,659
Add - amortization of bond premium	113,379

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	(58,461)
Deduct - increase in net other post-employment benefits liability	(722,423)
Add - increase in deferred outflows from OPEB related items	480,831
Add - decrease in deferred inflows from OPEB related items	145,007
Deduct - increase in net pension liability	(249,909)
Deduct - decrease in deferred outflows from pension related items	(416,554)
Add - decrease in accrued interest	471

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	<u>126,760</u>
--	----------------

Change in net position of governmental activities	<u>\$ 1,101,707</u>
--	----------------------------

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

CITY OF EAST GRAND RAPIDS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION**

JUNE 30, 2023

	Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
Assets		
Current assets		
Cash and pooled investments	\$ 1,077,558	\$ 1,544,122
Accounts receivable	637,893	2,492
Prepaid items	1,200	80,484
Inventory	56,579	70,114
Total current assets	1,773,230	1,697,212
Capital assets		
Depreciable capital assets, net	13,281,483	1,900,385
Total assets	15,054,713	3,597,597
Deferred outflows of resources		
OPEB related items	38,946	-
Liabilities		
Current liabilities		
Accounts payable	214,402	8,281
Accrued liabilities	16,955	149,041
Compensated absences	20,094	4,197
Total current liabilities	251,451	161,519
Long-term liabilities		
Other post-employment benefits liability	99,171	-
Total liabilities	350,622	161,519
Deferred inflows of resources		
OPEB related items	40,513	-
Net position		
Net investment in capital assets	13,281,483	1,900,385
Unrestricted	1,421,041	1,535,693
Total net position	\$ 14,702,524	\$ 3,436,078

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, 2023

	Enterprise Fund	Governmental Activities
	Water and Sewer	Internal Service Funds
Operating revenue		
Charges for services	\$ 4,735,520	\$ 2,059,022
Other	48,543	150,096
Total operating revenue	<u>4,784,063</u>	<u>2,209,118</u>
Operating expense		
Personnel services	777,145	198,298
Contractual services	1,399,096	470,820
Materials and supplies	1,207,930	254,826
Equipment	198,192	11,178
Claims	-	786,329
Administration	286,686	169,926
Depreciation	592,833	326,706
Miscellaneous	20,662	-
Total operating expense	<u>4,482,544</u>	<u>2,218,083</u>
Operating income (loss)	301,519	(8,965)
Non-operating revenue (expense)		
Gain on sale of capital assets	-	124,967
Investment earnings	36	10,758
Total non-operating revenue (expense)	<u>36</u>	<u>135,725</u>
Changes in net position	301,555	126,760
Net position, beginning of year	<u>14,400,969</u>	<u>3,309,318</u>
Net position, end of year	<u>\$ 14,702,524</u>	<u>\$ 3,436,078</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, 2023

	Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
Cash flows from operating activities		
Receipts from internal services provided	\$ -	\$ 2,235,752
Receipts from customers and users	4,718,051	-
Payments to employees	(761,807)	(197,376)
Payments to suppliers	(3,243,452)	(1,765,784)
Net cash provided by (used in) operating activities	<u>712,792</u>	<u>272,592</u>
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	-	134,664
Acquisitions of capital assets	(884,204)	(386,111)
Net cash provided by (used in) capital and related financing activities	<u>(884,204)</u>	<u>(251,447)</u>
Cash flows from investing activities		
Interest income	36	10,758
Net increase (decrease) in cash and pooled investments	(171,376)	31,903
Cash and pooled investments, beginning of year	<u>1,248,934</u>	<u>1,512,219</u>
Cash and pooled investments, end of year	<u>\$ 1,077,558</u>	<u>\$ 1,544,122</u>
Cash flows from operating activities		
Operating income (loss)	\$ 301,519	\$ (8,965)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	592,833	326,706
Deferred outflows of resources	(13,036)	-
Deferred inflows of resources	(3,932)	-
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	(66,012)	26,634
Prepaid and other assets	-	540
Inventory	879	(13,960)
Accounts payable	(131,765)	(1,672)
Accrued liabilities	7,204	(57,311)
Compensated absences	5,513	620
Net other post-employment benefits liability	19,589	-
Net cash provided by (used in) operating activities	<u>\$ 712,792</u>	<u>\$ 272,592</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, 2023

	<u>Pension and OPEB Trust Funds</u>	<u>Custodial Fund</u>
Assets		
Cash and pooled investments	\$ -	\$ 1,130
Investments	10,667,312	-
Prepaid items	<u>4,583</u>	<u>-</u>
Total assets	<u>10,671,895</u>	<u>1,130</u>
Liabilities		
Accounts payable	142,893	-
Accrued liabilities	33,367	-
Due to other governmental units	<u>-</u>	<u>335</u>
Total liabilities	<u>176,260</u>	<u>335</u>
Net position		
Restricted for:		
Pension	9,010,959	-
Other post-employment benefits	1,484,676	-
Other organizations and other governments	<u>-</u>	<u>795</u>
	<u>\$ 10,495,635</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, 2023

	<u>Pension and OPEB Trust Funds</u>	<u>Custodial Fund</u>
Additions		
Contributions:		
Employer	\$ 1,400,000	\$ -
Employee	8,539	-
Other	24,674	-
Property taxes collected for other governments	-	30,160,787
Investment earnings (loss)	<u>906,959</u>	<u>-</u>
Total Additions	<u>2,340,172</u>	<u>30,160,787</u>
Deductions		
Benefits	1,888,851	-
Property taxes distributed to other governments	-	30,160,787
Administrative expenses	<u>158,005</u>	<u>-</u>
Total deductions	<u>2,046,856</u>	<u>30,160,787</u>
Net increase (decrease)	293,316	-
Net position, beginning of year	<u>10,202,319</u>	<u>795</u>
Net position, end of year	<u>\$ 10,495,635</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, 2023

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, 2023

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 *ARPA Fund* accounts for the proceeds and expenditures of the American Rescue Plan Act funding received by the City.

The *Parks Fund* accounts for the issuance of bonds and accumulation of other funding along with the disbursement of resources for parks related capital projects of the City.

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.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Additionally, the City reports the following fund types:

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

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

The *Custodial Funds* are used to account for the collection and disbursement of funds, such as property taxes, 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, 2023

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 Pension and OPEB plans are 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 Items

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.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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.

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 Revenue

Governmental funds report *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 and ARPA funds consisted of amounts received in advance.

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. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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 assets 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 pension items as discussed in Note 7 and 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 assets 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, 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, 2023

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 custodial 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 activity 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>Unfavorable Variance</u>
General Fund			
General Government – City manager	\$451,080	\$454,496	\$ 3,416
Parks and Rec – Pool	267,390	272,582	5,192
Parks and Rec – Programming	107,300	115,184	7,884
Parks and Rec – Sports	193,270	213,386	20,116
Municipal Streets Fund			
Street maintenance	644,300	645,440	1,140

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

3. DEFICIT NET POSITION

At June 30, 2023, the City reported a deficit unrestricted net position in its governmental activities of \$5,451,689.

4. CASH AND INVESTMENTS

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

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$18,698,227	\$ 1,130	\$18,699,357
Investments	-	10,667,312	10,667,312
	<u>\$18,698,227</u>	<u>\$10,668,442</u>	<u>\$29,376,669</u>

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

Deposits	\$ 1,019,444
Petty cash	1,454
Investments	28,355,771
Total	\$29,376,669

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, 2023, \$517,491 of the City's bank balance of \$767,491 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:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Governmental activities			
Kent County Investment Pool	N/A	\$ 2,587,901	N/A
Michigan CLASS Investment Pool	N/A	15,100,558	S&P AAAM
Other Post-employment Benefits Trust fund			
VT II VP Milestone Ret. Income collective investment trust (CIT)	N/A	1,654,753	N/A

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Maturity</u>	<u>Fair Value</u>	<u>Morningstar Rating</u>
Pension Trust fund			
Federated government obligation institutional shares	N/A	\$ 321,023	N/A
Fixed income securities:			
Cohen & Steers PFD Securities and Income Fund	N/A	40,477	4 star
Dodge & Cox Income Fund	N/A	596,364	5 star
Doubleline Total Return Bond Fund	N/A	593,293	3 star
Ishares Barclays Treasury Bond	N/A	781,232	4 star
Virtuis Convertible Fund Inst. Class	N/A	41,570	5 star
Artisan High Income Fund	N/A	179,397	5 star
AQR Diversified Arbitrage Fund	N/A	33,718	N/A
Equity securities:			
Domestic equities:			
Brown Advisory Sustainable Growth Fund	N/A	395,880	N/A
Fidelity 500 Index Fund	N/A	2,532,364	N/A
Invesco S&P 500 GARP ETF	N/A	588,073	N/A
JPMorgan Equity Income Fund	N/A	376,130	N/A
Conestoga FDS Small Cap Fund	N/A	92,848	N/A
Ishares Russell Mid Cap Fund	N/A	131,600	N/A
Ishares Core S&P Mic Cap ETF	N/A	71,646	N/A
Ishares Russell 2000 Index Fund	N/A	43,259	N/A
Vanguard Mid Cap Growth Index	N/A	37,244	N/A
Allspring Funds Special Small Cap	N/A	87,788	N/A
International equities:			
Dodge & Cox International Stock Fund	N/A	194,989	N/A
Grandeur Peak International Stalwarts Inst.	N/A	95,555	N/A
Harding Loevner Int'l Equity Inst. Fund	N/A	193,689	N/A
Ishares Core MSCI EAFE Fund	N/A	189,270	N/A
ESG Aware MSCI EAFE ETF	N/A	288,074	N/A
Emerging markets equities:			
Baillie Gifford Emerging Market Fund	N/A	132,389	N/A
Calvert Emerging Markets Equity Fund	N/A	167,564	N/A
Seafarer Overseas Growth & Income Fund	N/A	133,998	N/A
Equity related strategy equities:			
Neuberger Berman Long Short Fund	N/A	45,819	N/A
Alternative strategies securities:			
Credit Suisse Managed Futures Strategy Fund	N/A	16,423	N/A
Boston Partners Emerging Markets Fund	N/A	11,318	N/A
Abbey Capital Futures Strategy Fund	N/A	38,908	N/A
Abbey Capital Multi-asset Fund	N/A	11,470	N/A
Stone Ridge High Yield Fund	N/A	34,665	N/A
Real assets:			
Cohen & Steers Realty Shares	N/A	153,164	N/A
IShares S&P Global Infrastructure Index Fund	N/A	159,301	N/A
Deutsche Real Assets Inst	N/A	202,057	N/A
Total Pension Trust fund		9,012,559	
Total investments		\$28,355,771	

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.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

- The Pension Trust Fund equity securities are valued using quoted market prices (Level 1 inputs).
- The VT II VP Milestone CIT, the Pension Trust Fund fixed income securities, the Kent County Pool and the Michigan CLASS 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).

