



CITY OF EAST GRAND RAPIDS, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015



Vredeveld Haefner LLC

CITY OF EAST GRAND RAPIDS

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INDEPENDENT AUDITORS' REPORT

October 6, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Grand Rapids, Michigan, (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Grand Rapids, Michigan, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Specializing in services to governmental and nonprofit entities

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the information on pages 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Uredewald 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, 2015.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2015 fiscal year as follows:

- Completed major road and infrastructure improvements on Lakeside Drive:
 - Major Street Fund expenditures of \$334,700. In addition, Federal funding of \$443,900 supported this project.
 - Sidewalk improvements in the Local Street Fund of \$82,600.
 - Water main improvements of \$115,700 in the Water and Sewer Fund (plus an additional \$304,400 from prior year).
- In the Motor Pool Equipment Replacement Fund, \$435,900 invested in various vehicle and equipment replacements.
- Refunded Michigan Transportation Fund Bond for a net future cash flow savings of approximately \$74,400.
- Payroll includes 66 full-time and 10 part-time positions with total salary expenditures of \$4,792,000.

Overview of the Financial Statements

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

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

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

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

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

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 which is considered to be a major fund. 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. A budgetary comparison statement has been provided for the general fund to demonstrate legal compliance.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer operation, which is considered to be a major fund of the City. Conversely, internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements.

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

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

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

information follows the required supplementary information and includes combining and individual fund statements and schedules.

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$20,556,250 at the close of the most recent fiscal year. The following chart illustrates the composition of net position.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 7,403,261	\$ 6,588,833	\$ 1,362,156	\$ 1,129,680	\$ 8,765,417	\$ 7,718,513
Long-term assets	23,555,886	23,732,900	9,034,038	9,245,087	32,589,924	32,977,987
Total assets	30,959,147	30,321,733	10,396,194	10,374,767	41,355,341	40,696,500
Deferred outflows of resources						
Pension contributions and deficit investment returns	511,033	-	-	-	511,033	-
Liabilities						
Current liabilities	1,416,753	1,588,934	264,184	499,654	1,680,937	2,088,588
Long-term liabilities	19,406,486	10,634,510	222,701	147,318	19,629,187	10,781,828
Total liabilities	20,823,239	12,223,444	486,885	646,972	21,310,124	12,870,416
Net position (deficit)						
Net investment in capital assets	13,060,627	12,765,265	8,886,720	8,993,735	21,947,347	21,759,000
Restricted	1,621,753	1,450,799	-	-	1,621,753	1,450,799
Unrestricted (deficit)	(4,035,439)	3,882,225	1,022,589	734,060	(3,012,850)	4,616,285
Total net position	\$10,646,941	\$18,098,289	\$9,909,309	\$9,727,795	\$20,556,250	\$27,826,084

The City's unrestricted net position in governmental activities is in a deficit position as a result of recording the net pension liability in conjunction with implementation of new accounting standards. Net investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding was \$21,947,347 at the end of the current fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position in the amount of \$1,621,753 represents resources that are subject to external restrictions on how they may be used.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2015, was \$15,468,250 while total cost of all programs and services was \$15,027,795. This resulted in an increase in net position of \$440,455. The following table presents a summary of the changes in net position for the years ended June 30.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$1,660,517	\$1,632,372	\$3,279,925	\$3,497,027	\$4,940,442	\$5,129,399
Operating grants and contributions	858,885	811,262	-	-	858,885	811,262
Capital grants and contributions	100,000	20,933	-	-	100,000	20,933
General revenues						
Property taxes	8,379,859	8,063,907	-	-	8,379,859	8,063,907
State shared revenues	914,560	897,733	-	-	914,560	897,733
Cable franchise fees	221,047	204,434	-	-	221,047	204,434
Investment earnings	32,002	24,221	1,632	416	33,634	24,637
Gain on sale of assets	19,823	23,377	-	-	19,823	23,377
Total revenues	12,186,693	11,678,239	3,281,557	3,497,443	15,468,250	15,175,682
Expenses						
Legislative	26,252	27,306	-	-	26,252	27,306
General government	1,823,961	1,725,598	-	-	1,823,961	1,725,598
Public safety	4,795,196	4,613,269	-	-	4,795,196	4,613,269
Public works	2,967,552	3,296,999	-	-	2,967,552	3,296,999
Culture and recreation	2,010,266	1,950,505	-	-	2,010,266	1,950,505
Interest on long-term debt	304,525	322,593	-	-	304,525	322,593
Water and sewer	-	-	3,100,043	3,116,566	3,100,043	3,116,566
Total expenses	11,927,752	11,936,270	3,100,043	3,116,566	15,027,795	15,052,836
Increase (decrease) in net position						
before transfers	258,941	(258,031)	181,514	380,877	440,455	122,846
Transfers in (out)	-	(13,754)	-	13,754	-	-
Increase (decrease) in net position	258,941	(271,785)	181,514	394,631	440,455	122,846
Net position – beginning, as restated	10,388,000	18,370,074	9,727,795	9,333,164	20,115,795	27,703,238
Net position – ending	\$10,646,941	\$18,098,289	\$9,909,309	\$9,727,795	\$20,556,250	\$27,826,084

Governmental Activities The preceding table shows that the governmental activities increased the City's net position by \$258,941 during this fiscal year. The increase is the result of an increase in property tax revenues during the year.

Business-type Activities Business-type activities increased the City's net position by \$181,514 during the year. Although charges for services decreased due to lower usage, there was a corresponding decrease in purchases of water and sewage treatment service.

Beginning net position of governmental activities was reduced by \$7,821,937 to recognize a net pension liability at the beginning of the year in accordance with the implementation of GASB 68.

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 \$4,974,681, an increase of \$411,029 from the prior year. This was primarily due to the postponement of certain projects into the year ending June 30, 2016 and savings through various departments.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, nonspendable fund balance of \$155,625 relates to prepaid assets, restricted fund balance of \$42,409 relates to public safety, committed fund balance of \$295,000 relates to future activities committed to by the Board and assigned fund balance of \$191,548 relates to future retirement payments and subsequent year expenditures. Unassigned fund balance represents \$2,668,359 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 29% 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 position of \$181,514 as discussed under business-type activities above.

Budgetary Highlights

Revenues in the General Fund were \$10,630,939, which is 101% of the \$10,557,300 amended budgeted amount for the fiscal year. General Fund property tax revenue was \$7,807,195 or 99.9% collected of the original tax roll.

Expenditures and transfers out of the General Fund were \$10,410,478 or 98% of the amended budgeted amount of \$10,622,300. The budget was amended to use \$65,000 of fund balance for the year, however, the actual results will add \$220,461 into fund balance which is due to postponed projects of \$76,000 into the fiscal year ending June 30, 2016 and the remainder was cost savings throughout various departments.

