



**CITY OF EAST GRAND RAPIDS, MICHIGAN**

**FINANCIAL STATEMENTS**

*FOR THE YEAR ENDED JUNE 30, 2011*



*Vredeveld Haefner LLC*

*CPA's*

# CITY OF EAST GRAND RAPIDS

## TABLE OF CONTENTS

---

<b>FINANCIAL SECTION</b>	<b><u>PAGE</u></b>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
<b>Government-wide Financial Statements</b>	
Statement of Net Assets	9
Statement of Activities	10-11
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Assets - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Net Assets/Balance Sheet - Fiduciary Funds	19
Statement of Changes in Net Assets - Pension Trust Fund	20
<b>Notes to Financial Statements</b>	21-38
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	39
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Streets Fund	40
MERS Defined Benefit Schedule of Funding Progress	41
Retiree Health Other Postemployment Benefits Schedule of Funding Progress	42
Retiree Health Other Postemployment Benefits Schedule of Employer Contributions	42
Note to Required Supplementary Information	42
Combining and Individual Fund Statements and Schedules	
<b>General fund</b>	
Schedule of Revenues – Budget and Actual	43
Schedule of Expenditures - Budget and Actual	45-49
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet	50-51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52-53
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Streets Fund	54

# CITY OF EAST GRAND RAPIDS

## TABLE OF CONTENTS

---

	<u>PAGE</u>
<b>Internal Service Funds</b>	
Combining Statement of Net Assets	55
Combining Statement of Revenues, Expenses and Changes in Net Assets	56
Combining Statement of Cash Flows	57
<b>Agency Fund</b>	
Statement of Changes in Assets and Liabilities	58
<b>CONTINUING DISCLOSURE FILING</b>	59-66
<b>INTERNAL CONTROL AND COMPLIANCE</b>	
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>	67



*Vredeveld Haefner LLC*

**CPA's and Consultants**

4001 Granada Ct.  
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**

October 13, 2011

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of East Grand Rapids, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of East Grand Rapids, Michigan, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2011, on our consideration of the City of East Grand Rapids' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 3 through 8 and the required supplementary information on pages 39 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Grand Rapids' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The continuing disclosure section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Uredaxeld Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of East Grand Rapids (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011.

### Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2011 fiscal year as follows:

- Phase II of the Reeds Lake Bike Trail project was completed during the fiscal year. The project was budgeted at \$760,000. This project was funded mostly by private donations with \$100,000 paid by each of the City of East Grand Rapids and Grand Rapids Township.
- The Waterfront Park project was completed during the fiscal year. The total budget was \$756,300 with \$490,000 paid by State grants, \$88,300 paid by the Kellogg Foundation and \$178,000 paid by the City of East Grand Rapids.
- The Streets and Utilities Building Construction project was substantially completed during the fiscal year. This construction project was budgeted at \$1,400,000 and there are a few punch list items left to be completed.
- The City Commission and the East Grand Rapids Public Schools have each committed to reserving \$40,000 annually for turf replacement at Mehney and Memorial Fields.
- Multiple Street projects were completed due to an extremely competitive bidding environment. Total expenditures between the street and utility funds exceeded \$1.27 million.
- Two (2) police cruisers and a Toolcat machine were purchased as part of the Motor Vehicle Equipment Fund capital improvement program.

### Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-

type activities). The governmental activities of the City include legislative, general government, public safety, public works, and recreation and culture. The business-type activities of the City include water and sewer operations.

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

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, local street fund and streets and utilities building fund which are considered 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 statements have been provided for the general and local streets funds 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 enterprise funds 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 separate information for water and sewer operations, which is considered to be a major fund of the City. Conversely, internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements.

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

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

**Other information** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension and OPEB information and 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 Assets** As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$27,713,758 at the close of the most recent fiscal year. The following chart illustrates the composition of net assets.

### Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and other assets	\$ 6,441,800	\$ 8,158,091	\$ 507,417	\$ 722,539	\$ 6,949,217	\$ 8,880,630
Long-term assets	25,923,775	25,485,950	8,366,053	7,789,742	34,289,828	33,275,692
<b>Total assets</b>	<b>32,365,575</b>	<b>33,644,041</b>	<b>8,873,470</b>	<b>8,512,281</b>	<b>41,239,045</b>	<b>42,156,322</b>
<b>Liabilities</b>						
Current liabilities	1,156,243	1,220,668	491,440	367,396	1,647,683	1,588,064
Long-term liabilities	11,516,923	12,281,159	360,681	566,566	11,877,604	12,847,725
<b>Total liabilities</b>	<b>12,673,166</b>	<b>13,501,827</b>	<b>852,121</b>	<b>933,962</b>	<b>13,525,287</b>	<b>14,435,789</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	14,070,157	13,051,936	7,923,469	7,250,646	21,993,626	20,302,582
Restricted	1,463,718	1,763,420	-	-	1,463,718	1,763,420
Unrestricted	4,158,534	5,326,858	97,880	327,673	4,265,414	5,654,531
<b>Total net assets</b>	<b>\$19,692,409</b>	<b>\$20,142,214</b>	<b>\$8,021,349</b>	<b>\$7,578,319</b>	<b>\$27,713,758</b>	<b>\$27,720,533</b>

By far the largest portion of the City's net assets in the amount of 79% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets in the amount of 5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets in the amount of \$4,265,414, or 16%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the government as a whole, governmental activities, and the business-type activities.

**Statement of Activities** The City's total revenue for the fiscal year ended June 30, 2011, was \$15,123,122 while total cost of all programs and services was \$15,125,257. This resulted in a decrease in net assets of \$2,135. The following table presents a summary of the changes in net assets for the years ended June 30.

### Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues						
Charges for services	\$1,624,647	\$1,563,701	\$2,713,493	\$2,384,891	\$4,338,140	\$3,948,592
Operating grants and contributions	727,346	675,024	-	-	727,346	675,024
Capital grants and contributions	722,537	988,099	466,189	-	1,188,726	988,099
General revenues						
Property taxes	7,789,051	7,907,695	-	-	7,789,051	7,907,695
State shared revenues	798,316	804,837	-	-	798,316	804,837
Cable franchise fees	188,632	165,146	-	-	188,632	165,146
Investment earnings	38,229	93,303	54,682	56,796	92,911	150,099
<b>Total revenues</b>	<b>11,888,758</b>	<b>12,197,805</b>	<b>3,234,364</b>	<b>2,441,687</b>	<b>15,123,122</b>	<b>14,639,492</b>
<b>Expenses</b>						
Legislative	23,020	27,916	-	-	23,020	27,916
General government	1,851,829	1,968,669	-	-	1,851,829	1,968,669
Public safety	4,210,447	4,151,433	-	-	4,205,807	4,151,433
Public works	3,645,709	2,777,109	-	-	3,645,709	2,777,109
Culture and recreation	1,751,072	1,472,369	-	-	1,751,072	1,472,369
Other	166,575	189,032	-	-	166,575	189,032
Interest on long-term debt	539,911	553,148	-	-	539,911	553,148
Water and sewer	-	-	2,941,334	2,873,474	2,941,334	2,873,474
<b>Total expenses</b>	<b>12,188,563</b>	<b>11,139,676</b>	<b>2,941,334</b>	<b>2,873,474</b>	<b>15,129,897</b>	<b>14,013,150</b>
<b>Increase (decrease) before transfers</b>	<b>(299,805)</b>	<b>1,058,129</b>	<b>293,030</b>	<b>(431,787)</b>	<b>(6,775)</b>	<b>626,342</b>
<b>Transfers in (out)</b>	<b>(150,000)</b>	<b>100,000</b>	<b>150,000</b>	<b>(100,000)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>(449,805)</b>	<b>1,158,129</b>	<b>443,030</b>	<b>(531,787)</b>	<b>(6,775)</b>	<b>626,342</b>
<b>Net assets – beginning</b>	<b>20,142,214</b>	<b>18,984,085</b>	<b>7,578,319</b>	<b>8,110,106</b>	<b>27,720,533</b>	<b>27,094,191</b>
<b>Net assets – ending</b>	<b>\$19,692,409</b>	<b>\$20,142,214</b>	<b>\$8,021,349</b>	<b>\$7,578,319</b>	<b>\$27,713,758</b>	<b>\$27,720,533</b>

**Governmental Activities** The preceding table shows that the governmental activities decreased the City's net assets by \$449,805 during this fiscal year. The decrease is primarily the result of street repair projects during the year.

**Business-type Activities** Business-type activities increased the City's net assets by \$443,030 during the year. This increase is primarily the result of capital grants and contributions received during the year.

## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,913,447, a decrease of \$1,389,780 from the prior year. This was primarily due to the construction of the streets and utilities building using available funds.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, nonspendable fund balance of \$9,097 relates to prepaid assets, restricted fund balance of \$67,685 relates to public safety, committed fund balance of \$160,000 relates to future activities committed to by the Board, assigned fund balance of \$200,000 relates to budget stabilization, and \$307,600 is assigned for next year's expenditures. Unassigned fund balance represents \$1,770,660 of total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 20% of total general fund expenditures.

**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 assets of \$443,030 due to capital grant revenue and transfers from the general fund.

## Budgetary Highlights

Revenues in the General Fund were \$397,932 more than budgeted. This is mostly due to grant monies received for the Waterfront Park Project and additional state shared sales tax received.

Expenditures and transfers out in the General Fund were \$235,579 above final budget amounts. This is primarily due to expenditures related to the Waterfront Park Project (offset by revenues), and an unanticipated transfer to the water and sewer fund.

## 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, 2011, amounted to \$33,948,566 (net of accumulated depreciation). Of this amount, \$25,582,513 was for its governmental activities and \$8,366,053 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Current year additions included a new DPW building, completions of Waterfront Park and Reeds Lake Trail projects as well as several road projects.

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

**Long-term debt** At the end of the current fiscal year, the City had total long-term debt, including compensated absences, outstanding of \$12,361,900. Of this amount, \$11,901,923 was for governmental activities while \$459,977 was for business-type activities.

The City's total long-term debt decreased by approximately \$500,000 during the current fiscal year primarily as a result of payment of schedule debt service requirements.