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, 2023 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	43%	0-5
Certificates of deposits	35%	0-5
Deposits, money markets and other pools	23%	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, 2023

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2023 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>				<u>Total</u>
	<u>General fund</u>	<u>Municipal streets fund</u>	<u>ARPA fund</u>	<u>Nonmajor governmental funds</u>	
General fund	\$ -	\$ -	\$241,927	\$ -	\$ 241,927
Major streets fund	-	497,600	-	-	497,600
Local streets fund	500,000	932,000	-	-	1,432,000
Municipal streets fund	500,000	-	-	21,833	521,833
Parks fund	70,000	-	300,000	-	370,000
Nonmajor governmental funds	-	-	-	5,000	5,000
	\$1,070,000	\$1,429,600	\$541,927	\$26,833	\$3,068,360

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.

6. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$2,218,753	\$ -	\$ -	\$2,218,753
Capital assets, being depreciated				
Land improvements	2,205,718	246,882	-	2,452,600
Buildings	12,451,655	-	-	12,451,655
Building improvements	3,889,578	344,652	25,903	4,208,327
Vehicles and equipment	7,182,013	646,926	831,766	6,997,173
Infrastructure	33,404,125	2,264,089	-	35,668,214
Total capital assets, being depreciated	59,133,089	3,502,549	857,669	61,777,969
Less accumulated depreciation for				
Land improvements	1,488,348	92,719	-	1,581,067
Buildings	6,572,859	402,383	-	6,975,242
Building improvements	3,543,894	92,836	24,867	3,611,863
Vehicles and equipment	4,962,315	493,511	815,816	4,640,010
Infrastructure	17,807,093	1,454,317	-	19,261,410
Total accumulated depreciation	34,374,509	2,535,766	840,683	36,069,592
Net capital assets, being depreciated	24,758,580	966,783	16,986	25,708,377
Governmental Activities capital assets, net	\$26,977,333	\$966,783	\$ 16,986	\$27,927,130

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Business-type Activities				
Capital assets being depreciated				
Sewer system	\$10,004,178	\$179,600	\$ -	\$10,183,778
Water system	13,330,886	658,623	-	13,989,509
Lift station	1,040,804	-	-	1,040,804
Water tower	617,425	-	-	617,425
Drains	1,726,036	-	-	1,726,036
Meters	588,589	45,981	-	634,570
Total capital assets, being depreciated	<u>27,307,918</u>	<u>884,204</u>	-	<u>28,192,122</u>
Less accumulated depreciation for				
Sewer system	6,988,320	152,993	-	7,141,313
Water system	4,306,261	376,102	-	4,682,363
Lift station	413,445	34,279	-	447,724
Water tower	594,462	5,475	-	599,937
Drains	1,638,118	9,769	-	1,647,887
Meters	377,200	14,215	-	391,415
Total accumulated depreciation	<u>14,317,806</u>	<u>592,833</u>	-	<u>14,910,639</u>
Net capital assets, being depreciated	<u>12,990,112</u>	<u>291,371</u>	-	<u>13,281,483</u>
Business-type Activities capital assets, net	<u>\$12,990,112</u>	<u>\$291,371</u>	<u>\$ -</u>	<u>\$13,281,483</u>

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

Governmental Activities	
General government	\$ 487,000
Public safety	47,331
Public works	1,501,130
Recreation and culture	173,599
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>326,706</u>
Total depreciation expense - governmental activities	<u>\$2,535,766</u>
Business-type Activities	
Water and sewer	<u>\$592,833</u>

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.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, the date of the latest actuarial valuation:

Active plan members	2
Inactive employees entitled but not yet receiving benefits	6
Inactive employees or beneficiaries currently receiving benefits	<u>44</u>
Total	<u>52</u>

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was \$1,332,918. 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 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, 2023, 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, 2023 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: 6.12%, 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-2021 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.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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	63.0%	6.99%	2.66%
Fixed Income	25.0%	4.46%	0.91%
Real Estate	6.0%	7.06%	0.28%
Cash	3.0%	2.41%	0.27%
Other	3.0%	3.63%	
Inflation			<u>2.00%</u>
Discount rate			<u>6.12%</u>

Discount rate

The discount rate used to measure the total pension liability is 6.12% (6.75% for 2022). The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at June 30, 2022	\$20,227,028	\$8,636,732	\$11,590,296
Changes for the Year:			
Service cost	29,284	-	29,284
Interest	1,311,609	-	1,311,609
Change in benefits	-	-	-
Differences between expected and actual experience	(169,969)	-	(169,969)
Change in assumptions	1,129,596	-	1,129,596
Contributions: employer	-	1,300,000	(1,300,000)
Contributions: employee	-	8,539	(8,539)
Net investment income	-	781,207	(781,207)
Benefit payments, including refunds	(1,699,417)	(1,699,417)	-
Administrative expense	-	(39,135)	39,135
Other changes	24,633	24,633	-
Net changes	<u>625,736</u>	<u>375,827</u>	<u>249,909</u>
Balance at June 30, 2023	<u>\$20,852,764</u>	<u>\$9,012,559</u>	<u>\$11,840,205</u>

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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 6.12%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (5.12%) or higher (7.12%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total pension liability	\$22,911,660	\$20,852,764	\$19,111,646
Fiduciary net position	9,012,559	9,012,559	9,012,559
Net pension liability	\$13,899,101	\$11,840,205	\$10,099,087

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2023 the employer recognized pension expense of \$1,966,461. 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	719,259	-
Total	\$719,259	\$ -

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:

2024	\$149,315
2025	270,661
2026	341,238
2027	(41,955)
Total	\$719,259

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 \$708,197 and employee contributions were \$130,936. 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 15% of the participants' salaries and match the employees' optional contribution.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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.

8. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City maintains a single-employer defined benefit healthcare plan (the "Plan"). 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, 2023):

Active plan members	46
Retirees and beneficiaries receiving benefits	<u>17</u>
Total	<u><u>63</u></u>

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, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: included in investment rate of return

Salary Increases: 3.0%

Investment rate of return: 6.83%, including inflation

Healthcare cost trend rates: 7.25% per year

20-year Aa Municipal bond rate: 4.13%

Mortality rates used headcount weighted mortality tables with improvement scale MP-2021.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Equities	39.0%	9.93%
International equity	4.0%	7.64%
Fixed income	57.0%	4.64%

The sum of each target benefit times its long-term expected real rate, plus inflation, is 6.83%.

Discount rate. The discount rate used to measure the total OPEB liability for June 30, 2023 is 4.47% (4.11% for 2022). 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 2030. 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

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2022	\$3,426,028	\$1,585,226	\$1,840,802
Changes for the Year:			
Service cost	104,016	-	104,016
Interest	139,591	-	139,591
Change in benefits	-	-	-
Differences between expected and actual experience	637,085	-	637,085
Change in assumptions	61,476	-	61,476
Contributions: employer	-	100,000	(100,000)
Contributions: employee	-	-	-
Net investment income	-	101,743	(101,743)
Benefit payments, including refunds	(267,339)	(267,339)	-
Administrative expense	-	(1,587)	1,587
Other changes	-	-	-
Net changes	674,829	(67,183)	742,012
Balance at June 30, 2023	\$4,100,857	\$1,518,043	\$2,582,814

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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 4.47%, 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	\$4,434,076	\$4,100,857	\$3,803,071
Fiduciary net position	1,518,043	1,518,043	1,518,043
Net OPEB liability	\$2,916,033	\$2,582,814	\$2,285,028
Plan fiduciary net position as a percentage of the total OPEB liability	37.0%		

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 7.25%, 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	\$3,743,187	\$4,100,857	\$4,521,818
Fiduciary net position	1,518,043	1,518,043	1,518,043
Net OBEB liability	\$2,225,144	\$2,582,814	\$3,003,775

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

For the year ended June 30, 2023 the employer recognized OPEB expense of \$199,206. 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	\$ 753,216	\$ (776,583)
Differences in assumptions	517,865	(427,483)
Excess (deficit) investment returns	44,757	-
Total	\$1,315,838	\$(1,204,066)

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

2024	\$12,521
2025	12,006
2026	48,614
2027	(1,112)
2028	6,818
Thereafter	32,925
Total	\$111,772

CITY OF EAST GRAND RAPIDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

9. CONDENSED FINANCIAL INFORMATION - PENSION AND OPEB PLANS

Statement of Net Position

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ -	\$ -	\$ -
Investments	9,012,559	1,654,753	10,667,312
Accounts receivable	-	-	-
Prepaid items	4,583	-	4,583
Total assets	9,017,142	1,654,753	10,671,895
Liabilities			
Accounts payable	6,183	136,710	142,893
Accrued liabilities	-	33,367	33,367
Total liabilities	6,183	170,077	176,260
Net position			
Restricted for pension and other post-employment benefits	\$9,010,959	\$1,484,676	\$10,495,635

Statement of Changes in Net Position

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$1,300,000	\$100,000	\$ 1,400,000
Employee	8,539	-	8,539
Other	-	24,674	24,674
Total Contributions	1,308,539	124,674	1,433,213
Investment income			
Change in investment fair value	627,350	99,392	726,742
Interest and dividends	206,577	-	206,577
Total investment income (loss)	833,927	99,392	933,319
Investment expense	(26,360)	-	(26,360)
Net investment income (loss)	807,567	99,392	906,959
Total Additions	2,116,106	224,066	2,340,172
Deductions			
Benefits	1,699,417	189,434	1,888,851
Administrative expense	42,462	115,543	158,005
Total deductions	1,741,879	304,977	2,046,856
Change in net position	374,227	(80,911)	293,316
Net position, beginning of year	8,636,732	1,565,587	10,202,319
Net position, end of year	\$9,010,959	\$1,484,676	\$10,495,635

CITY OF EAST GRAND RAPIDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

10. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Governmental Activities					
Public Placement Bonds					
\$5,180,000 Unlimited Tax General Obligation Bonds, Series 2022; due in annual installments of \$210,000 to \$330,000 through April 2042, plus interest at 3.0% to 3.5%	\$ 5,180,000	\$ -	\$ 215,000	\$ 4,965,000	\$210,000
\$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%	5,295,000	-	390,000	4,905,000	420,000
Total Public Placement Bonds	10,475,000	-	605,000	9,870,000	630,000
Private Placement Bonds and Notes					
\$119,900 2018 Installment Purchase Agreement; due in annual installments of \$23,980 through May 2023, plus interest at 2.84%	16,280	-	16,280	-	-
\$89,600 2018 Installment Purchase Agreement; due in annual installments of \$17,920 through May 2023, plus interest at 2.84%	17,920	-	17,920	-	-
Total Private Placement Bonds and Notes	34,200	-	34,200	-	-
Total	10,509,200	-	639,200	9,870,000	630,000
Unamortized premium	726,626	-	113,379	613,247	106,309
Accrued compensated absences	321,441	380,522	321,441	380,522	380,522
Total Governmental Activities	\$11,557,267	\$380,522	\$1,074,020	\$10,863,769	\$1,116,831

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Balance</u> <u>July 1,</u> <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2023</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-type Activities					
Accrued compensated absences	<u>\$14,581</u>	<u>\$20,094</u>	<u>\$14,581</u>	<u>\$20,094</u>	<u>\$20,094</u>

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, 2023 are as follows:

Governmental Activities

<u>Year Ending</u> <u>June 30</u>	<u>Public Placement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 630,000	\$ 316,500
2025	675,000	297,600
2026	715,000	277,350
2027	740,000	255,900
2028	740,000	228,550
2029-2033	3,725,000	741,650
2034-2038	1,385,000	340,200
2039-2043	1,260,000	110,500
Total	<u>\$9,870,000</u>	<u>\$2,568,250</u>

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.