Capital Asset and Debt Administration

Capital assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounted to \$32,589,924 (net of accumulated depreciation). Of this amount, \$23,555,886 was for its governmental activities and \$9,034,038 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Current year additions included various equipment and several road projects.

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

Long-term debt At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$19,629,187. Of this amount, \$19,406,486 was for governmental activities while \$222,701 was for business-type activities.

The City's total long-term liabilities increased by approximately \$8,337,000 during the current fiscal year as a result of recording the City's net pension liability.

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

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2016 fiscal year:

- The General Fund expenditure budget for next year is \$393,600 more than last fiscal year's budgeted amount. Budgeted revenues are less than budgeted expenditures by \$80,000. General Fund unrestricted ending balance for the year ending June 30, 2016 is budgeted at 22.75% of expenditures including transfers.
- Property taxes, which comprise 74.6% of the General Fund budget, were increased by 3.0% in the June 30, 2016 budget. This is due to an overall assessed value increase of 9.2% and a taxable value increase of 4.4%.
- Due to an increase of taxable value over the inflation rate of 1.6%, a rollback of the City millage resulted. The General Fund budget for the year ending June 30, 2016 budget contains a property tax levy of 13.1149 mills, which is a reduction of 0.197 mills from last year, which is the maximum available under the Headlee Amendment.
- In May 2015, the City successfully gained voter approval to override the Headlee rollback by 2.0 mills for a period of 10 years. The estimated additional funding for the year ending June 30, 2016 is \$1.2 million and is dedicated to roads and sidewalks. Significant capital projects are planned due to the passing of this dedicated road and sidewalk millage.
- Construction on the Reed Lake culvert project and the related trail/bridge project has expected expenditures of \$685,000 and \$391,100, respectively. Donations and a federal grant will also support these projects.
- All three of the City union groups were extended for three year contracts beginning on July 1, 2014 and have been calculated into this budget. The budget for the year ending June 30, 2016 contains a 2.0% cost of living increase for union and non-union employees. The City was also able to increase yearly deduction and co-payments in the offered health insurance benefits and added premium contribution for spousal/family coverage. All non-union employees will follow the same pay increases and medical changes.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF EAST GRAND RAPIDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 6,575,530	\$ 874,055	\$ 7,449,585
Accounts receivable	162,729	430,473	593,202
Special assessments receivable	22,534	-	22,534
Internal balances	8,225	(8,225)	-
Due from other governments	361,113	-	361,113
Inventory	80,273	64,650	144,923
Prepaid and other assets	192,857	1,203	194,060
Capital assets			
Land	2,124,000	-	2,124,000
Construction in progress	271,881	51,244	323,125
Depreciable capital assets, net	21,160,005	8,982,794	30,142,799
Total assets	30,959,147	10,396,194	41,355,341
Deferred outflows of resources			
Pension contributions and deficit investment returns	511,033	-	511,033
Liabilities			
Accounts payable	633,175	238,018	871,193
Accrued liabilities	483,720	11,331	495,051
Unearned revenue	63,146	-	63,146
Compensated absences	236,712	14,835	251,547
Noncurrent liabilities			
Net other post-employment benefits liability	574,474	75,383	649,857
Net pension liability	8,336,753	-	8,336,753
Debt due within one year	630,776	107,302	738,078
Debt due in more than one year	9,864,483	40,016	9,904,499
Total liabilities	20,823,239	486,885	21,310,124
Net position (deficit)			
Net investment in capital assets	13,060,627	8,886,720	21,947,347
Restricted for			
Major and local streets	1,168,400	-	1,168,400
Capital projects	389,195	-	389,195
Public safety	42,409	-	42,409
Debt service	21,749	-	21,749
Unrestricted (deficit)	(4,035,439)	1,022,589	(3,012,850)
Total net position	\$ 10,646,941	\$ 9,909,309	\$ 20,556,250

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, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
Legislative	\$ 26,252	\$ -	\$ -	\$ (26,252)
General government	1,823,961	270,349	-	(1,553,612)
Public safety	4,795,196	95,372	8,511	(4,691,313)
Public works	2,967,552	349,392	850,374	(1,767,786)
Recreation and culture	2,010,266	945,404	-	(964,862)
Interest on long-term debt	304,525	-	-	(304,525)
Total governmental activities	11,927,752	1,660,517	858,885	(9,308,350)
Business-type activities				
Water and sewer	3,100,043	3,279,925	-	179,882
Total primary government	\$ 15,027,795	\$ 4,940,442	\$ 858,885	\$ (9,128,468)

(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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net (expense) revenue	\$ (9,308,350)	\$ 179,882	\$ (9,128,468)
General revenues			
Property taxes	8,379,859	-	8,379,859
State shared revenues	914,560	-	914,560
Cable franchise fees	221,047	-	221,047
Unrestricted investment earnings	32,002	1,632	33,634
Gain on sale of fixed assets	19,823	-	19,823
	<u>9,567,291</u>	<u>1,632</u>	<u>9,568,923</u>
Total general revenues and transfers			
Change in net position	258,941	181,514	440,455
Net position, beginning of year, as restated	<u>10,388,000</u>	<u>9,727,795</u>	<u>20,115,795</u>
Net position, end of year	<u>\$ 10,646,941</u>	<u>\$ 9,909,309</u>	<u>\$ 20,556,250</u>

(concluded)

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

CITY OF EAST GRAND RAPIDS

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 3,570,792	\$ 1,551,225	\$ 5,122,017
Accounts receivable	120,374	406	120,780
Special assessment receivable	-	22,534	22,534
Due from other governments	234,222	126,891	361,113
Inventory	-	19,990	19,990
Prepaid items	155,625	2,406	158,031
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 4,081,013	\$ 1,723,452	\$ 5,804,465
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 436,240	\$ 93,155	\$ 529,395
Due to other funds	52,664	5,718	58,382
Accrued liabilities	166,971	7,817	174,788
Unearned revenue	52,197	-	52,197
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	708,072	106,690	814,762
Deferred inflows of resources			
Unavailable receivables	-	15,022	15,022
	<u> </u>	<u> </u>	<u> </u>
Fund balances			
Nonspendable			
Inventory	-	19,990	19,990
Prepaid items	155,625	2,406	158,031
Restricted			
Streets	-	1,168,400	1,168,400
Public safety	42,409	-	42,409
Debt service	-	21,749	21,749
Committed			
Turf replacement	295,000	-	295,000
Assigned			
Capital projects	-	389,195	389,195
Future retirement payments	111,548	-	111,548
Subsequent year expenditures	80,000	-	80,000
Unassigned	2,688,359	-	2,688,359
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	3,372,941	1,601,740	4,974,681
Total liabilities, deferred inflows and fund balances	\$ 4,081,013	\$ 1,723,452	\$ 5,804,465