Additional information on the City's long-term debt can be found in Note 8 to these financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

The following economic factors were considered in preparing the City's budget for the 2012 fiscal year:

- The budget for next year includes the same millage rate that was levied for the year ending June 30, 2011. The millage rate levied was 13.5195 for both fiscal years ended June 30, 2011 and 2010. There was no rollback of the millage rate due to the Headlee Amendment. This is due to a large number of properties in the City declining in value.
- For the fiscal year 2011-12, the overall assessed value increased by 1.8% and the taxable value increased by 1.3%. This will result in a projected increase of \$80,000 in property tax revenue to the City. The year-to-date data from home sales for 2011 shows a similar trend.
- The State of Michigan continues to face budget deficits. It was anticipated that all statutory revenue sharing to municipalities will be eliminated in the future. The budget, once again, for the City's General Fund did not include any statutory revenue sharing. Since the budget was adopted, the State has implemented the Economic Vitality Incentive Program (EVIP) which should restore some of these dollars, at least for the current fiscal year.
- The City has responded to the economic downturn and pressure on revenues by reducing program and operating expenses, increasing user fees, issuing debt for capital projects and making changes to employee benefits. The budget for next year maintained many of the cost cutting measures previously taken. There was a 1% cost of living wage increase for union or non-union employees after 2 years of zero increases. The City made several cuts to programs and activities in order to balance the budget with declining revenues.
- The General Fund expense budget for next year is \$410,200 more than last fiscal year. Budgeted revenues are less than budgeted expenditures by \$307,600. An ending fund balance of 24.85% of operating expenditures is anticipated.
- Since 2007, water and sewer charges from the City of Grand Rapids have risen over 25% for water and over 42% for sewer. In order to cover these dramatic increases, the budget for next fiscal year contains a \$.20 per thousand gallons sewer rate increase. Water rates are not budgeted to change. In addition, the base readiness-to-serve charge will increase from \$18.67 to \$21.67 per month. This is the second increase in the readiness-to-serve charge over the last ten years.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, City of East Grand Rapids, 750 Lakeside Drive SE, East Grand Rapids, MI 49506.

## **BASIC FINANCIAL STATEMENTS**

# CITY OF EAST GRAND RAPIDS

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,733,056	\$ 57,721	\$ 1,790,777
Investments	3,670,192	-	3,670,192
Accounts receivable	239,788	398,032	637,820
Special assessments receivable	75,827	-	75,827
Due from other governments	478,996	-	478,996
Inventory	54,064	50,495	104,559
Prepaid and other assets	36,223	1,169	37,392
Debt issuance costs, net	153,654	-	153,654
Capital assets			
Land	2,124,000	-	2,124,000
Depreciable capital assets, net	23,458,513	8,366,053	31,824,566
Net other post employment benefits asset	341,262	-	341,262
<b>Total assets</b>	<b>32,365,575</b>	<b>8,873,470</b>	<b>41,239,045</b>
<b>Liabilities</b>			
Accounts payable	390,888	382,938	773,826
Accrued liabilities	337,044	9,206	346,250
Unearned revenue	43,311	-	43,311
Noncurrent liabilities			
Compensated absences	235,913	17,393	253,306
Due within one year	385,000	99,296	484,296
Due in more than one year	11,281,010	343,288	11,624,298
<b>Total liabilities</b>	<b>12,673,166</b>	<b>852,121</b>	<b>13,525,287</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	14,070,157	7,923,469	21,993,626
Restricted for			
Major and local streets	1,221,360	-	1,221,360
Capital projects	112,666	-	112,666
Public safety	67,685	-	67,685
Debt service	62,007	-	62,007
Unrestricted	4,158,534	97,880	4,256,414
<b>Total net assets</b>	<b>\$ 19,692,409</b>	<b>\$ 8,021,349</b>	<b>\$ 27,713,758</b>

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, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities					
Legislative	\$ 23,020	\$ -	\$ -	\$ -	\$ (23,020)
General government	1,851,829	289,636	-	-	(1,562,193)
Public safety	4,210,447	44,999	5,626	-	(4,159,822)
Public works	3,645,709	307,051	721,720	453,562	(2,163,376)
Recreation and culture	1,751,072	982,961	-	268,975	(499,136)
Other	166,575	-	-	-	(166,575)
Interest on long-term debt	539,911	-	-	-	(539,911)
<b>Total governmental activities</b>	<b>12,188,563</b>	<b>1,624,647</b>	<b>727,346</b>	<b>722,537</b>	<b>(9,114,033)</b>
Business-type activities					
Water and sewer	2,941,334	2,713,493	-	466,189	238,348
<b>Total primary government</b>	<b>\$ 15,129,897</b>	<b>\$ 4,338,140</b>	<b>\$ 727,346</b>	<b>\$ 1,188,726</b>	<b>\$ (8,875,685)</b>

(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, 2011**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in net assets</b>			
<b>Net (expense) revenue</b>	\$ (9,114,033)	\$ 238,348	\$ (8,875,685)
General revenues			
Property taxes	7,789,051	-	7,789,051
State shared revenues	798,316	-	798,316
Cable franchise fees	188,632	-	188,632
Unrestricted investment earnings	38,229	54,682	92,911
Transfers - internal activities	(150,000)	150,000	-
Total general revenues and transfers	<u>8,664,228</u>	<u>204,682</u>	<u>8,868,910</u>
Change in net assets	(449,805)	443,030	(6,775)
<b>Net assets, beginning of year</b>	<u>20,142,214</u>	<u>7,578,319</u>	<u>27,720,533</u>
<b>Net assets, end of year</b>	<u>\$ 19,692,409</u>	<u>\$ 8,021,349</u>	<u>\$ 27,713,758</u>

(concluded)

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

**CITY OF EAST GRAND RAPIDS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2011**

	<u>General</u>	<u>Major Streets</u>	<u>Streets and Utilities Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 26,962	\$ 578,776	\$ 96,934	\$ 322,643	\$ 1,025,315
Investments	2,436,049	-	-	251,220	2,687,269
Accounts receivable	125,736	-	-	50,000	175,736
Special assessment receivable	-	-	-	75,827	75,827
Due from other governments	378,469	72,805	-	27,722	478,996
Prepaid items	9,087	1,191	-	1,191	11,469
<b>Total assets</b>	<u>\$ 2,976,303</u>	<u>\$ 652,772</u>	<u>\$ 96,934</u>	<u>\$ 728,603</u>	<u>\$ 4,454,612</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 298,788	\$ 12,958	\$ -	\$ 1,252	\$ 312,998
Accrued liabilities	119,172	1,907	-	1,903	122,982
Deferred revenue	43,311	-	-	61,874	105,185
<b>Total liabilities</b>	<u>461,271</u>	<u>14,865</u>	<u>-</u>	<u>65,029</u>	<u>541,165</u>
<b>Fund balances</b>					
Nonspendable					
Prepays	9,087	1,191	-	1,191	11,469
Restricted					
Streets	-	636,716	-	584,644	1,221,360
Public safety	67,685	-	-	-	67,685
Committed					
Turf replacement	160,000	-	-	-	160,000
Assigned					
Debt service	-	-	-	62,007	62,007
Capital projects	-	-	96,934	15,732	112,666
Stabilization	200,000	-	-	-	200,000
Subsequent year expenditures	307,600	-	-	-	307,600
Unassigned	1,770,660	-	-	-	1,770,660
<b>Total fund balances</b>	<u>2,515,032</u>	<u>637,907</u>	<u>96,934</u>	<u>663,574</u>	<u>3,913,447</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,976,303</u>	<u>\$ 652,772</u>	<u>\$ 96,934</u>	<u>\$ 728,603</u>	<u>\$ 4,454,612</u>

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 ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2011

---

<b>Fund balances - total governmental funds</b>	<b>\$ 3,913,447</b>
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,124,000
Add - capital assets (net of accumulated depreciation)	22,056,517
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - special assessments deferred receivable	61,874
Certain expenditure are recognized in the fund when paid but are recognized in government-wide financial statement when due.	
Add - net other postemployment benefit asset	341,262
Internal service fund 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 assets of governmental activities accounted for in the internal service funds	3,066,509
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Add - bond issuance costs	153,654
Deduct - compensated absences payable	(226,586)
Deduct - bonds payable	(11,666,010)
Deduct - accrued interest on bonds payable	<u>(132,258)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 19,692,409</u></b>

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, 2011**

	<u>General</u>	<u>Major Streets</u>	<u>Streets and Utilities Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 7,149,549	\$ -	\$ -	\$ 639,502	\$ 7,789,051
Intergovernmental revenues					
State	1,074,381	474,952	-	201,768	1,751,101
Local	-	-	45,000	230,254	275,254
Licenses and permits	235,674	-	-	-	235,674
Charges for services	1,390,525	-	-	-	1,390,525
Fines	43,535	-	-	-	43,535
Special assessments	-	-	-	13,953	13,953
Investment earnings	161,668	519	4,172	11,320	177,679
<b>Total revenues</b>	<u>10,055,332</u>	<u>475,471</u>	<u>49,172</u>	<u>1,096,797</u>	<u>11,676,772</u>
<b>Expenditures</b>					
Current					
Legislative	23,020	-	-	-	23,020
General government	1,751,947	-	-	-	1,751,947
Public safety	4,092,807	-	-	-	4,092,807
Public works	1,060,036	705,353	-	1,210,198	2,975,587
Culture and recreation	1,214,305	-	-	-	1,214,305
Other	163,971	-	-	-	163,971
Debt service					
Principal	-	-	-	375,000	375,000
Interest	-	-	-	543,304	543,304
Capital outlay	433,693	-	1,342,918	-	1,776,611
<b>Total expenditures</b>	<u>8,739,779</u>	<u>705,353</u>	<u>1,342,918</u>	<u>2,128,502</u>	<u>12,916,552</u>
Revenues over (under) expenditures	<u>1,315,553</u>	<u>(229,882)</u>	<u>(1,293,746)</u>	<u>(1,031,705)</u>	<u>(1,239,780)</u>
Other financing sources (uses)					
Transfers in	-	510,000	-	824,174	1,334,174
Transfers out	(1,167,000)	(273,946)	-	(43,228)	(1,484,174)
Total other financing sources (uses)	<u>(1,167,000)</u>	<u>236,054</u>	<u>-</u>	<u>780,946</u>	<u>(150,000)</u>
Net changes in fund balances	148,553	6,172	(1,293,746)	(250,759)	(1,389,780)
<b>Fund balances, beginning of year</b>	<u>2,366,479</u>	<u>631,735</u>	<u>1,390,680</u>	<u>914,333</u>	<u>5,303,227</u>
<b>Fund balances, end of year</b>	<u>\$ 2,515,032</u>	<u>\$ 637,907</u>	<u>\$ 96,934</u>	<u>\$ 663,574</u>	<u>\$ 3,913,447</u>

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

# CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2011

---

**Net changes in fund balances - total governmental funds** \$ (1,389,780)

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	1,822,773
Deduct - depreciation expense	(1,270,635)

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	(13,953)
--------------------------------------	----------

Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. 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 assets.

Add - principal payments on debt	375,000
Deduct - amortization of bond discount	(899)

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.