11. 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.

The City is self-funded for employees' health benefits. The claims liability of \$47,640 reported at June 30, 2023 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.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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, all of which are due within one year, for the years ended June 30, 2023 and 2022 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>
2023	\$39,479	\$ 678,499	\$ 670,338	\$47,640
2022	37,801	1,476,887	1,475,209	39,479

12. 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 \$31,803 with related direct and indirect expenditures in excess of that amount.

13. 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, 2023

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 9,751,960	\$ 9,751,960	\$ 9,746,132	\$ (5,828)
Intergovernmental revenues				
State	1,220,710	1,385,880	1,367,714	(18,166)
Licenses and permits	75,000	95,000	104,263	9,263
Charges for services	600,000	628,000	633,500	5,500
Recreation	1,189,430	1,069,500	1,097,869	28,369
Fines	23,000	28,000	19,361	(8,639)
Rentals	40,400	47,100	50,531	3,431
Investment earnings	30,000	390,000	413,044	23,044
Other	25,000	51,900	48,740	(3,160)
Total revenues	<u>12,955,500</u>	<u>13,447,340</u>	<u>13,481,154</u>	<u>33,814</u>
Expenditures				
Current				
Legislative	29,100	28,000	27,647	353
General government	3,005,580	3,092,490	3,008,083	84,407
Public safety	4,552,520	4,462,920	4,344,971	117,949
Public works	2,751,920	2,787,300	2,270,020	517,280
Parks and recreation	2,111,420	2,111,700	2,018,572	93,128
Debt service				
Principal	34,170	34,200	34,200	-
Interest and fiscal charges	1,000	1,000	971	29
Total expenditures	<u>12,485,710</u>	<u>12,517,610</u>	<u>11,704,464</u>	<u>813,146</u>
Revenues over (under) expenditures	<u>469,790</u>	<u>929,730</u>	<u>1,776,690</u>	<u>846,960</u>
Other financing sources (uses)				
Transfers in	-	266,110	241,927	(24,183)
Transfers out	(1,070,000)	(1,070,000)	(1,070,000)	-
Total other financing sources (uses)	<u>(1,070,000)</u>	<u>(803,890)</u>	<u>(828,073)</u>	<u>(24,183)</u>
Net changes in fund balance	(600,210)	125,840	948,617	822,777
Fund balance, beginning of year	<u>5,272,444</u>	<u>5,272,444</u>	<u>5,272,444</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,672,234</u>	<u>\$ 5,398,284</u>	<u>\$ 6,221,061</u>	<u>\$ 822,777</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, 2023

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 1,054,760	\$ 1,054,760	\$ 1,061,296	\$ 6,536
Investment earnings	-	-	2,960	2,960
Total revenues	<u>1,054,760</u>	<u>1,054,760</u>	<u>1,064,256</u>	<u>9,496</u>
Expenditures				
Current				
Public works				
Street maintenance	845,200	891,750	850,857	40,893
Street construction	491,000	415,050	414,920	130
Street administration	108,300	112,900	94,251	18,649
Engineering	85,300	109,200	105,928	3,272
Total expenditures	<u>1,529,800</u>	<u>1,528,900</u>	<u>1,465,956</u>	<u>62,944</u>
Revenues over (under) expenditures	(475,040)	(474,140)	(401,700)	72,440
Other financing sources (uses)				
Transfers in	<u>570,040</u>	<u>570,040</u>	<u>497,600</u>	<u>(72,440)</u>
Net changes in fund balance	95,000	95,900	95,900	-
Fund balance, beginning of year	<u>918,453</u>	<u>918,453</u>	<u>918,453</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,013,453</u>	<u>\$ 1,014,353</u>	<u>\$ 1,014,353</u>	<u>\$ -</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, 2023

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 393,850	\$ 393,850	\$ 416,066	\$ 22,216
Investment earnings	-	-	81	81
Total revenues	<u>393,850</u>	<u>393,850</u>	<u>416,147</u>	<u>22,297</u>
Expenditures				
Current				
Public works				
Street maintenance	785,000	786,900	726,957	59,943
Street construction	1,166,000	1,156,700	1,077,453	79,247
Street administration	114,700	112,800	94,245	18,555
Total expenditures	<u>2,065,700</u>	<u>2,056,400</u>	<u>1,898,655</u>	<u>157,745</u>
Revenues over (under) expenditures	(1,671,850)	(1,662,550)	(1,482,508)	180,042
Other financing source (uses)				
Transfers in	<u>1,516,000</u>	<u>1,516,000</u>	<u>1,432,000</u>	<u>(84,000)</u>
Net changes in fund balance	(155,850)	(146,550)	(50,508)	96,042
Fund balance, beginning of year	<u>507,090</u>	<u>507,090</u>	<u>507,090</u>	<u>-</u>
Fund balance, end of year	<u>\$ 351,240</u>	<u>\$ 360,540</u>	<u>\$ 456,582</u>	<u>\$ 96,042</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, 2023

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,504,440	\$ 1,504,440	\$ 1,485,613	\$ (18,827)
Investment earnings	5,000	5,000	10,421	5,421
Total revenues	<u>1,509,440</u>	<u>1,509,440</u>	<u>1,496,034</u>	<u>(13,406)</u>
Expenditures				
Current				
Public works				
Street maintenance	371,000	644,300	645,440	(1,140)
Street construction	55,000	35,000	34,271	729
Total expenditures	<u>426,000</u>	<u>679,300</u>	<u>679,711</u>	<u>(411)</u>
Revenues over (under) expenditures	<u>1,083,440</u>	<u>830,140</u>	<u>816,323</u>	<u>(13,817)</u>
Other financing source (uses)				
Transfers in	515,000	515,000	521,833	6,833
Transfers out	(1,586,040)	(1,586,040)	(1,429,600)	156,440
Total other financing sources (uses)	<u>(1,071,040)</u>	<u>(1,071,040)</u>	<u>(907,767)</u>	<u>163,273</u>
Net changes in fund balance	12,400	(240,900)	(91,444)	149,456
Fund balance, beginning of year	<u>802,626</u>	<u>802,626</u>	<u>802,626</u>	<u>-</u>
Fund balance, end of year	<u>\$ 815,026</u>	<u>\$ 561,726</u>	<u>\$ 711,182</u>	<u>\$ 149,456</u>

CITY OF EAST GRAND RAPIDS

**AMERICAN RESCUE PLAN ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ 601,630	\$ 561,573	\$ (40,057)
Investment earnings	-	40,000	45,488	5,488
Total revenues	-	641,630	607,061	(34,569)
Expenditures				
Current				
General government	-	35,520	35,520	-
Revenues over (under) expenditures	-	606,110	571,541	(34,569)
Other financing source (uses)				
Transfers out	-	(566,110)	(541,927)	24,183
Net changes in fund balance	-	40,000	29,614	(10,386)
Fund balance, beginning of year	<u>1,483</u>	<u>1,483</u>	<u>1,483</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,483</u>	<u>\$ 41,483</u>	<u>\$ 31,097</u>	<u>\$ (10,386)</u>

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS**

FOR THE YEAR ENDED JUNE 30, 2023

	2014	2015	2016	2017	2018	2019	2021	2022	2023
Total pension liability									
Service cost	\$ 52,264	\$ 53,644	\$ 55,650	\$ 52,483	\$ 41,833	\$ 46,802	\$ 70,203	\$ 43,062	\$ 29,284
Interest	1,418,426	1,361,488	1,439,882	1,403,486	1,416,984	1,408,165	2,033,696	1,322,952	1,311,609
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	268,503	(284,896)	383,019	121,807	257,416	595,749	(136,720)	(169,969)
Changes in assumptions	-	921,755	-	-	-	570,530	1,552,491	(52,344)	1,129,596
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)	(1,744,837)	(1,699,417)
Other	-	42,544	-	-	1	-	-	-	24,633
Net change in total pension liability	(136,051)	963,003	(442,454)	164,089	(74,355)	551,184	1,799,210	(567,887)	625,736
Total pension liability, beginning of year	17,970,289	17,834,238	18,797,241	18,354,787	18,518,876	18,444,521	18,995,705	20,794,915	20,227,028
Total pension liability, end of year	\$ 17,834,238	\$ 18,797,241	\$ 18,354,787	\$ 18,518,876	\$ 18,444,521	\$ 18,995,705	\$ 20,794,915	\$ 20,227,028	\$ 20,852,764
Plan Fiduciary Net Position									
Contributions-employer	\$ 750,996	\$ 815,262	\$ 968,148	\$ 1,123,500	\$ 1,240,368	\$ 1,354,386	\$ 1,961,020	\$ 1,101,442	\$ 1,300,000
Contributions-employee	18,124	15,034	17,480	14,249	14,080	11,242	10,853	7,663	8,539
Net investment income	600,334	(132,612)	931,223	1,125,955	(354,678)	1,141,559	1,743,692	(1,231,438)	781,207
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)	(1,744,837)	(1,699,417)
Administrative expense	(21,858)	(19,970)	(18,426)	(17,873)	(17,783)	(19,634)	(23,467)	(24,633)	(39,135)
Other changes	-	-	-	-	-	-	-	-	24,633
Net change in plan fiduciary net position	(259,145)	(1,007,217)	245,335	570,932	(772,993)	755,824	1,239,169	(1,891,803)	375,827
Plan fiduciary net position, beginning of year	9,756,630	9,497,485	8,490,268	8,735,603	9,306,535	8,533,542	9,289,366	10,528,535	8,636,732
Plan fiduciary net position, end of year	\$ 9,497,485	\$ 8,490,268	\$ 8,735,603	\$ 9,306,535	\$ 8,533,542	\$ 9,289,366	\$ 10,528,535	\$ 8,636,732	\$ 9,012,559
Total net pension liability	\$ 8,336,753	\$ 10,306,973	\$ 9,619,184	\$ 9,212,341	\$ 9,910,979	\$ 9,706,339	\$ 10,266,380	\$ 11,590,296	\$ 11,840,205
Plan fiduciary net position as a percentage of the total pension liability	53.3%	45.2%	47.6%	50.3%	46.3%	48.9%	50.6%	42.7%	43.2%
Covered payroll	\$ 415,614	\$ 425,735	\$ 437,527	\$ 402,095	\$ 324,417	\$ 330,318	\$ 195,497	\$ 210,170	\$ 219,813
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%	5514.7%	5386.5%