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

CITY OF EAST GRAND RAPIDS

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

JUNE 30, 2015

Fund balances - total governmental funds	\$ 4,974,681
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,124,000
Add - construction in progress	199,546
Add - capital assets (net of accumulated depreciation)	19,331,344
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	15,022
Pension contributions and deficit investment returns are not reported in the funds.	
Add - deferred outflows	511,033
Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service funds	3,189,201
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(226,242)
Deduct - net other post-employment benefit liability	(574,474)
Deduct - net pension liability	(8,336,753)
Deduct - bonds payable	(10,495,259)
Deduct - accrued interest on bonds payable	(65,158)
Net position of governmental activities	<u>\$ 10,646,941</u>

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

CITY OF EAST GRAND RAPIDS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues			
Taxes	\$ 7,807,195	\$ 572,664	\$ 8,379,859
Intergovernmental revenues			
Federal	-	2,727	2,727
State	923,644	847,647	1,771,291
Licenses and permits	277,229	-	277,229
Charges for services	1,372,801	-	1,372,801
Fines	94,799	-	94,799
Special assessments	-	7,511	7,511
Rentals	136,163	-	136,163
Investment earnings	19,108	8,050	27,158
Miscellaneous	-	100,000	100,000
	<u>10,630,939</u>	<u>1,538,599</u>	<u>12,169,538</u>
Total revenues			
Expenditures			
Current			
Legislative	26,534	-	26,534
General government	1,466,254	-	1,466,254
Public safety	4,377,894	-	4,377,894
Public works	1,525,461	1,422,831	2,948,292
Culture and recreation	1,682,854	-	1,682,854
Debt service			
Principal	-	541,000	541,000
Interest	-	316,781	316,781
Bond issuance costs	-	19,010	19,010
Capital outlay	331,481	128,009	459,490
	<u>9,410,478</u>	<u>2,427,631</u>	<u>11,838,109</u>
Total expenditures			
Revenues over (under) expenditures	<u>1,220,461</u>	<u>(889,032)</u>	<u>331,429</u>
Other financing sources (uses)			
Issuance of long-term debt	54,600	1,250,000	1,304,600
Payment to refunded bond escrow agent	-	(1,225,000)	(1,225,000)
Transfers in	-	1,295,172	1,295,172
Transfers out	(1,000,000)	(295,172)	(1,295,172)
	<u>(945,400)</u>	<u>1,025,000</u>	<u>79,600</u>
Total other financing sources (uses)			
Net changes in fund balances	275,061	135,968	411,029
Fund balances, beginning of year, as restated	<u>3,097,880</u>	<u>1,465,772</u>	<u>4,563,652</u>
Fund balances, end of year	<u>\$ 3,372,941</u>	<u>\$ 1,601,740</u>	<u>\$ 4,974,681</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, 2015

Net changes in fund balances - total governmental funds **\$ 411,029**

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	1,187,942
Deduct - depreciation expense	(1,539,050)
Deduct - net book value of disposed capital assets	(44,150)

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	(7,512)
--------------------------------------	---------

Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Deduct - issuance of debt	(1,304,600)
Add - principal payments on debt	1,769,100
Add - amortization of bond premium	7,876

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(5,800)
Deduct - increase in net pension liability	(123,094)
Add - increase in deferred outflows	119,311
Deduct - increase in net other post-employment benefits liability	(366,599)
Add - decrease in accrued interest	12,256

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Add - increase in net position of the internal service funds	142,232
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Change in net position of governmental activities **\$ 258,941**

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

CITY OF EAST GRAND RAPIDS

PROPRIETARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2015

	Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
Assets		
Current assets		
Cash and pooled investments	\$ 874,055	\$ 1,453,513
Accounts receivable	430,473	41,949
Due from other funds	-	69,136
Prepaid and other assets	1,203	34,826
Inventory	64,650	60,283
Total current assets	1,370,381	1,659,707
Capital assets		
Construction in progress	51,244	72,335
Depreciable capital assets, net	8,982,794	1,828,661
Net capital assets	9,034,038	1,900,996
Total assets	10,404,419	3,560,703
Liabilities		
Current liabilities		
Accounts payable	238,018	103,780
Accrued liabilities	11,331	243,774
Due to other funds	8,225	2,529
Unearned revenue	-	10,949
Compensated absences	14,835	10,470
Current portion of long-term debt	107,302	-
Total current liabilities	379,711	371,502
Long-term liabilities		
Net other post-employment benefits liability	75,383	-
Bonds payable, net of current portion	40,016	-
Total long-term liabilities	115,399	-
Total liabilities	495,110	371,502
Net position		
Net investment in capital assets	8,886,720	1,900,996
Unrestricted	1,022,589	1,288,205
Total net position	\$ 9,909,309	\$ 3,189,201

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

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Fund	Governmental Activities
	Water and Sewer	Internal Service Funds
Operating revenue		
Charges for services	\$ 3,217,698	\$ 2,146,252
Other	62,227	17,403
Total operating revenue	<u>3,279,925</u>	<u>2,163,655</u>
Operating expense		
Personnel services	671,861	196,473
Contractual services	59,165	359,588
Materials and supplies	928,772	213,274
Equipment	165,568	4,286
Claims	18,416	913,074
Administration	182,259	73,690
Depreciation	481,717	285,005
Miscellaneous	587,191	700
Total operating expense	<u>3,094,949</u>	<u>2,046,090</u>
Operating income (loss)	<u>184,976</u>	<u>117,565</u>
Non-operating revenue (expense)		
Gain on sale of fixed assets	-	19,823
Investment earnings	1,632	4,844
Interest expense	(5,094)	-
Total non-operating revenue (expense)	<u>(3,462)</u>	<u>24,667</u>
Changes in net position	181,514	142,232
Net position, beginning of year	<u>9,727,795</u>	<u>3,046,969</u>
Net position, end of year	<u>\$ 9,909,309</u>	<u>\$ 3,189,201</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, 2015