Add - decrease in compensated absences	5,553
Deduct - amortization of bond issuance costs	(7,917)
Deduct - decrease in net other postemployment benefits asset	(52,641)
Add - decrease in accrued interest	3,393

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 assets from the internal service funds	<u>79,301</u>
--	---------------

**Change in net assets of governmental activities** \$ (449,805)

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

**CITY OF EAST GRAND RAPIDS**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

	<u>Enterprise Fund</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service Funds</u>
<b>Assets</b>		
Current assets		
Cash and pooled investments	\$ 57,721	\$ 707,741
Investments	-	982,923
Accounts receivable	398,032	64,052
Inventory	50,495	54,064
Prepaid and other assets	<u>1,169</u>	<u>24,754</u>
Total current assets	507,417	1,833,534
Capital assets		
Depreciable capital assets, net	<u>8,366,053</u>	<u>1,401,996</u>
<b>Total assets</b>	<u>8,873,470</u>	<u>3,235,530</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	382,938	77,890
Accrued liabilities	9,206	81,804
Current portion of compensated absences	14,138	8,183
Current portion of long-term debt	<u>99,296</u>	<u>-</u>
Total current liabilities	<u>505,578</u>	<u>167,877</u>
Long-term liabilities		
Compensated absences, net of current portion	3,255	1,144
Bonds payable, net of current portion	<u>343,288</u>	<u>-</u>
Total long-term liabilities	<u>346,543</u>	<u>1,144</u>
<b>Total liabilities</b>	<u>852,121</u>	<u>169,021</u>
<b>Net assets</b>		
Investment in capital assets net of related debt	7,923,469	1,401,996
Unrestricted	<u>97,880</u>	<u>1,664,513</u>
<b>Total net assets</b>	<u>\$ 8,021,349</u>	<u>\$ 3,066,509</u>

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

**CITY OF EAST GRAND RAPIDS**

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

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Operating revenue</b>		
Charges for services	\$ 2,707,682	\$ 1,672,230
Other	<u>5,811</u>	<u>101,607</u>
<b>Total operating revenue</b>	<u>2,713,493</u>	<u>1,773,837</u>
<b>Operating expense</b>		
Personnel services	386,992	156,884
Contractual services	766,604	294,572
Materials and supplies	140,704	226,910
Equipment	106,363	3,849
Water purchases	952,322	-
Claims	16,246	707,163
Administration	156,307	121,169
Depreciation	383,844	195,132
Miscellaneous	<u>14,460</u>	<u>-</u>
<b>Total operating expense</b>	<u>2,923,842</u>	<u>1,705,679</u>
Operating income (loss)	<u>(210,349)</u>	<u>68,158</u>
Non-operating revenue (expense)		
Investment earnings	54,682	11,143
Interest expense	<u>(17,492)</u>	<u>-</u>
Total non-operating revenue (expense)	<u>37,190</u>	<u>11,143</u>
Income (loss) before transfers and contributions	<u>(173,159)</u>	<u>79,301</u>
Capital contributions	466,189	-
Transfers in	<u>150,000</u>	<u>-</u>
Total transfers and contributions	<u>616,189</u>	<u>-</u>
Changes in net assets	443,030	79,301
<b>Net assets, beginning of year</b>	<u>7,578,319</u>	<u>2,987,208</u>
<b>Net assets, end of year</b>	<u>\$ 8,021,349</u>	<u>\$ 3,066,509</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, 2011**

	<b>Enterprise Fund Water and Sewer</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Cash flows from operating activities</b>		
Receipts from internal services provided	\$ -	\$ 1,773,837
Receipts from customers and users	2,629,921	-
Payments to employees	(404,582)	(159,757)
Payments to suppliers	<u>(2,109,188)</u>	<u>(1,362,555)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>116,151</u>	<u>251,525</u>
<b>Cash flows from non-capital financing activities</b>		
Transfers in	150,000	-
<b>Cash flows from capital and related financing activities</b>		
Interest expense	(17,492)	-
Principal paid on bonds	(96,512)	-
Capital grants	466,189	-
Acquisitions of capital assets	<u>(960,155)</u>	<u>(133,460)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(607,970)</u>	<u>(133,460)</u>
<b>Cash flows from investing activities</b>		
Net investment activity	-	(11,153)
Interest income	<u>54,682</u>	<u>12,031</u>
<b>Net cash provided by (used in) investing activities</b>	54,682	878
Net increase (decrease) in cash and pooled investments	(287,137)	118,943
<b>Cash and pooled investments, beginning of year</b>	<u>344,858</u>	<u>588,798</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 57,721</u>	<u>\$ 707,741</u>
<b>Cash flows from operating activities</b>		
Operating income (loss)	\$ (210,349)	\$ 68,158
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	383,844	195,132
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	(83,572)	(63,576)
Prepaid and other assets	(118)	(4,138)
Inventory	11,675	(1,483)
Accounts payable	32,261	60,215
Accrued liabilities	(7,513)	(3,201)
Compensated absences	<u>(10,077)</u>	<u>418</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 116,151</u>	<u>\$ 251,525</u>

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

**CITY OF EAST GRAND RAPIDS**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET ASSETS/BALANCE SHEET**  
**JUNE 30, 2011**

---

	<b>Other Postemployment Benefit Trust</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and pooled investments	\$ 100,000	\$ 21,606
Investments		
Mutual fund	817,320	-
Delinquent taxes receivable	<u>-</u>	<u>7,717</u>
<b>Total assets</b>	917,320	<u>\$ 29,323</u>
<b>Liabilities</b>		
Due to other governmental units	<u>-</u>	<u>\$ 29,323</u>
<b>Net assets</b>		
Held in trust for other postemployment benefits	<u>\$ 917,320</u>	

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

**CITY OF EAST GRAND RAPIDS**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

	<b>Other Postemployment Benefit Trust</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 181,203
Investment earnings (losses)	<u>102,515</u>
<b>Total Additions</b>	<u>283,718</u>
<b>Deductions</b>	
Benefits	<u>81,203</u>
<b>Total deductions</b>	<u>81,203</u>
Net increase (decrease)	202,515
<b>Net assets, beginning of year</b>	<u>714,805</u>
<b>Net assets, end of year</b>	<u><u>\$ 917,320</u></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, 2011

---

### 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 discretely presented component units.

#### ***Blended Component Unit***

The Building Authority is governed by a board appointed by the City Commission. For financial reporting purposes, the Building Authority is reported as if it were a part of the City's operations because its sole purpose is to finance and construct the City's public buildings. The Building Authority had no activity during the year.

#### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets 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.

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

---

### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants, 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 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* 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 *Streets and Utilities Building Fund* is used to account for the accumulation of monies from various funds for capital improvements.

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, 2011**

---

Additionally, the City reports the following fund types:

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

The *Capital Projects Funds* account for the accumulation and disbursement of resources for the construction of governmental fund capital assets.

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

The *Other Postemployment Benefits Trust Fund* is used to account for the operations of the City Other Postemployment Benefits Plan which provides other postemployment benefits to the City's employees.

The *Agency Fund* is used to account for the collection and disbursement of funds that are collected on behalf of outside governments or other parties.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

***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.

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

---

6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures 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 by activity. Thus the legal level of budgetary control is 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.

### ***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.

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

---

#### ***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.

#### ***Special Assessments Receivable***

Special assessments receivable consist of long-term receivables from customers and benefited parties for various infrastructure improvement projects.

#### ***Prepaid and Other Assets***

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

#### ***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.

#### ***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 their estimated fair market value 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

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

---

### ***Deferred Revenue***

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the funds were as follows:

Fees received in advance	\$ 43,311
Special assessments	<u>61,874</u>
Total governmental funds	<u>\$105,185</u>

### ***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 assets 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 assets of the individual enterprise funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

### ***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 assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**CITY OF EAST GRAND RAPIDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

***Net Assets and Fund Balance Reporting***

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal action of the entities 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.

Stabilization amounts are established by formal action of the City Commission. Any increases or use of stabilization amounts are required to be authorized by the City Commission.

When multiple net asset/fund balance classifications are available for use it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed.

***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 15. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collected on behalf of other taxing units are accounted for in the agency funds. Property taxes levied in July of each year are recognized as revenue in the year in which they are levied.

**CITY OF EAST GRAND RAPIDS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

***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**

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

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

During the year ended June 30, 2011, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General fund			
Public Safety			
General activity	\$3,940,300	\$3,975,414	\$ (35,114)
Public Works			
Street lighting	91,000	94,516	(3,516)
Capital outlay	161,100	433,693	(272,593)
Local streets fund			
Public works			
Street construction	386,000	656,087	(270,087)

**3. CASH AND INVESTMENTS**

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

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$1,790,777	\$121,606	\$1,912,383
Investments	3,670,192	817,320	4,487,512
	\$5,460,969	\$938,926	\$6,399,895

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

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

Deposits	\$2,241,289
Investments	4,158,106
Petty cash	500
<b>Total</b>	<b>\$6,399,895</b>

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$1,505,587 of the City's bank balance of \$2,263,905 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>	<u>Source</u>
Governmental activities				
Kent County Investment Pool	N/A	\$3,340,786	Unrated	
Other Postemployment Benefits Trust Fund				
ICMA Conservative Growth Fund	N/A	817,320	3 stars	Morningstar
<b>Total</b>		<b>\$4,158,106</b>		

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, 2011 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	22%	0-3
Certificates of deposits	36%	0-2
Money markets and other pools	42%	Not applicable

**CITY OF EAST GRAND RAPIDS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The 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.

**4. INTERFUND TRANSACTIONS**

Transfers in and out for the year ended June 30, 2011 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>			<u>Total</u>
	Major streets fund	Nonmajor governmental funds	Water sewer fund	
General fund	\$500,000	\$517,000	\$150,000	<b>\$1,167,000</b>
Major streets fund	-	273,946	-	<b>273,946</b>
Nonmajor governmental funds	10,000	33,228	-	<b>43,228</b>
<b>Total</b>	<b>\$510,000</b>	<b>\$824,174</b>	<b>\$150,000</b>	<b>\$1,484,174</b>

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 allocated cost of general operations to applicable funds.