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, 2023

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contributions	\$ 736,644	\$ 893,880	\$ 1,042,416	\$ 1,204,584	\$ 1,276,152	\$ 1,432,620	\$ 1,761,020	\$ 1,101,442	\$ 1,309,343
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>	<u>1,101,442</u>	<u>1,300,000</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (200,000)	\$ -	\$ 9,343
Covered payroll	\$ 415,614	\$ 425,735	\$ 437,527	\$ 402,095	\$ 324,417	\$ 330,318	\$ 195,497	\$ 210,170	\$ 219,813
Contributions as a percentage of covered employee payroll	177%	210%	238%	300%	393%	434%	1003%	524%	591%
Money weighted rate of investment return net of expenses	6.46%	-1.25%	11.03%	12.68%	-3.78%	13.03%	17.83%	-12.59%	9.30%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 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	6.75% (7.0% for 2021; 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-2021 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, 2023

	2017	2018	2019	2020	2021	2022	2023
Total OPEB liability							
Service cost	\$ 140,181	\$ 148,494	\$ 151,489	\$ 165,617	\$ 179,047	\$ 149,711	\$ 104,016
Interest	179,527	114,168	117,156	123,553	113,377	92,604	139,591
Changes in benefit terms	(126,139)	-	-	-	-	-	-
Difference between expected and actual experience	(767,215)	137,121	90,081	74,393	(436,636)	(89,455)	637,085
Changes in assumptions	425,060	53,689	46,177	138,896	88,761	(484,970)	61,476
Benefit payments including employee refunds	(75,031)	(226,255)	(98,437)	(253,065)	(116,285)	(117,470)	(267,339)
Net change in total OPEB liability	(223,617)	227,217	306,466	249,394	(171,736)	(449,580)	674,829
Total OPEB liability, beginning of year	3,487,884	3,264,267	3,491,484	3,797,950	4,047,344	3,875,608	3,426,028
Total OPEB liability, end of year	\$ 3,264,267	\$ 3,491,484	\$ 3,797,950	\$ 4,047,344	\$ 3,875,608	\$ 3,426,028	\$ 4,100,857
Plan Fiduciary Net Position							
Contributions-employer	\$ 75,031	\$ 226,255	\$ 112,437	\$ 253,065	\$ 244,388	\$ 100,000	\$ 100,000
Net investment income	79,601	48,773	68,663	59,639	240,533	(178,154)	101,743
Benefit payments including employee refunds	(75,031)	(226,255)	(98,437)	(253,065)	(116,285)	(117,470)	(267,339)
Administrative expense	-	-	-	-	(1,500)	(93,849)	(1,587)
Other	-	-	-	-	-	20,920	-
Net change in plan fiduciary net position	79,601	48,773	82,663	59,639	367,136	(268,553)	(67,183)
Plan fiduciary net position, beginning of year	1,215,967	1,295,568	1,344,341	1,427,004	1,486,643	1,853,779	1,585,226
Plan fiduciary net position, end of year	\$ 1,295,568	\$ 1,344,341	\$ 1,427,004	\$ 1,486,643	\$ 1,853,779	\$ 1,585,226	\$ 1,518,043
Employer net OPEB liability	\$ 1,968,699	\$ 2,147,143	\$ 2,370,946	\$ 2,560,701	\$ 2,021,829	\$ 1,840,802	\$ 2,582,814
Plan fiduciary net position as a percentage of the total OPEB liability	40%	39%	38%	37%	48%	46%	37%
Covered payroll	\$ 5,022,780	\$ 5,086,305	\$ 5,236,223	\$ 4,091,493	\$ 3,787,778	\$ 3,625,985	\$ 3,688,642
Employer's net OPEB liability as a percentage of covered employee payroll	39%	42%	45%	63%	53%	51%	70%

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, 2023

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contributions	\$ -	\$ 300,886	\$ 325,111	\$ 334,974	\$ 361,946	\$ 301,486	\$ 283,826
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>	<u>100,000</u>	<u>100,000</u>
Contribution deficiency (excess)	<u>\$ (99,352)</u>	<u>\$ 74,631</u>	<u>\$ 212,674</u>	<u>\$ 81,909</u>	<u>\$ 117,558</u>	<u>\$ 201,486</u>	<u>\$ 183,826</u>
Covered payroll	\$ 5,022,780	\$ 5,086,305	\$ 5,236,223	\$ 4,091,493	\$ 3,787,778	\$ 3,625,985	\$ 3,688,642
Contributions as a percentage of covered employee payroll	2%	4%	2%	6%	6%	3%	3%
Money weighted rate of investment return net of expenses	6.34%	3.70%	4.96%	4.09%	14.40%	-10.36%	6.56%

Notes to schedule

Actuarial cost method	Entry Age Normal (level percent)
Amortization method	Level percent, closed
Remaining amortization period	14 years (average future service)
Asset valuation method	Market value
Discount rate	4.47% (2.1% for 2022, 3.26% for 2018, 3.46% for 2017)
Salary increases	3.0% (2.25% through 2022)
Investment rate of return	6.83% (4.28% for 2022, 3.85% for 2021, 4.36% for 2019, 6.44% for 2018, 7.31% for 2017)
20-year Aa Municipal bond yield	4.11% (4.09% for 2022, 2.18% for 2021, 2.66% for 2020, 3.15% for 2019, 3.1% for 2018)
Retirement age	Varies depending on plan adoption
Mortality	Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted, MP-2021 improvement

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with PA 202	\$ 373,639
Minimum required contribution under PA 202	23,545
Actual contribution	100,000
Contribution for employees hired after June 30, 2018 (included above)	23,545

State of Michigan PA 202 assumptions, if different from GASB

Discount rate - 3.91%
Salary scale - 3.25%

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).

(This page left intentionally blank)

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF EAST GRAND RAPIDS

GENERAL FUND

The *General Fund* accounts for revenues and expenditures that are not required to be accounted for in another fund. In the City of East Grand Rapids, the functions of the General Fund include general government, public safety, public works, culture & recreation, and debt service not recorded in Special Revenue or Enterprise Funds. The General Fund is the designated repository per Michigan law for ad valorem property taxes. Other revenue sources for the General Fund are state shared revenues, charges for services, transfers from other funds, fees and interest.

(This page left intentionally blank)

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 9,731,960	\$ 9,731,960	\$ 9,736,267	\$ 4,307
Interest and penalties on property taxes	20,000	20,000	9,865	(10,135)
Total taxes	9,751,960	9,751,960	9,746,132	(5,828)
Intergovernmental revenue				
State shared revenue	1,193,810	1,350,880	1,333,484	(17,396)
Community stabilization	21,400	21,150	21,153	3
State grants	5,500	13,850	13,077	(773)
Total intergovernmental revenue	1,220,710	1,385,880	1,367,714	(18,166)
Licenses and permits				
Business licenses	15,000	15,000	16,900	1,900
Building permits	45,000	65,000	70,273	5,273
Other	15,000	15,000	17,090	2,090
Total licenses and permits	75,000	95,000	104,263	9,263
Charges for services				
Administrative charges	280,000	280,000	280,000	-
Cable television franchise fees	175,000	175,000	171,762	(3,238)
Cable tower rental	70,000	81,000	81,009	9
Cable television capital fees	35,000	35,000	36,852	1,852
Clerk's services	-	17,000	10,081	(6,919)
Right-of-way fees	40,000	40,000	53,796	13,796
Total charges for services	600,000	628,000	633,500	5,500
Recreation fees	1,189,430	1,069,500	1,097,869	28,369
Fines and penalties	23,000	28,000	19,361	(8,639)
Rentals				
Library rental fee	40,400	47,100	50,531	3,431
Investment earnings	30,000	390,000	413,044	23,044
Other revenue				
Other	25,000	39,000	34,977	(4,023)
Miscellaneous revenue	-	12,900	13,763	863
Total other revenue	25,000	51,900	48,740	(3,160)
Total revenues	\$ 12,955,500	\$ 13,447,340	\$ 13,481,154	\$ 33,814

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2023

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
City Commission	\$ 29,100	\$ 28,000	\$ 27,647	\$ 353
General government				
City manager	453,970	451,080	454,496	(3,416)
City attorney	300,000	265,000	239,060	25,940
Elections	35,400	47,400	38,881	8,519
City assessor	146,400	145,900	145,235	665
Finance	793,110	717,210	665,393	51,817
Other	1,276,700	1,465,900	1,465,018	882
Total general government	3,005,580	3,092,490	3,008,083	84,407
Public safety				
General activity	4,547,020	4,455,920	4,338,097	117,823
State programs	5,500	7,000	6,874	126
Total public safety	4,552,520	4,462,920	4,344,971	117,949
Public works				
City buildings	1,554,570	1,653,900	1,279,300	374,600
Zoning administration	127,400	125,900	118,646	7,254
Street lighting	110,100	106,000	85,635	20,365
Wealthy streetscape maintenance	194,500	183,200	161,832	21,368
Waste collection	518,700	477,700	438,374	39,326
Lake restoration	60,650	60,000	34,486	25,514
Tree maintenance and removal	186,000	180,600	151,747	28,853
Total public works	2,751,920	2,787,300	2,270,020	517,280
Parks and recreation				
Parks	802,450	817,300	793,726	23,574
Pool	226,090	267,390	272,582	(5,192)
Special events	150,900	143,500	115,668	27,832
Recreation programing	80,800	107,300	115,184	(7,884)
Grounds maintenance	475,800	385,800	325,254	60,546
Recreation sports	180,780	193,270	213,386	(20,116)
Middle school sports	69,440	69,340	63,142	6,198
Acquatic club	125,160	127,800	119,630	8,170
Total culture and recreation	2,111,420	2,111,700	2,018,572	93,128
Debt service	35,170	35,200	35,171	29
Total expenditures	\$ 12,485,710	\$ 12,517,610	\$ 11,704,464	\$ 813,146

CITY OF EAST GRAND RAPIDS

FIDUCIARY FUNDS

Special Revenue Fund:

The Drug Law Enforcement Fund (265) was created in FY 2016-17 and is utilized to purchase various capital items as revenues are received related to drug seizures on the State and Federal level.