	<u>Enterprise Fund</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service Funds</u>
Cash flows from operating activities		
Receipts from internal services provided	\$ -	\$ 2,149,026
Receipts from customers and users	3,349,278	-
Payments to employees	(591,892)	(195,762)
Payments to suppliers	(2,090,377)	(1,453,414)
	<u>667,009</u>	<u>499,850</u>
Net cash provided by (used in) operating activities		
Cash flows from capital and related financing activities		
Interest expense	(5,094)	-
Principal paid on bonds	(104,034)	-
Proceeds on sale of capital assets	-	41,504
Acquisitions of capital assets	(270,668)	(524,930)
	<u>(379,796)</u>	<u>(483,426)</u>
Net cash provided by (used in) capital and related financing activities		
Cash flows from investing activities		
Net investment activity	325,291	1,306,136
Interest income	1,632	4,844
	<u>326,923</u>	<u>1,310,980</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and pooled investments	614,136	1,327,404
Cash and pooled investments, beginning of year	<u>259,919</u>	<u>126,109</u>
Cash and pooled investments, end of year	<u>\$ 874,055</u>	<u>\$ 1,453,513</u>
Cash flows from operating activities		
Operating income (loss)	\$ 184,976	\$ 117,565
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	481,717	285,005
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	69,353	(10,294)
Due from other funds	-	(3,586)
Prepaid and other assets	297	(2,473)
Inventory	(14,951)	(610)
Accounts payable	(136,022)	57,133
Due to other funds	1,670	(749)
Accrued liabilities	4,904	47,663
Unearned revenue	-	10,949
Compensated absences	(318)	(753)
Net pension liability	75,383	-
	<u>667,009</u>	<u>499,850</u>
Net cash provided by (used in) operating activities	<u>\$ 667,009</u>	<u>\$ 499,850</u>

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

CITY OF EAST GRAND RAPIDS
FIDUCIARY FUNDS
STATEMENT OF NET POSITION/BALANCE SHEET
JUNE 30, 2015

	Other Post-employment Benefit <u>Trust</u>	Agency <u>Fund</u>
Assets		
Cash and pooled investments	\$ -	\$ 39,518
Investments	<u>1,221,056</u>	<u>-</u>
Total assets	<u>1,221,056</u>	<u>\$ 39,518</u>
Liabilities		
Accrued liabilities	16,779	\$ -
Due to other governmental units	<u>-</u>	<u>39,518</u>
Total liabilities	<u>16,779</u>	<u>\$ 39,518</u>
Net position		
Held in trust for other post-employment benefits	<u>\$ 1,204,277</u>	

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

CITY OF EAST GRAND RAPIDS
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Other Post-employment Benefit <u>Trust</u>
Additions	
Contributions:	
Employer	\$ 40,659
Other	2,590
Investment earnings	<u>10,633</u>
Total Additions	53,882
Deductions	
Benefits	<u>60,028</u>
Net increase	(6,146)
Net position, beginning of year	<u>1,210,423</u>
Net position, end of year	<u>\$ 1,204,277</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, 2015

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, 2015

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 City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

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

Budgets and Budgetary Accounting

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

1. Prior to May 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 30th the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditure budgets of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any department must be approved by the City Commission. The City Manager is authorized to transfer budgeted amounts within an activity subject to the condition that the total expenditures do not exceed the approved appropriations for each fund. The Commission approves the annual budget at the fund level. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

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

CITY OF EAST GRAND RAPIDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Investments

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

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

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.
- h. The City OPEB plan is also allowed to invest in corporate debt and equity securities.

Receivables/Due from Other Governments

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

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.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Unearned/Unavailable Revenue

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

Unearned revenue - fees received in advance	
General fund	\$52,197
Internal service funds	10,949
Total	<u>\$63,146</u>
Unavailable revenue - special assessments	<u>\$15,022</u>

Pensions

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

CITY OF EAST GRAND RAPIDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Compensated Absences

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources. The balances of compensated absences are all considered current liabilities at year-end.

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has items that qualify for reporting in this category related to the pension investments and contributions as discussed in note 6.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, *unavailable revenue* from special assessments receivable is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Fund Equity

Governmental funds report fund balance in the following five categories:

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

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

Net Position and Fund Balance Flow Assumptions

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

Property Taxes

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

Interfund Transactions

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

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

2. DEFICIT NET POSITION

At June 30, 2015, the City reported a deficit unrestricted net position in its governmental activities of \$4,035,439 due to the adoption of GASB 68.

3. CASH AND INVESTMENTS

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

	Primary Government	Fiduciary Funds	Total
Cash and pooled investments	\$7,454,247	\$ 39,518	\$7,493,765
Investments	-	1,221,056	1,221,056
	\$7,454,247	\$1,260,574	\$8,714,821

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

Deposits	\$4,071,927
Investments	4,642,394
Petty cash	500
Total	\$8,714,821

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of June 30, 2015, \$2,522,805 of the City's bank balance of \$4,022,805 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

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

	Maturity	Fair Value	Rating	Source
Governmental activities				
Kent County Investment Pool	N/A	\$3,421,338	Unrated	
Other Post-employment Benefits Trust Fund				
Vantagepoint Milestone Ret. Income Fund	N/A	1,221,056	3 stars	Morningstar
Total		\$4,642,394		

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

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 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	24%	0-3
Certificates of deposits	76%	0-5

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

Interfund receivables and payables of individual funds at June 30, 2015 were as follows:

<u>Payable fund</u>	<u>Receivable fund</u>
	<u>Internal service</u>
General fund	\$52,664
Nonmajor governmental funds	5,718
Water and sewer fund	8,225
Internal service fund	2,529
	<u>\$69,136</u>

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

CITY OF EAST GRAND RAPIDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Transfers in and out for the year ended June 30, 2015 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>		<u>Total</u>
	<u>General fund</u>	<u>Nonmajor governmental funds</u>	
Nonmajor governmental funds	\$1,000,000	\$295,172	\$1,295,172

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.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,124,000	\$ -	\$ -	\$ 2,124,000
Construction in progress	89,429	203,626	21,174	271,881
Total capital assets, not being depreciated	2,213,429	203,626	21,174	2,395,881
Capital assets, being depreciated				
Land improvements	1,933,767	-	-	1,933,767
Buildings	12,417,729	-	-	12,417,729
Building improvements	3,561,279	53,605	90,600	3,524,284
Vehicles and equipment	4,444,271	591,121	197,972	4,837,420
Infrastructure	16,948,440	883,071	-	17,831,511
Total capital assets, being depreciated	39,305,486	1,527,797	288,572	40,544,711
Less accumulated depreciation for				
Land improvements	615,034	97,663	-	712,697
Buildings	3,365,703	400,170	-	3,765,873
Building improvements	2,347,040	182,266	49,075	2,480,231
Vehicles and equipment	2,497,272	384,952	176,289	2,705,935
Infrastructure	8,960,966	759,004	-	9,719,970
Total accumulated depreciation	17,786,015	1,824,055	225,364	19,384,706
Net capital assets, being depreciated	21,519,471	(296,258)	63,208	21,160,005
Governmental Activities capital assets, net	\$ 23,732,900	\$ (92,632)	\$84,382	\$23,555,886