**CITY OF EAST GRAND RAPIDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**5. CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2011</b>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 2,124,000	\$ -	\$ -	\$ 2,124,000
Construction in progress	1,190,279	-	1,190,279	-
Total capital assets, not being depreciated	<u>3,314,279</u>	-	<u>1,190,279</u>	<u>2,124,000</u>
<b>Capital assets, being depreciated</b>				
Land improvements	744,387	1,089,886	-	1,834,273
Buildings	11,060,757	1,309,623	-	12,370,380
Building improvements	3,496,215	16,232	-	3,512,447
Vehicles and equipment	3,933,955	211,055	280,594	3,864,416
Infrastructure	14,809,743	519,716	-	15,329,459
Total capital assets, being depreciated	<u>34,045,057</u>	<u>3,146,512</u>	<u>280,594</u>	<u>36,910,975</u>
Less accumulated depreciation for				
Land improvements	273,897	48,148	-	322,045
Buildings	1,806,618	358,575	-	2,165,193
Building improvements	1,627,264	179,803	-	1,807,067
Vehicles and equipment	2,394,839	216,210	280,594	2,330,455
Infrastructure	6,164,671	663,031	-	6,827,702
Total accumulated depreciation	<u>12,267,289</u>	<u>1,465,767</u>	<u>280,594</u>	<u>13,452,462</u>
<b>Net capital assets, being depreciated</b>	<u>21,777,768</u>	<u>1,680,745</u>	<u>-</u>	<u>23,458,513</u>
<b>Governmental Activities capital assets, net</b>	<b><u>\$ 25,092,047</u></b>	<b><u>\$1,680,745</u></b>	<b><u>\$1,190,279</u></b>	<b><u>\$25,582,513</u></b>

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
<b>Business-type Activities</b>				
<b>Capital assets, not being depreciated</b>				
Construction in Progress	\$ 7,459	\$ -	\$7,459	\$ -
<b>Capital assets being depreciated</b>				
Sewer system	8,105,751	483,807	-	8,589,558
Water system	5,849,146	483,807	-	6,332,953
Lift station	390,983	-	-	390,983
Water tower	303,228	-	-	303,228
Drains	1,530,664	-	-	1,530,664
Meters	350,271	-	-	350,271
Total capital assets, being depreciated	16,530,043	967,614	-	17,497,657
Less accumulated depreciation for				
Sewer system	4,701,716	166,757	-	4,868,473
Water system	2,250,641	102,346	-	2,352,987
Lift station	224,284	17,592	-	241,876
Water tower	205,956	2,754	-	208,710
Drains	1,146,241	76,884	-	1,223,125
Meters	218,922	17,511	-	236,433
Total accumulated depreciation	8,747,760	383,844	-	9,131,604
<b>Net capital assets, being depreciated</b>	7,782,283	583,770	-	8,366,053
<b>Business-type Activities capital assets, net</b>	<b>\$7,789,742</b>	<b>\$583,770</b>	<b>\$7,459</b>	<b>\$8,366,053</b>

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

<b>Governmental Activities</b>	
General government	\$ 59,720
Public safety	149,935
Public works	839,890
Recreation and culture	221,090
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	195,132
<b>Total depreciation expense - governmental activities</b>	<b>\$1,465,767</b>
<b>Business-type Activities</b>	
Water and sewer	\$383,844

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 6. PENSION PLANS

##### Defined Benefit Plan

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

The City is required to contribute at an actuarially determined flat rate, which for the current year was \$604,620. Employees are required to contribute to the plan from 0% to 5% of covered payroll dependent on bargaining unit to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by employment and labor agreements.

For the year ended June 30, 2011, the City's annual pension cost of \$604,620 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year compounded annually based on inflation, plus from 0% to 4.2% based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is recognized over a 10-year period at the rate of 10% per year. The City's unfunded actuarial accrued liability is being amortized at a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was 14 years.

The required schedule of funding progress immediately following the notes to the financial statements presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

#### Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/09	\$463,015	100%	\$ -
6/30/10	526,020	100%	-
6/30/11	604,620	100%	-

#### Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>Total</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
12/31/10	\$11,286,065	\$17,905,375	\$6,619,310	63%	\$581,999	1137%

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

---

### Defined Contribution Plans

The city also maintains three defined contribution retirement plans offered and administered by MERS. The City services defined contribution plan covers all City service employees hired on or after July 7, 1999 and all City service employees hired prior to July 7, 1999 who elected to convert from the defined benefit plan on July 7, 1999. The Non-Union Defined Contribution Plan covers all 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. The Public Safety Defined Contribution Plan covers 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.

#### *City Services Defined Contribution Plan*

The City Services Plan requires participants and the City to each contribute 5% of the participants' salaries to the Plan. Participants have the option to contribute an additional 1%. The City's contribution for the year was \$38,014 and the employees' contribution was \$38,014.

#### *Non-Union Defined Contribution Plan*

The Non-Union Plan gives participants the option to contribute up to 1% of their salary to the plan. The City is required to contribute 14% of the participants' salaries and match the employees' optional contribution. The City's contribution for the year was \$215,014 and the employees' contribution was \$14,334.

#### *Public Safety Defined Contribution Plan*

The Public Safety Plan requires participants 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. The City's contribution for the year was \$225,990 and the employees' contribution was \$56,875.

## 7. OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan (the Plan). The plan provides 100% of health insurance benefits to eligible retirees and their dependents. The benefit is provided upon the employee attaining 55 years of age, with 25 years of service to the City, and is maintained until the employee is eligible for federal Medicare coverage at age 65. The City established a retirement health savings trust to account for the Plan effective June 13, 2008. The Plan does not issue a publicly available financial report.

The City contributes to the Plan as determined by the City Commission. The annual required contribution (ARC) was \$246,996 while the City contributed \$181,203 to the plan. The Plan paid \$81,203 in direct payments for retirees, to provide insurance coverage for 7 retired employees. The contribution requirements of the Plan members and the City are established and may be amended by the City Commission.

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities (or funding excess) over a period of fifteen years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB asset to the plan.

Annual required contribution	\$246,996
Interest on Net OPEB obligation	31,512
Adjustment to annual required contribution	<u>(44,664)</u>
Annual OPEB cost (expense)	233,844
Contribution made	<u>181,203</u>
Decrease in net OPEB asset	(52,641)
Net OPEB asset, beginning of year	<u>393,903</u>
Net OPEB asset, end of year	<u><u>\$341,262</u></u>

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

#### Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost</u>	Percentage of OPEB <u>Cost Contributed</u>	Net OPEB <u>Asset</u>
6/30/09	\$222,093	233%	\$295,098
6/30/10	232,087	143%	393,903
6/30/11	233,844	77%	341,262

#### Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Market Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>Total</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
6/30/11	\$817,320	\$2,607,925	\$1,790,606	31%	\$4,092,467	43.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculation.

The June 30, 2011 actuarial valuation of the Plan utilized the individual entry age actuarial cost method. The actuarial assumptions included: a rate of return on investments of 3%, projected salary increases of 2.8% attributable to inflation, and projected healthcare benefit increases of 4%. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the fair value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a 15 year period.

#### 8. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2011:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
\$1,775,000 Unlimited Tax General Obligation Bonds Series 2002; due in annual installments of \$60,000 to \$165,000 through April 2022, plus interest at 3.90% to 4.90%	\$1,375,000	\$ -	\$ 75,000	\$1,300,000	\$ 80,000
\$8,740,000 Unlimited Tax General Obligation Bonds, Series 2004; due in annual installments of \$110,000 to \$550,000 through April 2034, plus interest at 3.50% to 4.875%	8,430,000	-	110,000	8,320,000	110,000
\$3,140,000 2005 Michigan Transportation Fund Bonds; due in annual installments of \$185,000 to \$265,000 through April 2020, plus interest at 3.50% to 4.25%	2,245,000	-	190,000	2,055,000	195,000
<b>Total</b>	<b>12,050,000</b>	<b>-</b>	<b>375,000</b>	<b>11,675,000</b>	<b>385,000</b>
Unamortized discount	(9,889)	-	(899)	(8,990)	-
Accrued compensated absences	241,048	189,960	195,095	235,913	198,432
<b>Total Governmental Activities</b>	<b>\$12,281,159</b>	<b>\$189,960</b>	<b>\$569,196</b>	<b>\$11,901,923</b>	<b>\$583,432</b>

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
\$981,824 Kent County Silver Creek Drain Refunding Bonds (18.65% City Portion), due in annual installments of \$64,960 to \$107,648 through November 2015; plus interest 3.00% to 4.25%	\$ 539,096	\$ -	\$96,512	\$442,584	\$99,296
Accrued employee benefits	27,470	12,156	22,233	17,393	14,138
<b>Total Business-type Activities</b>	<b>\$566,566</b>	<b>\$ 12,156</b>	<b>\$ 118,745</b>	<b>\$459,977</b>	<b>\$113,434</b>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2011 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 385,000	\$ 529,030	\$ 99,296	\$14,832
2013	400,000	514,546	103,008	11,314
2014	420,000	499,038	107,648	7,469
2015	450,000	482,596	64,960	4,179
2016	500,000	464,726	67,672	1,440
2017-2021	2,905,000	1,973,776	-	-
2022-2026	2,265,000	1,388,172	-	-
2027-2031	2,700,000	799,500	-	-
2032-2036	1,650,000	160,876	-	-
<b>Total</b>	<b>\$11,675,000</b>	<b>\$6,812,260</b>	<b>\$442,584</b>	<b>\$39,234</b>

## 9. RISK MANAGEMENT

The City is self-funded for employees' health benefits. The claims liability of \$80,487 reported at June 30, 2011 is based on the requirements of Statement No. 10 of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The activity of the self-funded insurance is accounted for in the Health care internal service fund. An excess coverage insurance policy covers claims in excess of \$40,000 per covered individual. There were no changes in insurance coverage from the prior year. 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.

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

---

The changes in the claims liability for the years ended June 30, 2011 and 2010 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>
2010	\$ 58,306	\$1,032,865	\$1,010,774	\$80,397
2011	80,397	1,027,743	1,027,653	80,487

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.

#### 10. LITIGATION

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

#### 11. CONSTRUCTION CODE FEES

The City oversees building construction in accordance with the State of Michigan Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. During the year, the City collected fees of \$54,712 with related expenditures of approximately \$64,900.

#### 12. SUBSEQUENT EVENTS

Subsequent to year end the City has entered into various construction and purchase contracts of approximately \$700,000.

## **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, 2011**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 7,150,000	\$ 7,150,000	\$ 7,149,549	\$ (451)
Intergovernmental revenues				
State	686,000	686,000	1,074,381	388,381
Licenses and permits	187,000	187,000	235,674	48,674
Charges for services	1,405,200	1,405,200	1,390,525	(14,675)
Fines	45,000	45,000	43,535	(1,465)
Investment earnings	184,200	184,200	161,668	(22,532)
<b>Total revenues</b>	<u>9,657,400</u>	<u>9,657,400</u>	<u>10,055,332</u>	<u>397,932</u>
<b>Expenditures</b>				
Current				
Legislative	27,400	27,400	23,020	4,380
General government	1,829,500	1,844,500	1,751,947	92,553
Public safety	4,059,300	4,068,300	4,092,807	(24,507)
Public works	1,120,600	1,155,100	1,060,036	95,064
Culture and recreation	1,228,800	1,233,800	1,214,305	19,495
Other	164,000	164,000	163,971	29
Capital Outlay	161,100	161,100	433,693	(272,593)
<b>Total expenditures</b>	<u>8,590,700</u>	<u>8,654,200</u>	<u>8,739,779</u>	<u>(85,579)</u>
<b>Revenues over (under) expenditures</b>	<u>1,066,700</u>	<u>1,003,200</u>	<u>1,315,553</u>	<u>483,511</u>
Other financing sources (uses)				
Transfers out	<u>(1,017,000)</u>	<u>(1,017,000)</u>	<u>(1,167,000)</u>	<u>(150,000)</u>
Net changes in fund balance	49,700	(13,800)	148,553	162,353
<b>Fund balance, beginning of year</b>	<u>2,366,479</u>	<u>2,366,479</u>	<u>2,366,479</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,416,179</u>	<u>\$ 2,352,679</u>	<u>\$ 2,515,032</u>	<u>\$ 162,353</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, 2011**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 470,000	\$ 470,000	\$ 474,952	\$ 4,952
Investment earnings	500	500	519	19
<b>Total revenues</b>	<u>470,500</u>	<u>470,500</u>	<u>475,471</u>	<u>4,971</u>
<b>Expenditures</b>				
Current				
Public works				
Street maintenance	428,000	430,200	375,316	54,884
Street construction	195,400	195,400	181,578	13,822
Street administration	118,200	118,200	109,892	8,308
Engineering	48,100	48,100	38,567	9,533
<b>Total expenditures</b>	<u>789,700</u>	<u>791,900</u>	<u>705,353</u>	<u>86,547</u>
Revenues over (under) expenditures	<u>(319,200)</u>	<u>(321,400)</u>	<u>(229,882)</u>	<u>91,518</u>
Other financing sources				
Transfers in	510,000	510,000	510,000	-
Transfers out	<u>(280,000)</u>	<u>(280,000)</u>	<u>(273,946)</u>	<u>6,054</u>
Total other financing sources (uses)	<u>230,000</u>	<u>230,000</u>	<u>236,054</u>	<u>6,054</u>
Net changes in fund balance	190,800	(91,400)	6,172	97,572
<b>Fund balance, beginning of year</b>	<u>631,735</u>	<u>631,735</u>	<u>631,735</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 822,535</u>	<u>\$ 540,335</u>	<u>\$ 637,907</u>	<u>\$ 97,572</u>