Debt Service Funds:

The Municipal Complex fund (372) was established to account for the bond payments on the Municipal Complex bond issue. Each year the tax levy will be placed in this fund as revenues and the debt service payment will be paid out of this fund as expenditures.

The Parks Millage fund (308) was established to account for the bond payments on the 2022 general obligation bonds. The final payment is due in fiscal year 2042.

Capital Projects Fund:

The Special Assessments fund (810) was established to account for any assessments levied specifically for various capital projects.

Internal Service Funds:

The Motor Pool fund (695) accounts for the costs of purchasing, maintaining and operating vehicles and other equipment used by various City departments. Costs are billed to the user departments based on rental rates adjusted annually.

The Health Insurance fund (677) accounts for the costs of purchasing health insurance for City employees. Costs are billed to the user departments based on insurance rates for the personnel within the department and are adjusted annually.

(This page left intentionally blank)

CITY OF EAST GRAND RAPIDS

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2023

	<u>Special Revenue</u>	<u>Debt Service</u>		<u>Capital Projects</u>	
	<u>Drug Law Enforcement</u>	<u>Municipal Complex</u>	<u>Parks Millage</u>	<u>Special Assessments</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 29,058	\$ 19,825	\$ 4,590	\$ -	\$ 53,473
Accounts receivable	325	-	-	50,170	50,495
Total assets	<u>\$ 29,383</u>	<u>\$ 19,825</u>	<u>\$ 4,590</u>	<u>\$ 50,170</u>	<u>\$ 103,968</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources					
Unavailable receivable	-	-	-	41,808	41,808
Fund balances					
Restricted					
Streets	-	-	-	8,362	8,362
Drug seizure					
Federal portion	11,892	-	-	-	11,892
State portion	16,604	-	-	-	16,604
Debt service	-	19,825	4,590	-	24,415
Assigned	887	-	-	-	887
Total fund balances	<u>29,383</u>	<u>19,825</u>	<u>4,590</u>	<u>8,362</u>	<u>62,160</u>
Total liabilities and fund balances	<u>\$ 29,383</u>	<u>\$ 19,825</u>	<u>\$ 4,590</u>	<u>\$ 50,170</u>	<u>\$ 103,968</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, 2023

	Special Revenue	Debt Service		Capital Projects	Total
	Drug Law Enforcement	Municipal Complex	Parks Millage	Special Assessments	
Revenues					
Taxes	\$ -	\$ 564,656	\$ 366,835	\$ -	\$ 931,491
Intergovernmental revenues					
Local	585	-	-	-	585
Special assessments	-	-	-	20,422	20,422
Total revenues	<u>585</u>	<u>564,656</u>	<u>366,835</u>	<u>20,422</u>	<u>952,498</u>
Expenditures					
Debt service					
Principal	-	390,000	215,000	-	605,000
Interest	-	175,450	152,245	-	327,695
Total expenditures	<u>-</u>	<u>565,450</u>	<u>367,245</u>	<u>-</u>	<u>932,695</u>
Revenues over (under) expenditures	<u>585</u>	<u>(794)</u>	<u>(410)</u>	<u>20,422</u>	<u>19,803</u>
Other financing sources (uses)					
Transfers in	-	-	5,000	-	5,000
Transfers out	-	(5,000)	-	(21,833)	(26,833)
Total other financing sources (uses)	<u>-</u>	<u>(5,000)</u>	<u>5,000</u>	<u>(21,833)</u>	<u>(21,833)</u>
Net changes in fund balances	585	(5,794)	4,590	(1,411)	(2,030)
Fund balances, beginning of year	<u>28,798</u>	<u>25,619</u>	<u>-</u>	<u>9,773</u>	<u>64,190</u>
Fund balances, end of year	<u>\$ 29,383</u>	<u>\$ 19,825</u>	<u>\$ 4,590</u>	<u>\$ 8,362</u>	<u>\$ 62,160</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, 2023

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ -	\$ -	\$ 585	\$ 585
Expenditures				
Current				
Public safety				
Drug law enforcement	-	-	-	-
Net changes in fund balance	-	-	585	585
Fund balance, beginning of year	<u>28,798</u>	<u>28,798</u>	<u>28,798</u>	<u>-</u>
Fund balance, end of year	<u>\$ 28,798</u>	<u>\$ 28,798</u>	<u>\$ 29,383</u>	<u>\$ 585</u>

CITY OF EAST GRAND RAPIDS

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION**

JUNE 30, 2023

Assets	Motor Pool	Health Insurance	Total
Current assets			
Cash and pooled investments	\$ 654,647	\$ 889,475	\$ 1,544,122
Accounts receivable	916	1,576	2,492
Prepaid and other assets	32,716	47,768	80,484
Inventory	70,114	-	70,114
	<u>758,393</u>	<u>938,819</u>	<u>1,697,212</u>
Total current assets			
Capital assets			
Capital assets being depreciated	5,546,082	-	5,546,082
Less accumulated depreciation	<u>(3,645,697)</u>	<u>-</u>	<u>(3,645,697)</u>
Net capital assets	<u>1,900,385</u>	<u>-</u>	<u>1,900,385</u>
Total assets	<u>2,658,778</u>	<u>938,819</u>	<u>3,597,597</u>
Liabilities			
Current liabilities			
Accounts payable	8,281	-	8,281
Accrued liabilities	2,213	146,828	149,041
Compensated absences	4,197	-	4,197
	<u>14,691</u>	<u>146,828</u>	<u>161,519</u>
Total liabilities	<u>14,691</u>	<u>146,828</u>	<u>161,519</u>
Net position			
Net investment in capital assets	1,900,385	-	1,900,385
Unrestricted	<u>743,702</u>	<u>791,991</u>	<u>1,535,693</u>
Total net position	<u>\$ 2,644,087</u>	<u>\$ 791,991</u>	<u>\$ 3,436,078</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, 2023

	Motor Pool	Health Insurance	Total
Operating revenue			
Charges for services	\$ 743,499	\$ 1,315,523	\$ 2,059,022
Other	<u>31,618</u>	<u>118,478</u>	<u>150,096</u>
Total operating revenue	<u>775,117</u>	<u>1,434,001</u>	<u>2,209,118</u>
Operating expense			
Salaries and wages	198,298	-	198,298
Contracted services	15,698	455,122	470,820
Materials and supplies	254,826	-	254,826
Equipment	11,178	-	11,178
Claims	-	786,329	786,329
Administration	-	169,926	169,926
Depreciation	<u>326,706</u>	<u>-</u>	<u>326,706</u>
Total operating expense	<u>806,706</u>	<u>1,411,377</u>	<u>2,218,083</u>
Operating income (loss)	<u>(31,589)</u>	<u>22,624</u>	<u>(8,965)</u>
Non-operating revenue (expense)			
Gain on sale of capital assets	124,967	-	124,967
Investment earnings	<u>1,580</u>	<u>9,178</u>	<u>10,758</u>
Total non-operating revenue (expense)	<u>126,547</u>	<u>9,178</u>	<u>135,725</u>
Changes in net position	94,958	31,802	126,760
Net position, beginning of year	<u>2,549,129</u>	<u>760,189</u>	<u>3,309,318</u>
Net position, end of year	<u>\$ 2,644,087</u>	<u>\$ 791,991</u>	<u>\$ 3,436,078</u>

CITY OF EAST GRAND RAPIDS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Motor Pool	Health Insurance	Total
Cash flows from operating activities			
Receipts from internal services provided	\$ 774,201	\$ 1,461,551	\$ 2,235,752
Payments to employees	(197,376)	-	(197,376)
Payments to suppliers	(296,075)	(1,469,709)	(1,765,784)
Net cash provided by (used in) operating activities	<u>280,750</u>	<u>(8,158)</u>	<u>272,592</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	134,664	-	134,664
Acquisitions of capital assets	(386,111)	-	(386,111)
Net cash provided by (used in) capital and related financing activities	<u>(251,447)</u>	<u>-</u>	<u>(251,447)</u>
Cash flows from investing activities			
Interest income	1,580	9,178	10,758
Net increase (decrease) in cash and pooled investments	30,883	1,020	31,903
Cash and pooled investments, beginning of year	<u>623,764</u>	<u>888,455</u>	<u>1,512,219</u>
Cash and pooled investments, end of year	<u>\$ 654,647</u>	<u>\$ 889,475</u>	<u>\$ 1,544,122</u>
Cash flows from operating activities			
Operating income (loss)	\$ (31,589)	\$ 22,624	\$ (8,965)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	326,706	-	326,706
Change in operating assets and liabilities which provided (used) cash			
Accounts receivable	(916)	27,550	26,634
Prepaid and other assets	1,259	(719)	540
Inventory	(13,960)	-	(13,960)
Accounts payable	(1,672)	-	(1,672)
Accrued liabilities	302	(57,613)	(57,311)
Compensated absences	620	-	620
Net cash provided by (used in) operating activities	<u>\$ 280,750</u>	<u>\$ (8,158)</u>	<u>\$ 272,592</u>

STATISTICAL SECTION

CITY OF EAST GRAND RAPIDS

STATISTICAL SECTION

This part of City of East Grand Rapids' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures reveal about the City's overall financial health.

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

69-73

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source; which is property taxes.

74-78

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

79-82

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place.