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Business-type Activities				
Construction in progress	\$ 304,391	\$51,244	\$ 304,391	\$ 51,244
Capital assets being depreciated				
Sewer system	8,939,030	-	-	8,939,030
Water system	7,428,180	435,084	-	7,863,264
Lift station	390,983	46,570	-	437,553
Water tower	560,014	42,161	-	602,175
Drains	1,726,036	-	-	1,726,036
Meters	350,271	-	-	350,271
Total capital assets, being depreciated	19,394,514	523,815	-	19,918,329
Less accumulated depreciation for				
Sewer system	5,643,155	180,310	-	5,823,465
Water system	2,491,567	139,514	-	2,631,081
Lift station	288,793	16,397	-	305,190
Water tower	259,298	41,680	-	300,978
Drains	1,482,032	86,302	-	1,568,334
Meters	288,973	17,514	-	306,487
Total accumulated depreciation	10,453,818	481,717	-	10,935,535
Net capital assets, being depreciated	8,940,696	42,098	-	8,982,794
Business-type Activities capital assets, net	\$9,245,087	\$93,342	\$ 304,391	\$9,034,038

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

Governmental Activities

General government	\$ 307,810
Public safety	230,857
Public works	769,525
Recreation and culture	230,858
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>285,005</u>

Total depreciation expense - governmental activities \$1,824,055

Business-type Activities

Water and sewer	<u>\$481,717</u>
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6. PENSION PLANS

MERS Defined Benefit Plan

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Benefits Provided

Benefits provided include a multiplier of 2.25 to 2.50 times final average compensation with a vesting period of 10 years. Normal retirement age is 60 with early retirement at 50 with 25 or 55 with 15 to 25 years of service with various benefits. Benefits are calculated using final average compensation of 3 or 5 years depending on the employee's position and classification.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2014):

Active plan members	6
Inactive employees entitled but not yet receiving benefits	5
Inactive employees or beneficiaries currently receiving benefits	<u>46</u>
Total	<u>57</u>

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was \$61,387 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 3.77% to 5.0% percent of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.25%, net of investment expense, including inflation

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

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

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate. The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/13	\$17,970,289	\$9,756,630	\$8,213,659
Changes for the Year:			
Service cost	52,264	-	52,264
Interest	1,418,426	-	1,418,426
Change in benefits	-	-	-
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions: employer	-	750,996	(750,996)
Contributions: employee	-	18,124	(18,124)
Net investment income	-	600,334	(600,334)
Benefit payments, including refunds	(1,606,741)	(1,606,741)	-
Administrative expense	-	(21,858)	21,858
Other changes	-	-	-
Net changes	135,051	(259,145)	123,094
Balance at 12/31/14	\$17,834,238	\$9,497,485	\$8,336,753

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	Current		
	1% Decrease	Discount rate	1 % Increase
Total Pension Liability	\$18,779,884	\$17,834,238	\$17,040,347
Fiduciary Net Position	9,497,485	9,497,485	9,497,485
Net Pension Liability	\$ 9,282,399	\$ 8,336,753	\$ 7,542,862

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2015 the employer recognized pension expense of \$722,787. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	\$ -
Differences in assumptions	-
Excess (deficit) investment returns	135,307
Contributions subsequent to the measurement date	<u>375,726</u>
Total	<u><u>\$511,033</u></u>

Defined Contribution Plans

The City also maintains a defined contribution retirement plan administered by ICMA-RC. The City's contribution for the year was \$508,731 and the employees' contribution was \$117,091. The Plan covers all employees whose contributions are determined based on their position and classification as follows:

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

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

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

7. OTHER POST-EMPLOYMENT 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 spouse until age 65. Dependents are covered until age 26. Eligibility is determined based on position and classification and is maintained until the employee is eligible for federal Medicare coverage at age 65. The City established a retirement health savings trust to account for the Plan effective June 13, 2008. The Plan does not issue a separate financial report.

The City contributes to the Plan as determined by the City Commission. The annual required contribution (ARC) was \$482,641 while the City contributed \$41,357 to the plan, which was the amount paid in direct payments for retirees from the health insurance internal service fund to provide insurance coverage for 6 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, 2015

The City's annual other post-employment 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	\$ 482,641
Interest on Net OPEB asset	-
Adjustment to annual required contribution	699
Annual OPEB cost (expense)	<u>483,339</u>
Contribution made	<u>(41,357)</u>
Increase in net OPEB liability	441,982
Net OPEB liability, beginning of year	<u>207,875</u>
Net OPEB liability, end of year	<u><u>\$649,857</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

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Asset</u> <u>(Liability)</u>
6/30/13	\$347,604	42%	\$ 33,308
6/30/14	313,038	23%	(207,875)
6/30/14	483,339	9%	(649,857)

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Market</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>Total</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
6/30/15	\$1,221,056	\$5,136,969	\$3,915,913	24%	\$4,792,000	82%

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.

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

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 actuarial valuation of the Plan utilized the individual entry age actuarial cost method. The actuarial assumptions included: a rate of return on investments of 6%, and projected healthcare benefit increases of 2%. 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, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Governmental Activities					
\$8,400,000 Unlimited Tax General Obligation Bonds, Series 2012B; due in annual installments of \$70,000 to \$570,000 through June 2033, plus interest at 2% to 4%	\$8,330,000	\$ -	\$210,000	\$8,120,000	\$250,000
\$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%	1,445,000	-	1,445,000	-	-
\$1,243,000 Unlimited Tax General Obligation Refunding Bonds Series 2012; due in annual installments of \$97,000 to \$151,000 through April 2022, plus interest at 1.99%	1,043,000	-	111,000	932,000	113,000
\$1,250,000 2015 Michigan Transportation Fund Refunding Bonds; due in annual installments of \$245,000 to \$255,000 through April 2020, plus interest at .75% to 1.8%	-	1,250,000	-	1,250,000	245,000
Capital lease	-	54,600	3,100	51,500	14,900
Total	10,818,000	1,304,600	1,769,100	10,353,500	622,900
Unamortized premium	149,635	-	7,876	141,759	7,876
Total Governmental Activities	\$10,967,635	\$1,304,600	\$1,776,976	\$10,495,259	\$630,776

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Business-type Activities					
\$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%	\$132,705	\$ -	\$64,960	\$67,745	\$67,745
\$195,372 Kent County Silver Creek Drain Note (72.9% City portion), due in annual installments of \$38,127 to \$40,017 through March 2017; plus interest 1.5%	118,647	-	39,074	79,573	39,557
Total Business-type Activities	\$251,352	\$ -	\$104,034	\$147,318	\$107,302

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2015 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>
2016	\$ 622,900	\$ 265,422	\$107,301	\$2,423
2017	643,972	255,814	40,016	494
2018	679,775	244,494	-	-
2019	712,397	229,245	-	-
2020	752,456	212,633	-	-
2021-2025	2,547,000	822,941	-	-
2026-2030	2,790,000	482,625	-	-
2031-2034	1,605,000	95,700	-	-
Total	\$10,353,500	\$2,608,874	\$147,317	\$2,917

During fiscal year 2015, the City issued \$1,250,000 of refunding bonds which were used to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for debt service. The refunded bonds were called and paid by the escrow agent during fiscal year 2015. This refunding was undertaken to reduce total debt service payments by \$74,427, which resulted in an economic gain of \$70,679.