# CITY OF EAST GRAND RAPIDS

## REQUIRED SUPPLEMENTARY INFORMATION

---

### MERS DEFINED BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

---

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2008	\$ 12,319,769	\$ 18,149,319	\$ 5,829,550	67.88%	\$ 707,396	824.09%
12/31/2009	11,693,346	18,022,984	6,329,638	64.88%	673,192	940.24%
12/31/2010	11,286,065	17,905,375	6,619,310	63.03%	581,999	1137.34%

**CITY OF EAST GRAND RAPIDS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**RETIREE HEALTH OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS**

---

<u>Actuarial Valuation Date</u>	<u>Market Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2006	\$ -	\$ 1,782,803	\$ 1,782,803	0.00%	\$ 3,635,815	49.03%
6/30/2011	817,320	2,607,925	1,790,605	31.34%	4,092,467	43.75%

---

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

---

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2009	\$ 222,093	\$ 517,477	233%
2010	232,087	330,892	143%
2011	233,844	181,203	77%

---

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

---

**Basis of Accounting**

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

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**CITY OF EAST GRAND RAPIDS**

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

**FOR THE YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amount	Variance Positive (\$ Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 7,130,000	\$ 7,130,000	\$ 7,124,246	\$ (5,754)
Interest and penalties on property taxes	20,000	20,000	25,303	5,303
Total taxes	<u>7,150,000</u>	<u>7,150,000</u>	<u>7,149,549</u>	<u>(451)</u>
Intergovernmental revenue				
State shared revenue	678,500	678,500	798,316	119,816
State grants	7,500	7,500	276,065	268,565
Total intergovernmental revenue	<u>686,000</u>	<u>686,000</u>	<u>1,074,381</u>	<u>388,381</u>
Licenses and permits				
Business licenses	10,000	10,000	14,350	4,350
Cable television franchise fees	150,000	150,000	188,632	38,632
Building permits	22,000	22,000	24,642	2,642
Other	5,000	5,000	8,050	3,050
Total licenses and permits	<u>187,000</u>	<u>187,000</u>	<u>235,674</u>	<u>48,674</u>
Charges for services				
Administrative charges	130,000	130,000	130,000	-
Recreation fees	947,200	947,200	883,671	(63,529)
Grounds maintenance fees	133,300	133,300	130,406	(2,894)
Clerk's services	4,200	4,200	4,760	560
Right of way fees	34,000	34,000	31,988	(2,012)
Other	156,500	156,500	209,700	53,200
Total charges for services	<u>1,405,200</u>	<u>1,405,200</u>	<u>1,390,525</u>	<u>(14,675)</u>
Fines and penalties	<u>45,000</u>	<u>45,000</u>	<u>43,535</u>	<u>(1,465)</u>
Interest and rentals				
Interest	50,000	50,000	19,587	(30,413)
Cable tower rental	134,200	134,200	142,081	7,881
Total interest and rentals	<u>184,200</u>	<u>184,200</u>	<u>161,668</u>	<u>(22,532)</u>
<b>Total revenues</b>	<u>\$ 9,657,400</u>	<u>\$ 9,657,400</u>	<u>\$ 10,055,332</u>	<u>\$ 397,932</u>

**(This page left intentionally blank)**

# CITY OF EAST GRAND RAPIDS

## GENERAL FUND SCHEDULE OF EXPENDITURES BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2011**

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
Legislative				
City Commission				
Personnel services	\$ 8,600	\$ 8,600	\$ 8,069	\$ 531
Contractual services	4,500	4,500	2,815	1,685
Other	14,300	14,300	12,136	2,164
Total legislative	27,400	27,400	23,020	4,380
General government				
City Manager				
Personnel services	231,100	231,100	229,488	1,612
Contractual services	2,500	2,500	3,828	(1,328)
Equipment	200	200	123	77
Other	6,000	6,000	3,469	2,531
Total city manager	239,800	239,800	236,908	2,892
City Assessor				
Personnel services	97,200	97,200	91,265	5,935
Operating supplies	4,200	4,200	4,379	(179)
Equipment	200	200	-	200
Other	1,700	1,700	1,473	227
Total City Assessor	103,300	103,300	97,117	6,183
City Attorney				
Professional services	200,000	215,000	203,142	11,858
Elections				
Personnel services	13,000	13,000	12,988	12
Contractual services	1,000	1,000	-	1,000
Operating supplies	4,000	4,000	1,249	2,751
Total Elections	18,000	18,000	14,237	3,763

(continued)

# CITY OF EAST GRAND RAPIDS

## GENERAL FUND SCHEDULE OF EXPENDITURES BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Controller-Clerk-Treasurer				
Personnel services	\$ 463,800	\$ 463,800	\$ 448,998	\$ 14,802
Contractual services	4,000	4,000	18,946	(14,946)
Professional services	15,700	15,700	13,500	2,200
Operating supplies	36,000	36,000	24,183	11,817
Repairs and maintenance	39,000	39,000	36,709	2,291
Equipment	800	800	424	376
Other	11,700	11,700	15,664	(3,964)
Total Controller-Clerk-Treasurer	<u>571,000</u>	<u>571,000</u>	<u>558,424</u>	<u>12,576</u>
City buildings				
Personnel services	195,000	195,000	190,124	4,876
Contractual services	424,100	424,100	367,649	56,451
Operating supplies	29,200	29,200	27,602	1,598
Repairs and maintenance	33,000	33,000	42,678	(9,678)
Equipment	11,000	11,000	12,277	(1,277)
Other	5,100	5,100	1,789	3,311
Total city buildings	<u>697,400</u>	<u>697,400</u>	<u>642,119</u>	<u>55,281</u>
Total general government	<u>1,829,500</u>	<u>1,844,500</u>	<u>1,751,947</u>	<u>92,553</u>
Public Safety				
General activity				
Personnel services	3,529,900	3,529,900	3,602,178	(72,278)
Contractual services	115,900	115,900	98,912	16,988
Operating supplies	80,000	80,000	54,235	25,765
Repairs and maintenance	9,000	9,000	5,861	3,139
Equipment	175,000	175,000	191,421	(16,421)
Other	30,500	30,500	22,807	7,693
Total general activity	<u>3,940,300</u>	<u>3,940,300</u>	<u>3,975,414</u>	<u>(35,114)</u>
State programs				
Training	6,700	7,700	7,470	230
Drug seizure program				
Operating supplies	1,000	1,000	-	1,000
Repairs and maintenance	1,000	1,000	-	1,000
Other	4,000	3,000	-	3,000
Total drug seizure program	<u>6,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>

(continued)

# CITY OF EAST GRAND RAPIDS

## GENERAL FUND SCHEDULE OF EXPENDITURES BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Inspection				
Personnel services	\$ 87,800	\$ 96,800	\$ 95,836	\$ 964
Contractual services	13,000	13,000	10,304	2,696
Operating supplies	500	500	1,085	(585)
Equipment	5,000	5,000	2,698	2,302
Total inspection	<u>106,300</u>	<u>115,300</u>	<u>109,923</u>	<u>5,377</u>
Total public safety	<u>4,059,300</u>	<u>4,068,300</u>	<u>4,092,807</u>	<u>(24,507)</u>
Public Works				
Engineering				
Personnel services	46,300	69,200	55,764	13,436
Contractual services	800	8,800	1,138	7,662
Operating supplies	1,000	1,000	641	359
Equipment	1,000	1,000	2,698	(1,698)
Total engineering	<u>49,100</u>	<u>80,000</u>	<u>60,241</u>	<u>19,759</u>
Street lighting				
Contractual services	84,000	84,000	90,637	(6,637)
Repairs and maintenance	7,000	7,000	3,879	3,121
Total street lighting	<u>91,000</u>	<u>91,000</u>	<u>94,516</u>	<u>(3,516)</u>
Wealthy streetscape maintenance				
Personnel services	6,100	6,100	6,125	(25)
Contractual services	66,500	66,500	54,246	12,254
Operating supplies	11,100	11,100	15,288	(4,188)
Repairs and maintenance	2,000	10,600	13,712	(3,112)
Total wealthy streetscape maintenance	<u>85,700</u>	<u>94,300</u>	<u>89,371</u>	<u>4,929</u>
Waste collection				
Personnel services	166,000	166,000	140,344	25,656
Contractual services	103,000	103,000	99,604	3,396
Operating supplies	800	800	604	196
Equipment	80,000	80,000	72,589	7,411
Total waste collection	<u>349,800</u>	<u>349,800</u>	<u>313,141</u>	<u>36,659</u>

(continued)

# CITY OF EAST GRAND RAPIDS

## GENERAL FUND SCHEDULE OF EXPENDITURES BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Lake restoration				
Contractual services	\$ 58,000	\$ 58,000	\$ 54,729	\$ 3,271
Tree maintenance and removal				
Personnel services	149,100	149,100	119,581	29,519
Contractual services	25,000	25,000	32,770	(7,770)
Repairs and maintenance	1,000	1,000	543	457
Equipment	20,000	15,000	6,169	8,831
Tree maintenance and removal	<u>195,100</u>	<u>190,100</u>	<u>159,063</u>	<u>31,037</u>
Grounds maintenance				
Personnel services	157,500	157,500	153,478	4,022
Contractual services	1,100	1,100	968	132
Operating supplies	21,300	21,300	23,969	(2,669)
Repairs and maintenance	66,800	66,800	65,322	1,478
Equipment	45,000	45,000	45,238	(238)
Other	200	200	-	200
Total grounds maintenance	<u>291,900</u>	<u>291,900</u>	<u>288,975</u>	<u>2,925</u>
Total public works	<u>1,120,600</u>	<u>1,155,100</u>	<u>1,060,036</u>	<u>95,064</u>
Culture and recreations				
Parks and recreations				
Personnel services	721,400	721,400	698,466	22,934
Contractual services	126,400	126,400	140,429	(14,029)
Joint facilities agreement	160,900	160,900	156,699	4,201
Operating supplies	36,100	36,100	30,215	5,885
Repairs and maintenance	12,200	12,200	14,705	(2,505)
Equipment	1,200	1,200	1,059	141
Other	15,000	15,000	15,240	(240)
Total parks and recreations	<u>1,073,200</u>	<u>1,073,200</u>	<u>1,056,813</u>	<u>16,387</u>
Special events				
Personnel services	5,100	5,100	3,829	1,271
Contractual services	64,800	64,800	69,797	(4,997)
Operating supplies	51,900	51,900	48,312	3,588
Other	33,800	38,800	35,554	3,246
Total special events	<u>155,600</u>	<u>160,600</u>	<u>157,492</u>	<u>3,108</u>
Total culture and recreation	<u>1,228,800</u>	<u>1,233,800</u>	<u>1,214,305</u>	<u>19,495</u>