83

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

84

Sources: *Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.*

CITY OF EAST GRAND RAPIDS
Net Position By Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Investment in capital assets, net of related debt	\$ 12,765,265	\$ 13,060,627	\$ 15,064,727	\$ 16,876,604	\$ 17,956,801	\$ 19,534,630	\$ 19,852,141	\$ 21,147,644	\$ 20,910,882	\$ 21,720,432
Restricted	1,450,799	1,621,753	1,240,479	1,035,308	1,299,459	1,003,730	1,524,609	1,651,644	2,264,399	2,266,125
Unrestricted	<u>3,882,225</u>	<u>(4,035,439)</u>	<u>(5,219,839)</u>	<u>(6,326,401)</u>	<u>(6,432,121)</u>	<u>(5,822,334)</u>	<u>(6,110,404)</u>	<u>(7,555,708)</u>	<u>(5,742,120)</u>	<u>(5,451,689)</u>
Total governmental activities net assets	<u>\$ 18,098,289</u>	<u>\$ 10,646,941</u>	<u>\$ 11,085,367</u>	<u>\$ 11,585,511</u>	<u>\$ 12,824,139</u>	<u>\$ 14,716,026</u>	<u>\$ 15,266,346</u>	<u>\$ 15,243,580</u>	<u>\$ 17,433,161</u>	<u>\$ 18,534,868</u>
Business-type activities:										
Investment in capital assets, net of related debt	\$ 8,993,735	\$ 8,886,720	\$ 9,680,505	\$ 10,491,597	\$ 10,897,151	\$ 11,741,121	\$ 12,426,545	\$ 12,825,555	\$ 12,990,112	\$ 13,281,483
Restricted										
Unrestricted	<u>734,060</u>	<u>1,022,589</u>	<u>313,486</u>	<u>455,105</u>	<u>719,491</u>	<u>544,930</u>	<u>509,716</u>	<u>1,059,979</u>	<u>1,410,857</u>	<u>1,421,041</u>
Total business-type activities net assets	<u>\$ 9,727,795</u>	<u>\$ 9,909,309</u>	<u>\$ 9,993,991</u>	<u>\$ 10,946,702</u>	<u>\$ 11,616,642</u>	<u>\$ 12,286,051</u>	<u>\$ 12,936,261</u>	<u>\$ 13,885,534</u>	<u>\$ 14,400,969</u>	<u>\$ 14,702,524</u>
Primary government:										
Investment in capital assets, net of related debt	\$ 21,759,000	\$ 21,947,347	\$ 24,745,232	\$ 27,368,201	\$ 28,853,952	\$ 31,275,751	\$ 32,278,686	\$ 33,973,199	\$ 33,900,994	\$ 35,001,915
Restricted	1,450,799	1,621,753	1,240,479	1,035,308	1,299,459	1,003,730	1,524,609	1,651,644	2,264,399	2,266,125
Unrestricted	<u>4,616,285</u>	<u>(3,012,850)</u>	<u>(4,906,353)</u>	<u>(5,871,296)</u>	<u>(5,712,630)</u>	<u>(5,277,404)</u>	<u>(5,600,688)</u>	<u>(6,495,729)</u>	<u>(4,331,263)</u>	<u>(4,030,648)</u>
Total primary government net assets	<u>\$ 27,826,084</u>	<u>\$ 20,556,250</u>	<u>\$ 21,079,358</u>	<u>\$ 22,532,213</u>	<u>\$ 24,440,781</u>	<u>\$ 27,002,077</u>	<u>\$ 28,202,607</u>	<u>\$ 29,129,114</u>	<u>\$ 31,834,130</u>	<u>\$ 33,237,392</u>

CITY OF EAST GRAND RAPIDS
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
Legislative	\$ 27,306	\$ 26,252	\$ 27,081	\$ 26,990	\$ 25,224	\$ 50,146	\$ 22,157	\$ 31,136	\$ 28,188	\$ 27,647
General government	1,725,598	1,823,961	1,889,258	1,913,394	1,944,106	1,992,333	1,900,352	2,195,308	2,916,373	4,074,915
Public safety	4,613,269	4,795,196	6,182,797	4,822,975	5,161,324	5,192,160	5,879,970	7,162,737	4,172,367	4,344,864
Public works	3,296,999	2,967,552	3,495,242	3,694,555	4,148,220	4,510,478	4,490,671	4,553,985	4,742,874	5,410,618
Recreation and cultural	1,950,505	2,010,266	2,135,948	2,134,153	1,982,066	2,058,942	1,905,221	1,797,671	1,947,121	3,058,753
Interest on debt	322,593	304,525	259,803	250,816	239,861	230,938	211,269	189,504	210,346	328,195
Total governmental activities	11,936,270	11,927,752	13,990,129	12,842,883	13,500,801	14,034,997	14,409,640	15,930,341	14,017,269	17,244,992
Business-type activities:										
Water & Sewer utility	3,116,566	3,100,043	3,408,556	3,205,608	3,696,095	3,581,562	3,838,956	3,774,137	4,099,174	4,482,544
Total business-type activities	3,116,566	3,100,043	3,408,556	3,205,608	3,696,095	3,581,562	3,838,956	3,774,137	4,099,174	4,482,544
Total primary government expenses	\$ 15,052,836	\$ 15,027,795	\$ 17,398,685	\$ 16,048,491	\$ 17,196,896	\$ 17,616,559	\$ 18,248,596	\$ 19,704,478	\$ 18,116,443	\$ 21,727,536
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 255,234	\$ 270,349	\$ 260,766	\$ 292,349	\$ 501,820	\$ 531,303	\$ 469,764	\$ 457,084	\$ 484,407	\$ 498,395
Public safety	94,500	95,372	110,164	40,578	44,955	50,165	31,182	20,449	38,368	24,440
Public works	313,459	349,392	394,781	427,568	171,469	132,333	107,253	126,078	145,110	154,794
Recreation and cultural	969,179	945,404	1,005,241	981,742	1,142,350	1,144,118	802,002	817,701	1,063,627	1,097,869
Operating grants and contributions	811,262	858,885	933,374	965,237	1,151,240	1,323,884	1,244,771	1,780,334	1,462,150	2,335,891
Capital grants and contributions	20,933	100,000	675,542	681,492	165,641	806,463	40,378	70,477	6,847	8,177
Total governmental activities	2,464,567	2,619,402	3,379,868	3,388,966	3,177,475	3,988,266	2,695,350	3,272,123	3,200,509	4,119,566
Business-type activities:										
Charges for services:										
Water & Sewer utility	3,497,027	3,279,925	3,490,916	4,211,294	4,364,698	4,247,408	4,485,862	4,723,144	4,614,600	4,784,063
Total business-type activities	3,497,027	3,279,925	3,490,916	4,211,294	4,364,698	4,247,408	4,485,862	4,723,144	4,614,600	4,784,063
Total primary government program revenues	\$ 5,961,594	\$ 5,899,327	\$ 6,870,784	\$ 7,600,260	\$ 7,542,173	\$ 8,235,674	\$ 7,181,212	\$ 7,995,267	\$ 7,815,109	\$ 8,903,629
Net (Expense) Revenue										
Governmental activities	\$ (9,471,703)	\$ (9,308,350)	\$ (10,610,261)	\$ (9,453,917)	\$ (10,323,326)	\$ (10,046,731)	\$ (11,714,290)	\$ (12,658,218)	\$ (10,816,760)	\$ (13,125,426)
Business-type activities	380,461	179,882	82,360	1,005,686	668,603	665,846	646,906	949,007	515,426	301,519
Total primary government net (expense) revenue	\$ (9,091,242)	\$ (9,128,468)	\$ (10,527,901)	\$ (8,448,231)	\$ (9,654,723)	\$ (9,380,885)	\$ (11,067,384)	\$ (11,709,211)	\$ (10,301,334)	\$ (12,823,907)

(Continued)

CITY OF EAST GRAND RAPIDS
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 8,063,907	\$ 8,379,859	\$ 9,897,660	\$ 10,065,669	\$ 10,262,194	\$ 10,511,813	\$ 10,850,585	\$ 11,234,211	\$ 11,418,930	\$ 12,163,236
State shared revenue	897,733	914,560	889,995	951,038	1,004,375	1,042,271	1,026,752	1,166,801	1,371,659	1,352,273
Cable Franchise Fees	204,434	221,047	226,001	224,575	217,300	206,652	191,996	184,172	178,947	171,762
Gain (loss) on sale of capital assets	23,377	19,823	-	-	-	-	-	-	-	116,060
Unrestricted investment earnings	24,221	32,002	35,031	45,918	78,085	177,882	195,277	50,268	36,805	423,802
Total governmental activities	<u>9,213,672</u>	<u>9,567,291</u>	<u>11,048,687</u>	<u>11,287,200</u>	<u>11,561,954</u>	<u>11,938,618</u>	<u>12,264,610</u>	<u>12,635,452</u>	<u>13,006,341</u>	<u>14,227,133</u>
Business-type activities:										
Unrestricted investment earnings	416	1,632	2,322	28	1,337	3,563	3,304	266	9	36
Total business-type activities	<u>416</u>	<u>1,632</u>	<u>2,322</u>	<u>28</u>	<u>1,337</u>	<u>3,563</u>	<u>3,304</u>	<u>266</u>	<u>9</u>	<u>36</u>
Total primary government	<u>\$ 9,214,088</u>	<u>\$ 9,568,923</u>	<u>\$ 11,051,009</u>	<u>\$ 11,287,228</u>	<u>\$ 11,563,291</u>	<u>\$ 11,942,181</u>	<u>\$ 12,267,914</u>	<u>\$ 12,635,718</u>	<u>\$ 13,006,350</u>	<u>\$ 14,227,169</u>
Changes in Net Assets										
Governmental activities	\$ (258,031)	\$ 258,941	\$ 438,426	\$ 1,833,283	\$ 1,238,628	\$ 1,891,887	\$ 550,320	\$ 22,766	\$ 2,189,581	\$ 1,101,707
Business-type activities	380,877	181,514	84,682	1,005,714	669,940	669,409	650,210	949,273	515,435	301,555
Total primary government	<u>\$ 122,846</u>	<u>\$ 440,455</u>	<u>\$ 523,108</u>	<u>\$ 2,838,997</u>	<u>\$ 1,908,568</u>	<u>\$ 2,561,296</u>	<u>\$ 1,200,530</u>	<u>\$ 926,507</u>	<u>\$ 2,705,016</u>	<u>\$ 1,403,262</u>

(Concluded)