9. RISK MANAGEMENT

The City is self-funded for employees' health benefits. The claims liability of \$126,542 reported at June 30, 2015 is based on the requirements of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

CITY OF EAST GRAND RAPIDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

The changes in the claims liability for the years ended June 30, 2015 and 2014 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>
2014	\$155,911	\$1,016,267	\$1,072,642	\$ 99,536
2015	99,536	1,103,223	1,076,217	126,542

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 \$69,899 with related direct and indirect expenditures in excess of that amount.

CITY OF EAST GRAND RAPIDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

12. COMMITMENTS

At year-end the City had construction commitments of approximately \$780,000.

13. PRIOR PERIOD ADJUSTMENTS

Beginning net position of governmental activities and beginning fund balance of the general fund were increased by \$111,648 to recognize forfeitures available in the City's defined contribution retirement plan.

Beginning net position of governmental activities was decreased by \$8,213,659 to record the net pension liability in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68.

Beginning net position of governmental activities was increased by \$391,722 to record deferred outflows in accordance with the implementation of GASB Statement No. 71 (an amendment to GASB Statement No. 68).

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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, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 7,815,500	\$ 7,815,500	\$ 7,807,195	\$ (8,305)
Intergovernmental revenues				
State	923,900	924,400	923,644	(756)
Licenses and permits	243,000	243,000	277,229	34,229
Charges for services	1,362,800	1,366,700	1,372,801	6,101
Fines	65,000	92,700	94,799	2,099
Rentals	100,000	100,000	136,163	36,163
Investment earnings	15,000	15,000	19,108	4,108
Total revenues	<u>10,525,200</u>	<u>10,557,300</u>	<u>10,630,939</u>	<u>73,639</u>
Expenditures				
Current				
Legislative	31,300	31,900	26,534	5,366
General government	1,538,400	1,496,500	1,466,254	30,246
Public safety	4,386,400	4,433,000	4,377,894	55,106
Public works	1,488,500	1,585,300	1,525,461	59,839
Culture and recreation	1,750,600	1,727,700	1,682,854	44,846
Capital outlay	320,000	347,900	331,481	16,419
Total expenditures	<u>9,515,200</u>	<u>9,622,300</u>	<u>9,410,478</u>	<u>211,822</u>
Revenues over (under) expenditures	<u>1,010,000</u>	<u>935,000</u>	<u>1,220,461</u>	<u>285,461</u>
Other financing sources (uses)				
Issuance of long-term debt	-	-	54,600	54,600
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Net changes in fund balance	10,000	(65,000)	220,461	285,461
Fund balance, beginning of year, as restated	<u>3,097,880</u>	<u>3,097,880</u>	<u>3,097,880</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,107,880</u>	<u>\$ 3,032,880</u>	<u>\$ 3,318,341</u>	<u>\$ 285,461</u>

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 52,264
Interest	1,418,426
Benefit payments including employee refunds	<u>(1,606,741)</u>
Net change in total pension liability	<u>(136,051)</u>
Total pension liability, beginning of year	<u>17,970,289</u>
Total pension liability, ending of year	<u><u>\$ 17,834,238</u></u>
Plan Fiduciary Net Position	
Contributions-employer	\$ 750,996
Contributions-employee	18,124
Net Investment income	600,334
Benefit payments including employee refunds	(1,606,741)
Administrative expense	<u>(21,858)</u>
Net change in plan fiduciary net position	<u>(259,145)</u>
Plan fiduciary net position, beginning of year	<u>9,756,630</u>
Plan fiduciary net position, ending of year	<u><u>\$ 9,497,485</u></u>
Total net pension liability	<u><u>\$ 8,336,753</u></u>
Plan fiduciary net position as a percentage of the total pension liability	53.3%
Covered employee payroll	\$ 415,614
Employer's net pension liability as a percentage of covered employee payroll	2005.9%

Notes to schedule:

Above dates are based on a measurement date (December 31), which does not tie to the City's fiscal year.

CITY OF EAST GRAND RAPIDS
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Actuarially determined contributions	\$ 736,644
Contributions in relation to the actuarially determined contribution	<u>736,644</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 415,614
Contributions as a percentage of covered employee payroll	177%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Investment rate of return	8.25%
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male 1994 group annuity mortality table

CITY OF EAST GRAND RAPIDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

RETIREE HEALTH OTHER POST-EMPLOYMENT 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>
6/30/2013	\$ 1,113,668	\$ 3,816,549	\$ 2,702,881	29.18%	\$ 4,154,430	65.06%
6/30/2014	1,210,423	3,644,458	2,434,035	33.21%	4,088,968	59.53%
6/30/2015	1,221,056	5,136,969	3,915,913	23.77%	4,792,000	81.72%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2010	\$ 232,087	\$ 330,892	143%
2011	246,996	181,203	73%
2012	319,904	190,368	60%
2013	363,686	145,840	40%
2014	315,316	71,855	23%
2015	482,641	41,357	9%

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, 2015

Revenues	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Taxes				
Property taxes	\$ 7,795,500	\$ 7,795,500	\$ 7,787,583	\$ (7,917)
Interest and penalties on property taxes	20,000	20,000	19,612	(388)
Total taxes	7,815,500	7,815,500	7,807,195	(8,305)
Intergovernmental revenue				
State shared revenue	917,500	918,000	914,560	(3,440)
State grants	6,400	6,400	9,084	2,684
Total intergovernmental revenue	923,900	924,400	923,644	(756)
Licenses and permits				
Business licenses	10,000	10,000	11,175	1,175
Cable television franchise fees	200,000	200,000	221,047	21,047
Building permits	25,000	25,000	36,963	11,963
Other	8,000	8,000	8,044	44
Total licenses and permits	243,000	243,000	277,229	34,229
Charges for services				
Administrative charges	155,000	155,000	155,000	-
Recreation fees	825,200	813,400	815,922	2,522
Grounds maintenance fees	141,700	143,200	141,874	(1,326)
Clerk's services	1,500	1,500	6,913	5,413
Right of way fees	35,000	35,000	30,261	(4,739)
Other	204,400	218,600	222,831	4,231
Total charges for services	1,362,800	1,366,700	1,372,801	6,101
Fines and penalties	65,000	92,700	94,799	2,099
Investment earnings	15,000	15,000	19,108	4,108
Rentals				
Cable tower rental	100,000	100,000	136,163	36,163
Total revenues	\$ 10,525,200	\$ 10,557,300	\$ 10,630,939	\$ 73,639