(continued)

**CITY OF EAST GRAND RAPIDS**

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

**FOR THE YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Other				
Personnel services	\$ 9,000	\$ 9,000	\$ 18,305	\$ (9,305)
Contractual services	34,000	34,000	19,711	14,289
Insurance premiums	121,000	121,000	114,962	6,038
Other	-	-	10,993	(10,993)
Total other	<u>164,000</u>	<u>164,000</u>	<u>163,971</u>	<u>29</u>
Capital outlay				
Controller-Clerk-Treasurer	10,800	10,800	4,763	6,037
City buildings	63,300	63,300	14,121	49,179
Public safety				
General activity	2,200	2,200	1,852	348
Drug seizure program	9,800	9,800	12,139	(2,339)
Culture and recreation				
Parks	60,000	60,000	398,214	(338,214)
Other	<u>15,000</u>	<u>15,000</u>	<u>2,604</u>	<u>12,396</u>
Total capital outlay	<u>161,100</u>	<u>161,100</u>	<u>433,693</u>	<u>(272,593)</u>
<b>Total expenditures</b>	<u>\$ 8,590,700</u>	<u>\$ 8,654,200</u>	<u>\$ 8,739,779</u>	<u>\$ (85,579)</u>

(concluded)

**CITY OF EAST GRAND RAPIDS**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**JUNE 30, 2011**

	Special Revenue		Debt Service	
	Local Streets	Wealthy Pool	Municipal Complex	Streetscape
<b>Assets</b>				
Cash and pooled investments	\$ 258,857	\$ 16,599	\$ 45,408	\$ -
Investments	251,220	-	-	-
Accounts receivable	50,000	-	-	-
Special assessments receivable	-	-	-	-
Due from other governments	27,722	-	-	-
Prepaid items	1,191	-	-	-
<b>Total assets</b>	<b>\$ 588,990</b>	<b>\$ 16,599</b>	<b>\$ 45,408</b>	<b>\$ -</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,252	\$ -	\$ -	\$ -
Accrued liabilities	1,903	-	-	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>3,155</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>				
Nonspendable				
Prepays	1,191	-	-	-
Restricted				
Streets	584,644	-	-	-
Assigned	-	16,599	45,408	-
<b>Total fund balances</b>	<b>585,835</b>	<b>16,599</b>	<b>45,408</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 588,990</b>	<b>\$ 16,599</b>	<b>\$ 45,408</b>	<b>\$ -</b>

---

**Capital Projects**

---

<b>Municipal Complex</b>	<b>Special Assessments</b>	<b>Total</b>
\$ -	\$ 1,779	\$ 322,643
-	-	251,220
-	-	50,000
-	75,827	75,827
-	-	27,722
-	-	1,191
<hr/>	<hr/>	<hr/>
<b>\$ -</b>	<b>\$ 77,606</b>	<b>\$ 728,603</b>

\$ -	\$ -	\$ 1,252
-	-	1,903
<hr/>	<hr/>	<hr/>
-	61,874	61,874
<hr/>	<hr/>	<hr/>
-	61,874	65,029

-	-	1,191
-	-	584,644
<hr/>	<hr/>	<hr/>
-	15,732	77,739
<hr/>	<hr/>	<hr/>
-	15,732	663,574
<hr/>	<hr/>	<hr/>
<b>\$ -</b>	<b>\$ 77,606</b>	<b>\$ 728,603</b>

**CITY OF EAST GRAND RAPIDS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Special Revenue		Debt Service	
	Local Streets	Wealthy Pool	Municipal Complex	Streetscape
<b>Revenues</b>				
Taxes	\$ -	\$ 137,402	\$ 502,100	\$ -
Intergovernmental revenues				
State	201,768	-	-	-
Local	230,254	-	-	-
Special assessments	-	-	-	-
Investment earnings	3,750	129	336	12
<b>Total revenues</b>	<u>435,772</u>	<u>137,531</u>	<u>502,436</u>	<u>12</u>
<b>Expenditures</b>				
Current				
Public works	1,210,198	-	-	-
Debt service				
Principal	-	75,000	110,000	190,000
Interest	-	64,940	391,264	87,100
<b>Total expenditures</b>	<u>1,210,198</u>	<u>139,940</u>	<u>501,264</u>	<u>277,100</u>
Revenues over (under) expenditures	<u>(774,426)</u>	<u>(2,409)</u>	<u>1,172</u>	<u>(277,088)</u>
Other financing sources (uses)				
Transfers in	526,000	-	24,228	273,946
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>526,000</u>	<u>-</u>	<u>24,228</u>	<u>273,946</u>
Net changes in fund balances	(248,426)	(2,409)	25,400	(3,142)
<b>Fund balances, beginning of year</b>	<u>834,261</u>	<u>19,008</u>	<u>20,008</u>	<u>3,142</u>
<b>Fund balances, end of year</b>	<u>\$ 585,835</u>	<u>\$ 16,599</u>	<u>\$ 45,408</u>	<u>\$ -</u>

---

**Capital Projects**

---

<u>Municipal</u> <u>Complex</u>	<u>Special</u> <u>Assessments</u>	<u>Total</u>
\$ -	\$ -	\$ 639,502
-	-	201,768
-	-	230,254
-	13,953	13,953
<u>39</u>	<u>7,054</u>	<u>11,320</u>
<u>39</u>	<u>21,007</u>	<u>1,096,797</u>
-	-	1,210,198
-	-	375,000
<u>-</u>	<u>-</u>	<u>543,304</u>
<u>-</u>	<u>-</u>	<u>2,128,502</u>
<u>39</u>	<u>21,007</u>	<u>(1,031,705)</u>
-	-	824,174
<u>(24,228)</u>	<u>(19,000)</u>	<u>(43,228)</u>
<u>(24,228)</u>	<u>(19,000)</u>	<u>780,946</u>
(24,189)	2,007	(250,759)
<u>24,189</u>	<u>13,725</u>	<u>914,333</u>
<u>\$ -</u>	<u>\$ 15,732</u>	<u>\$ 663,574</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, 2011**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 200,000	\$ 200,000	\$ 201,768	\$ 1,768
Local	-	-	230,254	230,254
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>3,750</u>	<u>2,750</u>
<b>Total revenues</b>	<u>201,000</u>	<u>201,000</u>	<u>435,772</u>	<u>234,772</u>
<b>Expenditures</b>				
Current				
Public works				
Street maintenance	435,600	461,800	444,227	17,573
Street construction	386,000	386,000	656,087	(270,087)
Street administration	<u>116,100</u>	<u>116,100</u>	<u>109,884</u>	<u>6,216</u>
<b>Total expenditures</b>	<u>937,700</u>	<u>963,900</u>	<u>1,210,198</u>	<u>(246,298)</u>
Revenues over (under) expenditures	(736,700)	(762,900)	(774,426)	(11,526)
Other financing source (uses)				
Transfers in	<u>526,000</u>	<u>526,000</u>	<u>526,000</u>	<u>-</u>
Net changes in fund balance	(210,700)	(236,900)	(248,426)	(11,526)
<b>Fund balance, beginning of year</b>	<u>834,261</u>	<u>834,261</u>	<u>834,261</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 623,561</u>	<u>\$ 597,361</u>	<u>\$ 585,835</u>	<u>\$ (11,526)</u>

**CITY OF EAST GRAND RAPIDS**

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

**JUNE 30, 2011**

<b>Assets</b>	<b>Motor Pool</b>	<b>Health Insurance</b>	<b>Total</b>
Current assets			
Cash and pooled investments	\$ 528,710	\$ 179,031	\$ 707,741
Investments	656,642	326,281	982,923
Accounts receivable	476	63,576	64,052
Prepaid and other assets	540	24,214	24,754
Inventory	<u>54,064</u>	<u>-</u>	<u>54,064</u>
Total current assets	<u>1,240,432</u>	<u>593,102</u>	<u>1,833,534</u>
Capital assets			
Capital assets being depreciated	3,499,599	-	3,499,599
Less accumulated depreciation	<u>(2,097,603)</u>	<u>-</u>	<u>(2,097,603)</u>
Net capital assets	<u>1,401,996</u>	<u>-</u>	<u>1,401,996</u>
<b>Total assets</b>	<u>2,642,428</u>	<u>593,102</u>	<u>3,235,530</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	66,830	11,060	77,890
Accrued liabilities	1,317	80,487	81,804
Current portion of compensated absences	<u>8,183</u>	<u>-</u>	<u>8,183</u>
Total current liabilities	76,330	91,547	167,877
Long-term liabilities			
Compensated absences	<u>1,144</u>	<u>-</u>	<u>1,144</u>
<b>Total liabilities</b>	<u>77,474</u>	<u>91,547</u>	<u>169,021</u>
<b>Net assets</b>			
Investment in capital assets, net of related debt	1,401,996	-	1,401,996
Unrestricted	<u>1,162,958</u>	<u>501,555</u>	<u>1,664,513</u>
<b>Total net assets</b>	<u>\$ 2,564,954</u>	<u>\$ 501,555</u>	<u>\$ 3,066,509</u>

# CITY OF EAST GRAND RAPIDS

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

---

	<u>Motor Pool</u>	<u>Health Insurance</u>	<u>Total</u>
<b>Operating revenue</b>			
Charges for services	\$ 634,970	\$ 1,037,260	\$ 1,672,230
Other	<u>101,607</u>	<u>-</u>	<u>101,607</u>
<b>Total operating revenue</b>	<u>736,577</u>	<u>1,037,260</u>	<u>1,773,837</u>
<b>Operating expense</b>			
Salaries and wages	156,884	-	156,884
Contracted services	-	294,572	294,572
Materials and supplies	226,910	-	226,910
Equipment	3,849	-	3,849
Claims	-	707,163	707,163
Administration	-	121,169	121,169
Depreciation	<u>195,132</u>	<u>-</u>	<u>195,132</u>
<b>Total operating expense</b>	<u>582,775</u>	<u>1,122,904</u>	<u>1,705,679</u>
Operating income (loss)	<u>153,802</u>	<u>(85,644)</u>	<u>68,158</u>
Non-operating revenue (expense)			
Interest income	<u>8,512</u>	<u>2,631</u>	<u>11,143</u>
Changes in net assets	162,314	(83,013)	79,301
<b>Net assets, beginning of year</b>	<u>2,402,640</u>	<u>584,568</u>	<u>2,987,208</u>
<b>Net assets, end of year</b>	<u>\$ 2,564,954</u>	<u>\$ 501,555</u>	<u>\$ 3,066,509</u>