CITY OF EAST GRAND RAPIDS
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund:										
Non-spendable										
Prepaid items	\$ 32,651	\$ 155,625	\$ 45,571	\$ 70,352	\$ 53,661	\$ 195,679	\$ 172,350	\$ 35,874	\$ 165,580	\$ 186,135
Restricted										
Public Safety	26,744	42,409	77,923	10,000	-	-	-	-	-	-
Debt Service	-	-	-	-	27,500	-	-	-	-	-
Committed										
Turf Replacement	255,000	295,000	335,000	375,000	415,000	455,000	488,950	528,950	-	-
Playground	-	-	-	-	-	-	-	30,000	-	-
Assigned										
Stabilization	-	-	-	-	-	-	-	-	-	-
Future Retirement paymnets	-	111,548	111,648	61,648	-	-	-	-	-	-
Future years expenditures	-	80,000	160,000	310,000	330,000	310,000	460,000	264,700	600,210	180,610
Unassigned	<u>2,671,837</u>	<u>2,688,359</u>	<u>2,927,029</u>	<u>2,924,531</u>	<u>2,979,241</u>	<u>2,950,962</u>	<u>2,910,686</u>	<u>3,988,350</u>	<u>4,506,654</u>	<u>5,854,316</u>
Total general fund	<u>\$ 2,986,232</u>	<u>\$ 3,372,941</u>	<u>\$ 3,657,171</u>	<u>\$ 3,751,531</u>	<u>\$ 3,805,402</u>	<u>\$ 3,911,641</u>	<u>\$ 4,031,986</u>	<u>\$ 4,847,874</u>	<u>\$ 5,272,444</u>	<u>\$ 6,221,061</u>
All Other Governmental Funds:										
Non-spendable										
Inventory	\$ 19,432	\$ 19,990	\$ 33,316	\$ 20,160	\$ 31,802	\$ 48,342	\$ 56,836	\$ 65,260	\$ 28,556	\$ 41,520
Prepaid items	-	2,406	3,366	11,871	4,246	4,716	2,732	-	-	-
Restricted										
Streets	1,398,101	1,168,400	1,153,115	974,864	1,180,004	943,478	1,484,024	1,606,176	2,209,386	2,148,959
Public Safety	-	-	-	43,991	82,502	46,244	21,116	26,663	27,911	28,496
Debt Service	22,285	21,749	4,359	6,453	9,453	14,008	20,343	19,692	25,619	24,415
Committed										
Turf Replacement	-	-	-	-	-	-	-	-	538,900	537,200
Playground	-	-	-	-	-	-	-	-	90,000	150,000
Park Improvements	-	-	-	-	-	-	-	-	5,169,375	4,330,414
Assigned										
Public Safety	-	-	-	-	-	-	-	-	887	887
Capital projects	25,954	389,195	5,082	-	-	-	-	-	1,483	31,097
Total all other governmental funds	<u>\$ 1,465,772</u>	<u>\$ 1,601,740</u>	<u>\$ 1,199,238</u>	<u>\$ 1,057,339</u>	<u>\$ 1,308,007</u>	<u>\$ 1,056,788</u>	<u>\$ 1,585,051</u>	<u>\$ 1,717,791</u>	<u>\$ 8,092,117</u>	<u>\$ 7,292,988</u>
Total Fund Balances:	<u>\$ 4,452,004</u>	<u>\$ 4,974,681</u>	<u>\$ 4,856,409</u>	<u>\$ 4,808,870</u>	<u>\$ 5,113,409</u>	<u>\$ 4,968,429</u>	<u>\$ 5,617,037</u>	<u>\$ 6,565,665</u>	<u>\$ 13,364,561</u>	<u>\$ 13,514,049</u>

CITY OF EAST GRAND RAPIDS
Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues										
Taxes	\$ 8,063,907	\$ 8,379,859	\$ 9,865,392	\$ 10,045,384	\$ 10,262,194	\$ 10,511,813	\$ 10,850,585	\$ 11,234,211	\$ 11,418,930	\$ 12,163,236
Intergovernmental:										
Federal	-	2,727	-	-	-	-	-	480,472	-	561,573
State	1,709,426	1,771,291	1,851,631	1,857,886	2,171,613	2,381,895	2,275,437	2,449,397	2,791,052	2,845,076
Local	-	-	-	69,645	69,677	36,423	16,945	41,833	18,897	585
Licenses and permits	274,437	277,229	58,838	62,298	65,312	91,397	66,828	85,419	85,416	104,263
Charges for services	1,350,190	1,372,801	476,181	509,268	611,503	622,967	549,083	529,165	629,464	633,500
Recreation	-	-	1,192,142	1,192,418	1,142,350	1,144,118	802,002	817,701	1,063,627	1,097,869
Fines and forfeitures	94,069	94,799	43,589	36,181	28,957	34,425	27,268	15,668	29,678	19,361
Special Assessments	10,294	7,511	15,022	-	-	33,728	18,364	28,795	24,618	20,422
Interest and rentals	138,281	163,321	74,619	84,557	111,036	199,900	217,560	86,917	79,885	742,086
Other	20,933	100,000	362,445	140,836	196,558	132,979	129,459	146,190	82,992	48,740
Total revenues	11,661,537	12,169,538	13,939,859	13,998,473	14,659,200	15,189,645	14,953,531	15,915,768	16,224,559	18,236,711
Expenditures										
Legislative	26,871	26,534	26,992	27,029	25,224	50,146	22,157	31,136	28,188	27,647
General government	1,387,485	1,466,254	1,550,667	1,584,615	1,600,759	1,635,884	1,474,794	1,670,838	2,858,699	3,043,603
Public safety	4,294,479	4,377,894	4,682,848	4,928,386	5,104,823	5,251,404	5,418,315	5,523,404	4,123,394	4,344,971
Public works	2,834,035	2,948,292	4,171,004	4,748,371	5,065,852	5,455,259	4,644,604	5,380,839	5,159,487	6,314,342
Recreation and culture	1,650,626	1,682,854	1,849,269	1,873,225	1,852,485	1,954,615	1,741,150	1,718,785	1,782,263	3,388,794
Debt service										
Principal	503,000	541,000	608,000	631,000	672,000	753,600	786,900	572,900	562,900	639,200
Interest	326,564	316,781	261,740	253,386	243,018	233,717	217,003	197,947	171,288	328,666
Bond Issuance costs	-	19,010	-	-	-	-	-	-	-	-
Capital Outlay	265,274	459,490	907,611	-	-	-	-	-	-	-
Total expenditures	11,288,334	11,838,109	14,058,131	14,046,012	14,564,161	15,334,625	14,304,923	15,095,849	14,686,219	18,087,223
Excess (deficiency) of revenues over (under) expenditures	373,203	331,429	(118,272)	(47,539)	95,039	(144,980)	648,608	819,919	1,538,340	149,488
Other Financing Sources (Uses)										
Payment of refunded bond escrow	-	(1,225,000)	-	-	-	-	-	(6,287,368)	-	-
Transfers in	1,314,252	1,295,172	2,285,506	2,869,134	2,308,741	2,348,671	2,744,118	2,748,652	2,774,139	3,068,360
Transfers out	(1,341,760)	(1,295,172)	(2,285,506)	(2,869,134)	(2,308,741)	(2,348,671)	(2,744,118)	(2,748,652)	(2,774,139)	(3,068,360)
Bond Premium	-	-	-	-	-	-	-	80,556	-	-
Bonds issued	-	1,304,600	-	-	209,500	-	-	6,416,077	5,180,000	-
Total other financing sources (uses)	(27,508)	79,600	-	-	209,500	-	-	128,709	5,260,556	-
Net changes in fund balances	\$ 345,695	\$ 411,029	\$ (118,272)	\$ (47,539)	\$ 304,539	\$ (144,980)	\$ 648,608	\$ 948,628	\$ 6,798,896	\$ 149,488
Debt Service as a percentage of non capital expenditures	7.5%	7.7%	6.6%	6.3%	6.3%	6.4%	7.0%	5.1%	5.0%	5.4%

CITY OF EAST GRAND RAPIDS
Tax Revenues By Source, Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Year Ended June 30	General Property Taxes
2014	\$ 8,063,907
2015	8,379,859
2016	9,865,392
2017	10,045,384
2018	10,262,194
2019	10,511,813
2020	10,850,585
2021	11,234,211
2022	11,418,930
2023	12,163,236

CITY OF EAST GRAND RAPIDS
State Equalized Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ending	Real Property		Personal Property		Total	
	*State Equalized Value	Taxable Value	*State Equalized Value	Taxable Value	*State Equalized Value	Taxable Value
2014	\$ 638,151,300	\$ 558,142,573	\$ 7,236,300	\$ 7,236,300	\$ 645,387,600	\$ 565,378,873
2015	671,566,200	578,871,520	6,977,600	6,847,188	678,543,800	585,718,708
2016	740,518,800	606,339,273	6,589,000	6,103,781	747,107,800	612,443,054
2017	802,859,200	626,672,314	6,784,700	6,448,776	809,643,900	633,121,090
2018	845,258,700	648,572,129	7,969,300	7,614,892	853,228,000	656,187,021
2019	871,067,400	680,104,942	9,760,600	9,514,808	880,828,000	689,619,750
2020	915,273,600	714,914,588	9,723,400	9,654,821	924,997,000	724,569,409
2021	978,923,100	747,032,646	9,747,900	9,747,900	988,671,000	756,780,546
2022	1,045,783,700	779,046,664	8,981,400	8,981,400	1,054,765,100	788,028,064
2023	1,097,124,200	835,226,389	10,335,300	10,335,300	1,107,459,500	845,561,689

Source: East Grand Rapids Assessor

The City's millage rate is currently limited to 15 mills for operations.

The maximum allowable millage rate after Headlee Rollback Reduction is 11.5214 mills for 2022.

CITY OF EAST GRAND RAPIDS
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Taxable Value)
Last Ten Fiscal Years

Year of Levy	City Direct Rate	City Road Rate	City Debt Rate	Kent County	Kent District Library	State Education Tax	Kent Intermediate School District	Grand Rapids Community College	Rapid Transit	East GR School District	Resident Total
2014 Homestead	13.4586	-	0.7701	5.3940	0.8800	6.0000	4.6903	1.7865	1.4700	9.7798	44.2293
Non Homestead	13.4586	-	0.7701	5.3940	0.8800	6.0000	4.6903	1.7865	1.4700	27.6878	62.1373
2015 Homestead	13.3119	-	0.9772	5.6196	1.2800	6.0000	4.6903	1.7865	1.4700	12.2690	47.4045
Non Homestead	13.3119	-	0.9772	5.6196	1.2800	6.0000	4.6903	1.7865	1.4700	30.1574	65.2929
2016 Homestead	13.1149	2.0000	0.9642	5.6196	1.2800	6.0000	4.7903	1.7865	1.4700	11.7421	48.7676
Non Homestead	13.1149	2.0000	0.9642	5.6196	1.2800	6.0000	4.7903	1.7865	1.4700	28.8952	65.9207
2017 Homestead	12.8827	1.9646	0.9893	6.0596	1.2800	6.0000	4.7903	1.7865	1.4688	11.7308	48.9526
Non Homestead	12.8827	1.9646	0.9893	6.0596	1.2800	6.0000	4.7903	1.7865	1.4688	29.7308	66.9526
2018 Homestead	12.6817	1.9339	0.999	6.0518	1.2774	6.0000	5.6694	1.7788	1.4632	11.7009	49.5561
Non Homestead	12.6817	1.9339	0.999	6.0518	1.2774	6.0000	5.6694	1.7788	1.4632	29.7009	67.5561
2019 Homestead	12.4331	1.8074	0.9752	6.2947	1.2733	6.0000	5.6465	1.7716	1.4658	11.6663	49.3339
Non Homestead	12.4331	1.8074	0.9752	6.2947	1.2733	6.0000	5.6465	1.7716	1.4658	29.2921	66.9597
2020 Homestead	12.2428	1.7587	0.9634	6.2584	1.2661	6.0000	5.6113	1.7606	1.4556	11.6410	48.9579
Non Homestead	12.2428	1.7587	0.9634	6.2584	1.2661	6.0000	5.6113	1.7606	1.4556	29.6410	66.9579
2021 Homestead	12.0322	1.8346	0.9582	6.2100	1.2581	6.0000	5.5684	1.7472	1.4457	11.6120	48.6664
Non Homestead	12.0322	1.8346	0.9582	6.2100	1.2581	6.0000	5.5684	1.7472	1.4457	29.6120	66.6664
2022 Homestead	11.7975	1.7988	0.8829	6.1521	1.2484	6.0000	5.5157	1.7307	1.4308	11.5799	48.1368
Non Homestead	11.7975	1.7988	0.8829	6.1521	1.2484	6.0000	5.5157	1.7307	1.4308	29.5799	66.1368
2023 Homestead	11.5214	1.7567	1.1015	6.0971	1.2355	6.0000	5.4447	1.7085	1.4074	11.5415	47.8143
Non Homestead	11.5214	1.7567	1.1015	6.0971	1.2355	6.0000	5.4447	1.7085	1.4074	29.5415	65.8143

Source: East Grand Rapids Treasurer

The city's millage rate is currently limited to 15 mills for operations.