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2015

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
Legislative				
City Commission				
Personnel services	\$ 9,700	\$ 9,700	\$ 9,118	\$ 582
Contractual services	4,000	5,400	3,004	2,396
Other	17,600	16,800	14,412	2,388
Total legislative	31,300	31,900	26,534	5,366
General government				
City Manager				
Personnel services	273,900	275,200	275,507	(307)
Equipment	200	200	412	(212)
Other	10,900	11,100	13,881	(2,781)
Total city manager	285,000	306,500	308,598	(2,098)
City Assessor				
Personnel services	122,600	123,300	121,339	1,961
Contractual services	-	-	75	(75)
Operating supplies	5,000	5,000	5,321	(321)
Equipment	100	100	-	100
Other	4,100	4,100	2,645	1,455
Total city assessor	131,800	132,500	129,380	3,120
City Attorney				
Professional services	260,000	244,000	236,550	7,450
Total City Attorney	260,000	244,000	236,550	7,450
Elections				
Personnel services	11,500	13,600	13,472	128
Contractual services	1,500	1,500	652	848
Operating supplies	2,500	2,500	2,882	(382)
Total elections	15,500	17,600	17,006	594
Finance				
Personnel services	477,400	444,300	457,456	(13,156)
Contractual services	20,000	20,000	11,066	8,934
Professional services	14,300	14,300	14,300	-
Operating supplies	24,700	24,700	27,671	(2,971)
Repairs and maintenance	41,000	39,000	33,811	5,189
Equipment	500	500	737	(237)
Other	16,200	10,600	8,442	2,158
Total finance	594,100	553,400	553,483	(83)

(continued)

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other				
Personnel services	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Contractual services	56,000	46,500	43,255	3,245
Insurance premiums	191,000	191,000	172,982	18,018
Total other	<u>252,000</u>	<u>242,500</u>	<u>221,237</u>	<u>21,263</u>
Total general government	<u>1,538,400</u>	<u>1,496,500</u>	<u>1,466,254</u>	<u>30,246</u>
Public Safety				
General activity				
Personnel services	3,949,500	4,007,100	3,986,320	20,780
Contractual services	122,100	122,100	109,586	12,514
Operating supplies	77,300	67,800	67,091	709
Repairs and maintenance	9,000	9,000	9,848	(848)
Equipment	190,000	190,000	169,621	20,379
Other	33,000	31,500	26,066	5,434
Total general activity	<u>4,380,900</u>	<u>4,427,500</u>	<u>4,368,532</u>	<u>58,968</u>
State programs				
Training	<u>5,500</u>	<u>5,500</u>	<u>9,362</u>	<u>(3,862)</u>
Total public safety	<u>4,386,400</u>	<u>4,433,000</u>	<u>4,377,894</u>	<u>55,106</u>
Public Works				
City buildings				
Personnel services	211,800	222,100	207,467	14,633
Contractual services	427,700	456,300	452,590	3,710
Operating supplies	43,500	45,500	47,378	(1,878)
Repairs and maintenance	-	-	143	(143)
Equipment	10,000	10,000	10,911	(911)
Other	5,400	4,400	1,465	2,935
Total city buildings	<u>698,400</u>	<u>738,300</u>	<u>719,954</u>	<u>18,346</u>
Zoning administration				
Personnel services	100,800	101,600	89,812	11,788
Contractual services	10,000	37,000	36,925	75
Operating supplies	1,200	2,500	2,350	150
Equipment	1,000	1,000	1,338	(338)
Total zoning administration	<u>113,000</u>	<u>142,100</u>	<u>130,425</u>	<u>11,675</u>

(continued)

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Engineering				
Operating supplies	\$ 2,000	\$ 2,000	\$ -	\$ 2,000
Street lighting				
Contractual services	93,000	94,500	89,546	4,954
Wealthy streetscape maintenance				
Personnel services	7,600	7,600	7,530	70
Contractual services	60,000	79,800	77,089	2,711
Operating supplies	11,000	8,900	7,468	1,432
Total wealthy streetscape maintenance	78,600	96,300	92,087	4,213
Waste collection				
Personnel services	145,200	145,800	145,159	641
Contractual services	110,000	98,000	87,044	10,956
Operating supplies	800	800	657	143
Equipment	140,000	160,000	160,870	(870)
Total waste collection	396,000	404,600	393,730	10,870
Lake restoration				
Contractual services	12,500	12,500	11,537	963
Tree maintenance and removal				
Personnel services	41,500	41,500	37,459	4,041
Contractual services	37,500	37,500	30,288	7,212
Operating Supplies	1,000	1,000	310	690
Equipment	15,000	15,000	20,125	(5,125)
Tree maintenance and removal	95,000	95,000	88,182	6,818
Total public works	1,488,500	1,585,300	1,525,461	59,839
Culture and recreation				
Parks and recreation				
Personnel services	880,900	870,900	866,699	4,201
Contractual services	136,300	140,700	120,825	19,875
Joint facilities agreement	164,900	176,700	177,674	(974)
Operating supplies	57,300	53,500	44,458	9,042
Repairs and maintenance	16,900	17,900	17,941	(41)
Equipment	1,000	600	627	(27)
Other	19,500	17,400	16,105	1,295
Total parks and recreation	1,276,800	1,277,700	1,244,329	33,371

(continued)

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Grounds maintenance				
Personnel services	\$ 210,600	\$ 208,800	\$ 194,186	\$ 14,614
Contractual services	1,800	1,800	3,591	(1,791)
Operating supplies	21,400	20,700	19,980	720
Repairs and maintenance	78,400	76,100	84,229	(8,129)
Equipment	9,000	12,000	11,003	997
Other	200	200	295	(95)
	<u>321,400</u>	<u>319,600</u>	<u>313,284</u>	<u>6,316</u>
Total grounds maintenance				
Special events				
Personnel services	5,400	5,300	4,544	756
Contractual services	51,600	43,400	43,526	(126)
Operating supplies	56,600	44,000	39,395	4,605
Other	38,800	37,700	37,776	(76)
	<u>152,400</u>	<u>130,400</u>	<u>125,241</u>	<u>5,159</u>
Total special events				
Total culture and recreation	<u>1,750,600</u>	<u>1,727,700</u>	<u>1,682,854</u>	<u>44,846</u>
Capital outlay				
Commission	15,000	-	-	-
Manager	10,000	10,000	10,195	(195)
Finance	12,300	16,100	20,359	(4,259)
City buildings	47,800	99,200	107,938	(8,738)
Public safety				
General activity	36,400	48,000	55,731	(7,731)
Drug seizure program	29,500	44,100	37,195	6,905
Public Works				
Street lighting	-	16,500	11,409	5,091
Wealthy streetscape maintenance	16,500	-	-	-
Culture and recreation				
Parks	142,500	104,000	85,373	18,627
Other	10,000	10,000	3,281	6,719
	<u>320,000</u>	<u>347,900</u>	<u>331,481</u>	<u>16,419</u>
Total capital outlay				
Total expenditures	<u>\$ 9,515,200</u>	<u>\$ 9,622,300</u>	<u>\$ 9,410,478</u>	<u>\$ 211,822</u> (concluded)