**CITY OF EAST GRAND RAPIDS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Motor Pool</u>	<u>Health Insurance</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Receipts from internal services provided	\$ 736,577	\$ 1,037,260	\$ 1,773,837
Payments to employees	(159,757)	-	(159,757)
Payments to suppliers	(178,720)	(1,183,835)	(1,362,555)
<b>Net cash provided by (used in) operating activities:</b>	<u>398,100</u>	<u>(146,575)</u>	<u>251,525</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisitions of capital asset:	(133,460)	-	(133,460)
<b>Cash flows from investing activities:</b>			
Net investment activity	(7,554)	(3,599)	(11,153)
Interest income	8,107	3,924	12,031
<b>Net cash provided by (used in) investing activities:</b>	<u>553</u>	<u>325</u>	<u>878</u>
Net increase (decrease) in cash and pooled investments	265,193	(146,250)	118,943
<b>Cash and pooled investments, beginning of year</b>	<u>263,517</u>	<u>325,281</u>	<u>588,798</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 528,710</u>	<u>\$ 179,031</u>	<u>\$ 707,741</u>
<b>Cash flows from operating activities:</b>			
Operating income (loss)	\$ 153,802	\$ (85,644)	\$ 68,158
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	195,132	-	195,132
Change in operating assets and liabilities which provided (used) cash			
Accounts receivable	-	(63,576)	(63,576)
Prepaid and other assets	118	(4,256)	(4,138)
Inventory	(1,483)	-	(1,483)
Accounts payable	53,404	6,811	60,215
Accrued liabilities	(3,291)	90	(3,201)
Compensated absences	418	-	418
<b>Net cash provided by (used in) operating activities:</b>	<u>\$ 398,100</u>	<u>\$ (146,575)</u>	<u>\$ 251,525</u>

**CITY OF EAST GRAND RAPIDS**

**AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**FOR THE YEAR ENDED JUNE 30, 2011**

---

	<u>Current Tax Collection Fund</u>			
	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Assets</b>				
Cash and pooled investments	\$ 32,973	\$ 16,508,950	\$ 16,520,317	\$ 21,606
Accounts receivable	<u>7,849</u>	<u>16,700,630</u>	<u>16,700,762</u>	<u>7,717</u>
<b>Total assets</b>	<u>\$ 40,822</u>	<u>\$ 33,209,580</u>	<u>\$ 33,221,079</u>	<u>\$ 29,323</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 40,822</u>	<u>\$ 34,417,468</u>	<u>\$ 34,428,967</u>	<u>\$ 29,323</u>
<b>Total liabilities</b>	<u>\$ 40,822</u>	<u>\$ 34,417,468</u>	<u>\$ 34,428,967</u>	<u>\$ 29,323</u>

Continuing Disclosure Filing

**City of East Grand Rapids**  
County of Kent, State of Michigan

*Fiscal Year Ended*  
*June 30, 2011*

LIST OF CURRENT  
NATIONALLY RECOGNIZED MUNICIPAL SECURITIES  
INFORMATION REPOSITORIES (NRMSIRs)

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street – 45th Floor  
New York, New York 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
E-mail: nrmsir\_repository@sandp.com

Bloomberg Municipal Repositories  
100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
E-mail: Munis@Bloomberg.com

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, New York 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390  
E-mail: Nrmsir@FTID.com

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
E-mail: nrmsir@dpcdata.com

STATE INFORMATION REPOSITORY

Municipal Advisory Council of Michigan  
1445 First National Building  
Detroit, Michigan 48226-3517  
Phone: 313-963-0420  
Fax: 313-963-0943  
E-mail: Jackie@macmi.com

MUNICIPAL SECONDARY MARKET DISCLOSURE  
INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission Rule 15c2-12.

Issuer's and/or Other Obligated Person's Name: City of East Grand Rapids

CUSIP Numbers (attach additional sheet if necessary):

- Nine-digit number(s) to which the information relates:
- Information relates to **all securities** issued by the issuer having the following six-digit number(s): 272461  
\* \* \*

Number of pages of attached information:

Description of Material Event Notice / Financial Information (Check One):

- 1. \_\_\_ Principal and interest payment delinquencies
- 2. \_\_\_ Non-Payment related defaults
- 3. \_\_\_ Unscheduled draws on debt service reserves reflecting financial difficulties
- 4. \_\_\_ Unscheduled draws on credit enhancements reflecting financial difficulties
- 5. \_\_\_ Substitution of credit or liquidity providers, or their failure to perform
- 6. \_\_\_ Adverse tax opinions or events affecting the tax-exempt status of the security
- 7. \_\_\_ Modifications to rights of securities holders
- 8. \_\_\_ Bond calls
- 9. \_\_\_ Defeasances
- 10. \_\_\_ Release, substitution, or sale of property securing repayment of the securities
- 11. \_\_\_ Rating changes
- 12. \_\_\_ Failure to provide annual financial information as required for the fiscal years ended June 30, 2002 and 2003
- 13. \_\_\_ Other material event notice (specify)
- 14. X Financial information\*: Please check all appropriate boxes:

- CAFR: (a)  includes  does not include Annual Financial Information
- (b) Audited? Yes  No
- Annual Financial Information: Audited? Yes  No
- Operating Data
- Fiscal Period Covered: Fiscal Years Ended June 30, 2011

\*Financial information **should not** be filed with the MSRB  
\* \* \*

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: 

Name: Jeff Dood Title: Finance Director/Treasurer

Employer: City of East Grand Rapids, Michigan

Address: 750 Lakeside Drive, SE

City, State, Zip Code: East Grand Rapids, Michigan 49506-3092

Voice Telephone Number: (616) 949-2110

**Population**

The City's 1960, 1970, 1980, 1990, 2000 and 2010 census are as follows:

<u>Year of Census</u>	<u>Population</u>
1960	10,924
1970	12,565
1980	10,914
1990	10,807
2000	10,764
2010	10,694

Source: U.S. Department of Commerce-Bureau of Census

**City of East Grand Rapids  
Total Taxable Value  
Fiscal Years Ended or Ending June 30, 2008 Through 2012**

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>City's Fiscal Years Ended or Ending June 30</u>	<u>Ad Valorem Taxable Value</u>	<u>Percent Increase Over Prior Year</u>
2006	2007	2008	\$457,564,084	5.01
2007	2008	2009	485,766,281	6.16
2008	2009	2010	534,734,545	10.10
2009	2010	2011	527,292,789	(1.39)
2010	2011	2012	534,081,653	1.29

Per Capita Taxable Value for the Fiscal Year Ending June 30, 2012 (1).....\$49,942.17

(1) Based on the City's 2010 census population of 10,694.

Source: City of East Grand Rapids

**City of East Grand Rapids  
Taxable Value by Use and Class  
Fiscal Years Ended or Ending June 30, 2008 Through 2012**

<u>Use</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Commercial .....	\$ 19,077,786	\$ 20,524,037	\$ 24,986,019	\$ 25,275,280	\$ 25,014,349
Utility .....	3,302,200	2,182,000	2,370,528	2,363,416	2,681,500
Residential .....	<u>435,184,098</u>	<u>463,060,244</u>	<u>507,377,998</u>	<u>499,654,093</u>	<u>506,385,804</u>
	<u>\$ 457,564,084</u>	<u>\$ 485,766,281</u>	<u>\$ 534,734,545</u>	<u>\$ 527,292,789</u>	<u>\$ 534,081,653</u>
<u>Class</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real Property .....	\$ 451,099,584	\$ 480,037,681	\$ 528,846,117	\$ 521,434,773	\$ 527,994,753
Personal Property .....	<u>6,464,500</u>	<u>5,728,600</u>	<u>5,888,428</u>	<u>5,858,016</u>	<u>6,086,900</u>
	<u>\$ 457,564,084</u>	<u>\$ 485,766,281</u>	<u>\$ 534,734,545</u>	<u>\$ 527,292,789</u>	<u>\$ 534,081,653</u>

Source: City of East Grand Rapids

**City of East Grand Rapids  
State Equalized Valuation  
Fiscal Years Ended or Ending June 30, 2008 Through 2012**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem SEV	Percent Increase Over Prior Year
2006	2007	2008	\$642,301,800	2.78
2007	2008	2009	638,029,800	(.06)
2008	2009	2010	613,188,100	(3.90)
2009	2010	2011	595,297,800	(2.90)
2010	2011	2012	605,889,000	1.78

Per Capita SEV for the Fiscal Year Ending June 30, 2012(1) ..... \$56,656.91

(1) Based on the City's 2010 census population of 10,694.  
Source: City of East Grand Rapids

**City of East Grand Rapids  
SEV by Use and Class  
Fiscal Years Ended or Ending June 30, 2008 Through 2012**

Use	Fiscal Years Ended or Ending June 30				
	2008	2009	2010	2011	2012
Commercial .....	\$ 26,332,600	\$ 24,087,600	\$ 28,892,300	\$ 29,220,600	\$ 28,159,900
Residential .....	613,485,200	611,643,600	581,701,100	563,623,200	575,047,600
Utility.....	<u>2,484,000</u>	<u>2,298,600</u>	<u>2,594,700</u>	<u>2,454,000</u>	<u>2,681,500</u>
	<u>\$ 642,301,800</u>	<u>\$ 638,029,800</u>	<u>\$ 613,188,100</u>	<u>\$ 595,297,800</u>	<u>\$ 605,889,000</u>
Class	2008	2009	2010	2011	2012
Real Property .....	\$ 636,363,700	\$ 632,093,900	\$ 607,075,500	\$ 589,349,200	\$ 599,802,100
Personal Property.....	<u>5,937,900</u>	<u>5,935,900</u>	<u>6,112,600</u>	<u>5,948,600</u>	<u>6,086,900</u>
	<u>\$ 642,301,800</u>	<u>\$ 638,029,800</u>	<u>\$ 613,188,100</u>	<u>\$ 595,297,800</u>	<u>\$ 605,889,000</u>

Source: City of East Grand Rapids

**City of East Grand Rapids  
Maximum Property Tax Rates  
Fiscal Year Ending June 30, 2012**

Millage Classification	Millage Authorized	Applicable Millage Reduction Fraction (1)	Maximum Allowable Millage
Operating .....	20.0000	0.6759	13.5195