The city's millage rate is exclusively for operating.

The maximum allowable millage rate after Headlee Rollback Reduction is 11.5214 mills for 2022.

**CITY OF EAST GRAND RAPIDS
Principal Property Taxpayers
Current year and nine years ago**

Taxpayer	Type of Business	2023			2014		
		Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
Spectrum Health Hospitals	Medical	\$ 9,912,137	1	1.17%	\$ 3,220,027	2	0.57%
2255 Wealthy LLC	Real Estate	8,410,000	2	0.99%	6,357,688	1	1.12%
Consumers Energy Co	Utility	4,443,800	3	0.53%	1,917,100	3	0.34%
Bowen David & Julie	Residential	2,889,075	4	0.34%			
Bowen Daniel & Sharon	Residential	2,773,365	5	0.33%			
DTE Gas Company	Utility	2,693,900	6	0.32%			
Spectrum Medical Building	Medical	2,476,100	7	0.29%			
Lakewood Hills LLC	Residential	2,281,923	8	0.27%	1,894,036	4	0.34%
Geenen, David	Residential	2,267,277	9	0.27%	1,881,883	5	0.33%
Mackinaw, LLC	Residential	2,146,807	10	0.25%			
Greenbrier Trust Declaration	Retailer				1,347,095	7	0.24%
Bissell Mark & Catherine	Residential				1,547,044	6	0.27%
Hawksworth Geoffrey & Julie	Residential				1,281,700	8	0.23%
Jade Pig Ventures EB3 LLC	Real Estate				1,222,062	9	0.22%
Corl, Robert Trust					1,121,897	10	0.20%
Other Taxpayers		40,294,384		4.77%	21,790,532		3.85%
Total Taxable Value		<u>\$845,561,689</u>			<u>\$565,378,873</u>		

Source: East Grand Rapids City Assessor

CITY OF EAST GRAND RAPIDS
Property Tax Levies and Collections
Last Ten Fiscal Years

Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections Total Levy
2014	\$ 8,112,279	\$ 8,022,312	98.89	\$ 89,869	\$8,112,180	100.00
2015	8,369,333	8,280,286	98.94	85,612	8,365,898	99.96
2016	9,847,459	9,786,065	99.38	59,726	9,845,791	99.98
2017	10,026,405	9,924,313	98.98	97,217	10,021,530	99.95
2018	10,246,017	10,168,685	99.25	74,076	10,242,761	99.97
2019	10,492,967	10,411,396	99.22	80,206	10,491,602	99.99
2020	10,834,194	10,739,606	99.13	90,590	10,830,196	99.96
2021	11,219,191	11,157,244	99.45	54,692	11,211,936	99.94
2022	11,411,057	11,370,257	99.64	34,091	11,404,348	99.94
2023	12,158,760	12,121,085	99.69	30,318	12,151,403	99.94

Source: East Grand Rapids Treasurer

CITY OF EAST GRAND RAPIDS
Ratios Of Outstanding Debt By Type
Last Ten Fiscal Years

Year Ended June 30	Governmental Activities			Business-Type Activities	Total Primary Government	Percentage of Personal Income	Net Bonded Debt Per Capita¹
	Installment Purchase Agreements	Private Placement Bond	General Obligation Bonds	Silver Creek Drain Note			
2014	\$ -	\$ 2,488,000	\$ 8,330,000	\$ 251,352	\$ 11,069,352	37.17%	\$ 975
2015	-	2,182,000	8,120,000	147,318	10,449,318	32.91%	907
2016	-	1,824,000	7,870,000	40,017	9,734,017	29.87%	832
2017	-	1,458,000	7,605,000	-	9,063,000	27.56%	772
2018	209,500	1,081,000	7,310,000	-	8,600,500	25.23%	724
2019	159,900	692,000	6,995,000	-	7,846,900	22.21%	657
2020	118,000	297,000	6,645,000	-	7,060,000	18.67%	621
2021	76,100	151,000	5,665,000	-	5,892,100	14.48%	517
2022	34,200	-	11,179,131	-	11,213,331	N/A	N/A
2023	-	-	10,513,414	-	10,513,414	N/A	N/A

CITY OF EAST GRAND RAPIDS
Ratios Of General Bonded Debt Outstanding
Last Ten Fiscal Years

Year Ended June 30	Estimated Population	State Equalized Valuation	General Obligation Debt	Percentage of Estimated Actual Value of Taxable Property	Per Capita
2014	11,355	\$ 645,387,600	\$ 11,069,352	1.72%	975
2015	11,521	678,543,800	10,449,318	1.54%	907
2016	11,702	747,107,800	9,734,017	1.30%	832
2017	11,745	809,643,900	9,063,000	1.12%	772
2018	11,873	853,228,000	8,600,500	1.01%	724
2019	11,952	880,828,000	7,846,900	0.89%	657
2020	11,371	924,997,000	7,060,000	0.76%	621
2021	11,389	988,671,000	5,892,100	0.60%	518
2022	11,402	1,054,765,100	11,213,331	1.06%	985
2023	11,355	1,107,459,500	10,513,414	0.95%	922

CITY OF EAST GRAND RAPIDS
Direct and Overlapping Governmental Activities Debt
June 30, 2023

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>City's Share of Debt</u>
Direct:		
City of East Grand Rapids	\$ 10,483,247	\$ 10,483,247
Overlapping (2):		
Kent County	77,915,000	2,314,076
Grand Rapids Community College	21,135,000	606,575
East Grand Rapids School District	66,845,161	63,014,934
Total Overlapping Debt		<u>65,935,585</u>
Total Direct and Overlapping Debt		<u><u>\$76,418,832</u></u>

- (1) Excluding general obligation limited tax and revenue bonds reported in the enterprise funds.
(2) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of City of East Grand Rapids are liable in addition to debt issued by the City of East Grand Rapids.

Source: Municipal Advisory Council of Michigan and City of East Grand Rapid

CITY OF EAST GRAND RAPIDS
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Fiscal Year 2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Debt Limit	\$ 64,538,760	\$ 67,854,380	\$ 74,710,780	\$ 80,964,390	\$ 85,322,800	\$ 88,082,800	\$ 92,499,700	\$ 98,867,100	\$ 105,476,510	\$ 110,745,950
Net General Obligation Debt Subject to Limitation	<u>10,818,000</u>	<u>10,302,000</u>	<u>9,694,000</u>	<u>9,063,000</u>	<u>8,600,500</u>	<u>7,846,900</u>	<u>7,060,000</u>	<u>5,892,100</u>	<u>11,213,331</u>	<u>10,513,414</u>
Legal Debt Margin	<u>\$ 53,720,760</u>	<u>\$ 57,552,380</u>	<u>\$ 65,016,780</u>	<u>\$ 71,901,390</u>	<u>\$ 76,722,300</u>	<u>\$ 80,235,900</u>	<u>\$ 85,439,700</u>	<u>\$ 92,975,000</u>	<u>\$ 94,263,179</u>	<u>\$ 100,232,536</u>
Total net debt applicable to the limit as a percentage of the debt limit	16.76%	15.18%	12.98%	11.19%	10.08%	8.91%	7.63%	5.96%	10.63%	9.49%

Legal Debt Margin Calculation for Fiscal Year 2023

State Equalized Valuation	<u>\$ 1,107,459,500</u>
Debt Limit - 10% of State Equalized Value	\$ 110,745,950
Debt Outstanding	10,483,247
Less: Exempt Debt	<u>(730,084)</u>
Net General Obligation Debt Subject to Limitation	<u>11,213,331</u>
Legal Debt Margin	<u>\$ 99,532,619</u>

State law limits the amount of township general obligation debt to 10% of state equalized value.
(1) Includes the State Equalized Valuation of property granted tax abatement under Act 198.

CITY OF EAST GRAND RAPIDS
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Per Capita Personal Income⁵</u>	<u>Total Personal Income (thousands) ⁵</u>	<u>Unemployment Rate⁶</u>
2013	11,203 ¹	\$ 45,289	\$ 28,278,568	6.3
2014	11,355 ¹	47,167	29,783,992	5.1
2015	11,521 ¹	49,814	31,748,325	3.9
2016	11,702 ¹	50,584	32,587,227	3.6
2017	11,745 ¹	50,621	32,889,558	3.5
2018	11,873 ¹	52,153	34,088,760	3.0
2019	11,952 ¹	53,799	35,335,459	3.0
2020	11,371 ²	57,397	37,807,976	7.7
2021	11,389 ³	61,852	40,701,778	4.6
2022	11,402 ³	N/A ⁴	N/A ⁴	3.5

Source: U.S. Department of Labor (per capital income and unemployment rates)

¹ Population estimates, US Census Bureau, City & Town Population Totals 2010-2020

² 2020 Census

³ Population estimate, US Census Bureau Quick Facts

⁴ Information not available

⁵ Bureau of Economic Analysis, US Dept of Commerce (Kent County)

⁶ Michigan Labor Market Information, Unemployment Statistics (Grand Reapids Metro Area)

CITY OF EAST GRAND RAPIDS
Full-Time Equivalent City Employees By Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	16.2	18.8	15.5	17.9	17.0	16.9	15.9	16.6	15.2	16.1
Public safety	29.0	30.0	29.0	28.0	28.0	29.0	28.0	28.0	29.0	29.0
Parks and recreation	9.3	8.6	10.1	9.7	9.8	10.2	10.2	9.3	7.6	8.0
DPW	18.0	15.0	16.0	17.0	17.0	17.0	18.7	18.7	19.6	18.0
Total	72.5	72.4	70.6	72.6	71.8	73.1	72.8	72.6	71.4	71.1

Source: East Grand Rapids payroll records

INTERNAL CONTROL AND COMPLIANCE



Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

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

November 22, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 22, 2023.

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