(1) Cumulative.  
Source: City of East Grand Rapids

**City of East Grand Rapids  
Property Tax Rates  
Fiscal Years Ended or Ending June 30, 2008 Through 2012**

Levy <u>July 1</u>	Fiscal Years Ended or <u>Ending June 30</u>	<u>Operating</u>
2007	2008	13.5195
2008	2009	13.5195
2009	2010	13.5195
2010	2011	13.5195
2011	2012	13.5195

Source: City of East Grand Rapids

**City of East Grand Rapids  
Homestead(1) Property Tax Rates by Governmental Unit  
Fiscal Years Ended or Ending June 30, 2007 Through 2011**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City of East Grand Rapids.....	\$ 13.6162	\$ 13.5195	\$13.5195	\$ 13.5195	\$ 13.5195
City of East Grand Rapids Debt.....	1.1000	1.0500	1.1500	1.2200	1.2100
County of Kent.....	5.3140	5.3940	5.3940	5.3940	5.3940
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
East Grand Rapids Public Schools.....	9.8206	9.7881	9.7881	9.7881	9.7699
Kent County Intermediate School District.....	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College.....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Partnership.....	0.9500	0.9500	1.1200	1.1200	1.1200
District Library.....	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>
Total.....	<u>\$ 44.2376</u>	<u>\$ 44.0584</u>	<u>\$44.3284</u>	<u>\$ 44.3984</u>	<u>\$ 44.3702</u>

**City of East Grand Rapids  
Non-Homestead(1) Property Tax Rates by Governmental Unit  
Fiscal Years Ended or Ending June 30, 2007 Through 2011**

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City of East Grand Rapids.....	\$ 13.6162	\$ 13.5195	\$13.5195	\$ 13.5195	\$ 13.5195
City of East Grand Rapids Debt.....	1.1000	1.0500	1.1500	1.2200	1.2100
County of Kent.....	5.3140	5.3940	5.3940	5.3940	5.3940
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
East Grand Rapids Public Schools.....	27.8206	27.7881	27.6550	27.6550	27.7699
Kent County Intermediate School District.....	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College.....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Partnership.....	0.9500	0.9500	1.1200	1.1200	1.1200
District Library.....	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>	<u>0.8800</u>
Total.....	<u>\$ 62.2376</u>	<u>\$ 62.0584</u>	<u>\$62.1953</u>	<u>\$62.2653</u>	<u>\$62.3702</u>

(1) *Homestead Property* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the Living Care Disclosure Act, Act 440 of the Public Acts of Michigan of 1976, as amended. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-homestead Property* is property not included in the above definition.

Source: City of East Grand Rapids

**City of East Grand Rapids  
Property Tax Collections  
Fiscal Years Ended or Ending June 30, 2007 Through 2011**

July 1 <u>Levy</u>	Fiscal Years Ended or Ending <u>June 30</u>	City <u>Tax Levy(1)</u>	Collections to March 1 <u>Following Levy</u>	Percent <u>Collected</u>
2006	2007	\$6,614,270	6,481,797	98.00
2007	2008	6,927,882	6,717,889	96.97
2008	2009	7,106,947	6,885,596	96.89
2009	2010	7,229,323	7,056,471	97.61
2010	2011	7,128,714	6,995,064	98.13

(1) See "CITY TAXATION AND LIMITATIONS - Property Valuations".

Source: City of East Grand Rapids

**City of East Grand Rapids  
Ten Largest Taxpayers  
Fiscal Year Ending June 30, 2012**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	<u>Percent of Total (1)</u>
Jade Pig Ventures EGR LLC .....	Office/Retail .....	\$6,215,700	1.16%
Spectrum Health Hospitals.....	Office.....	3,935,600	0.73
Lakewood Hills LLC .....	Apartments .....	1,772,656	0.33
Geenen, David ET AL. ....	Shopping Center .....	1,761,282	0.32
Consumers Energy Co .....	Utility .....	1,680,800	0.31
Bissell, Mark J & Catherine .....	Residential Home .....	1,447,902	0.27
Cummings, Samuel .....	Residential Home .....	1,219,863	0.23
Jade Pig Ventures EB3 LLC .....	Vacant Commercial Land.....	1,218,200	0.23
Wege, Peter M Trust.....	Residential Home .....	1,195,726	0.22
Coral, Robert W 111 Trust.....	Residential Home .....	<u>1,175,346</u>	<u>0.22</u>
		<u>\$21,623,075</u>	<u>4.04%</u>

(1) Based on \$534,081,653 which is the City's Total Taxable Value for its fiscal year ending June 30, 2012.

Source: City of East Grand Rapids

**City of East Grand Rapids  
Revenues From the State of Michigan  
Fiscal Years Ended or Ending June 30, 2008 Through 2012**

	Fiscal Year Ended or Ending June 30				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 (1)</u>
Total Revenues .....	<u>\$939,212</u>	<u>\$934,628</u>	<u>\$802,316</u>	<u>\$795,642</u>	<u>\$690,000</u>

(1) Budgeted.

Source: City of East Grand Rapids

**Legal Debt Margin**

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of October 2, 2011.

Debt Limit (1) .....	\$ 60,588,900
Debt Outstanding (2).....	\$ 12,117,655
Less: Exempt Debt (3) .....	<u>2,497,655</u>
Legal Debt Margin .....	<u>\$50,968,900</u>

(1) 10% of \$605,889,000 which is the City's SEV for the fiscal year ending June 30, 2012. See "CITY TAXATION AND LIMITATIONS – Property Valuations" herein.

(2) See "CITY DEBT-Statutory and Constitutional Debt Provisions" herein.

Source: Municipal Advisory Council of Michigan and the City of East Grand Rapids

**Debt Statement**

The following table reflects a breakdown of the City’s direct and overlapping debt as of October 2, 2011. Direct debt that is shown as self-supporting is paid from sources other than the City’s general fund.

The City’s ability to levy taxes to pay the debt service on the obligations that are designated as “Limited Tax” is subject to applicable charter, statutory and constitutional limitations. See “CITY TAXATION AND LIMITATIONS” herein.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Share of County Issued Bonds:			
Dated September 30, 2003 (Limited Tax).....	\$ 442,655	\$ 442,655	\$ -0-
Subtotal.....	<u>\$ 442,655</u>	<u>\$ 442,655</u>	<u>\$ -0-</u>
Michigan Transportation Fund Bonds:			
Dated April 1, 2005 (Limited Tax).....	\$ 2,055,000	\$ 2,055,000	\$ -0-
Subtotal.....	<u>\$ 2,055,000</u>	<u>\$ 2,055,000</u>	<u>\$ -0-</u>
General Obligation Bonds:			
Dated July 1, 2004 (Unlimited Tax).....	\$ 8,320,000	\$ -0-	\$ 8,320,000
Dated February 1, 2002 (Unlimited Tax).....	<u>1,300,000</u>	<u>-0-</u>	<u>1,300,000</u>
Subtotal.....	<u>\$ 9,620,000</u>	<u>\$ -0-</u>	<u>\$ 9,620,000</u>
Total Direct Debt.....	<u>\$ 12,117,655</u>	<u>\$ 2,497,655</u>	<u>\$ 9,620,000</u>

Per Capita Net Direct Debt (1) ..... \$899.57  
 Percent of Net Direct Debt to Total SEV (2) ..... 1.59%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>City Share as a Percent of Gross</u>	<u>Net</u>
East Grand Rapids Public Schools .....	\$ 82,228,566	93.82%	\$ 77,146,841
Kent County.....	147,250,000	2.55	3,754,875
Grand Rapids Community College.....	<u>48,885,000</u>	2.47	<u>11,207,460</u>
Total Overlapping Debt.....	<u>\$ 278,363,566</u>		<u>\$ 82,109,176</u>
Total Net Direct and Overlapping Debt.....	<u>\$ 290,481,221</u>		<u>\$ 91,729,176</u>

Per Capita Net Overlapping Debt (1)..... \$7,678.06  
 Percent of Net Overlapping Debt to Total SEV (2) ..... 13.55%

Per Capita Net Direct and Overlapping Debt (1)..... \$8,577.63  
 Percent of Net Direct and Overlapping Debt to Total SEV (2) ..... 15.14%

- (1) Based on the City’s 2010 Census of 10,694.  
 (2) Based on \$605,889,000 which is the City’s SEV for the fiscal year ending June 30, 2012. See “CITY TAX AND LIMITATIONS - Property Valuations”.  
 (3) Overlapping debt is the portion of another taxing unit’s debt for which property taxpayers of the City are liable in addition to debt issued by the City.

Source: Municipal Advisory Council of Michigan and the City of East Grand Rapids.

## **INTERNAL CONTROL AND COMPLIANCE**



*Vredeveld Haefner LLC*

CPA's and Consultants

4001 Granada Ct.  
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**

October 13, 2011

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

We have audited 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 13, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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*.

This report is intended solely for the information and use of management, City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vredeveld Haefner LLC*

**(This page left intentionally blank)**



*Vredeveld Haefner LLC*

CPA's and Consultants

4001 Granada Ct.  
Grand Rapids, MI 49534  
FAX (616) 828-0307

**Douglas J. Vredeveld, CPA**

**(616) 446-7474**

**Peter S. Haefner, CPA**

**(616) 460-9388**

October 13, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Grand Rapids for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 15, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by East Grand Rapids are described in Note 1 to the financial statements. As described in Note 1, the City of East Grand Rapids changed accounting policies related to the classification of fund balance by adopting GASB Statement Number 54 in 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

Useful lives of capital assets and the valuation of the pension and other post employment benefit plan obligations.

Management's estimate of the useful lives is based on history and the estimate of plan obligations is based on actuarial valuations of the Plans. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 13, 2011.

*Specializing in services to governmental and nonprofit entities*

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the performance of our audit we also noted the following:

Claims for employee and retiree health care services were managed and paid by a third party administrator (TPA) external to the City's system of internal control. To improve internal control over the claims management and payment process we suggest that policies and procedures be implemented to evaluate the TPA's performance, compliance with City guidance and to assess the TPA's internal control system over service approval, payment, management and reporting on health care services.

We noted that controls over cash receipting does not include use of pre-numbered receipts or other mechanisms to assure all receipts are deposited with the City Treasurer. We suggest that the receipting process include the use of pre-numbered receipts and that the receipts be accounted for on a regular basis.

We noted a few areas where there is a review process in place, however there is not always evidence that the review has occurred. These areas include general journal entries and investment reconciliation. We suggest an initial and date by the individual reviewing these documents to provide the appropriate evidence that it has occurred.

City policy is for the Board to review financial information quarterly. It does not appear this occurred regularly during the year. As part of governance of the City, we suggest this review be completed regularly.

During our review of inventory listings we noted numerous small items were included in the inventory that could be expensed as purchased. There is also currently no process in place to track the use of these small items throughout the year. We suggest management review the inventory process and consider which items should be included in inventory and which would more appropriately be expensed when purchased.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Council and management of the City of East Grand Rapids, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

*Uredaxld Haefner LLC*