CITY OF EAST GRAND RAPIDS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2015

	Special Revenue		Debt Service		
	Major Streets	Local Streets	Wealthy Pool	Municipal Complex	Streetscape
Assets					
Cash and pooled investments	\$ 491,372	\$ 596,601	\$ 4,172	\$ 17,577	\$ -
Accounts receivable	135	194	-	-	-
Special assessments receivable	-	-	-	-	-
Due from other governments	88,690	38,201	-	-	-
Inventory	9,995	9,995	-	-	-
Prepaid items	1,203	1,203	-	-	-
Total assets	\$ 591,395	\$ 646,194	\$ 4,172	\$ 17,577	\$ -
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 22,634	\$ 10,624	\$ -	\$ -	\$ -
Due to other funds	2,922	2,796	-	-	-
Accrued liabilities	3,973	3,844	-	-	-
Total liabilities	29,529	17,264	-	-	-
Deferred inflows of resources					
Unavailable receivable	-	-	-	-	-
Fund balances					
Nonspendable					
Inventory	9,995	9,995	-	-	-
Prepaid items	1,203	1,203	-	-	-
Restricted					
Streets	550,668	617,732	-	-	-
Debt service	-	-	4,172	17,577	-
Assigned	-	-	-	-	-
Total fund balances	561,866	628,930	4,172	17,577	-
Total liabilities, deferred inflows and fund balances	\$ 591,395	\$ 646,194	\$ 4,172	\$ 17,577	\$ -

Capital Projects			
Culvert and Trail Project	Streets and Utilities Building	Special Assessments	Total
\$ 441,503	\$ -	\$ -	\$ 1,551,225
77	-	-	406
-	-	22,534	22,534
-	-	-	126,891
-	-	-	19,990
-	-	-	2,406
<u>\$ 441,580</u>	<u>\$ -</u>	<u>\$ 22,534</u>	<u>\$ 1,723,452</u>
\$ 59,897	\$ -	\$ -	\$ 93,155
-	-	-	5,718
-	-	-	7,817
<u>59,897</u>	<u>-</u>	<u>-</u>	<u>106,690</u>
-	-	15,022	15,022
-	-	-	19,990
-	-	-	2,406
-	-	-	1,168,400
-	-	-	21,749
<u>381,683</u>	<u>-</u>	<u>7,512</u>	<u>389,195</u>
<u>381,683</u>	<u>-</u>	<u>7,512</u>	<u>1,601,740</u>
<u>\$ 441,580</u>	<u>\$ -</u>	<u>\$ 22,534</u>	<u>\$ 1,723,452</u>

CITY OF EAST GRAND RAPIDS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue			Debt Service	
	Major Streets	Local Streets	Wealthy Pool	Municipal Complex	Streetscape
Revenues					
Taxes	\$ -	\$ -	\$ 131,724	\$ 440,940	\$ -
Intergovernmental revenues					
Federal	-	2,727	-	-	-
State	579,500	268,147	-	-	-
Special assessments	-	-	-	-	-
Investment earnings	2,011	2,177	-	521	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>581,511</u>	<u>273,051</u>	<u>131,724</u>	<u>441,461</u>	<u>-</u>
Expenditures					
Current					
Public works	854,903	567,928	-	-	-
Debt service					
Principal	-	-	111,000	210,000	220,000
Interest	-	-	20,670	232,051	64,060
Bond issuance costs	-	-	-	-	19,010
Capital outlay	-	-	-	-	-
Total expenditures	<u>854,903</u>	<u>567,928</u>	<u>131,670</u>	<u>442,051</u>	<u>303,070</u>
Revenues over (under) expenditures	<u>(273,392)</u>	<u>(294,877)</u>	<u>54</u>	<u>(590)</u>	<u>(303,070)</u>
Other financing sources (uses)					
Issuance of long-term debt	-	-	-	-	1,250,000
Payment to refunded bond escrow agent	-	-	-	-	(1,225,000)
Transfers in	334,816	284,786	-	-	278,070
Transfers out	(278,070)	-	-	-	-
Total other financing sources (uses)	<u>56,746</u>	<u>284,786</u>	<u>-</u>	<u>-</u>	<u>303,070</u>
Net changes in fund balances	(216,646)	(10,091)	54	(590)	-
Fund balances, beginning of year	<u>778,512</u>	<u>639,021</u>	<u>4,118</u>	<u>18,167</u>	<u>-</u>
Fund balances, end of year	<u>\$ 561,866</u>	<u>\$ 628,930</u>	<u>\$ 4,172</u>	<u>\$ 17,577</u>	<u>\$ -</u>

Capital Projects			
Culvert and Trail Project	Streets and Utilities Building	Special Assessments	Total
\$ -	\$ -	\$ -	\$ 572,664
-	-	-	2,727
-	-	-	847,647
-	-	7,511	7,511
447	-	2,894	8,050
<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
<u>100,447</u>	<u>-</u>	<u>10,405</u>	<u>1,538,599</u>
-	-	-	1,422,831
-	-	-	541,000
-	-	-	316,781
-	-	-	19,010
<u>128,009</u>	<u>-</u>	<u>-</u>	<u>128,009</u>
<u>128,009</u>	<u>-</u>	<u>-</u>	<u>2,427,631</u>
<u>(27,562)</u>	<u>-</u>	<u>10,405</u>	<u>(889,032)</u>
-	-	-	1,250,000
-	-	-	(1,225,000)
397,500	-	-	1,295,172
<u>-</u>	<u>-</u>	<u>(17,102)</u>	<u>(295,172)</u>
<u>397,500</u>	<u>-</u>	<u>(17,102)</u>	<u>1,025,000</u>
369,938	-	(6,697)	135,968
<u>11,745</u>	<u>-</u>	<u>14,209</u>	<u>1,465,772</u>
<u>\$ 381,683</u>	<u>\$ -</u>	<u>\$ 7,512</u>	<u>\$ 1,601,740</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, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ 403,600	\$ -	\$ -	\$ -
State	480,500	567,600	579,500	11,900
Investment earnings	<u>300</u>	<u>300</u>	<u>2,011</u>	<u>1,711</u>
Total revenues	<u>884,400</u>	<u>567,900</u>	<u>581,511</u>	<u>13,611</u>
Expenditures				
Current				
Public works				
Street maintenance	407,700	496,700	397,881	98,819
Street construction	526,600	340,000	334,669	5,331
Street administration	91,600	92,400	71,607	20,793
Engineering	<u>62,200</u>	<u>62,800</u>	<u>50,746</u>	<u>12,054</u>
Total expenditures	<u>1,088,100</u>	<u>991,900</u>	<u>854,903</u>	<u>136,997</u>
Revenues over (under) expenditures	<u>(203,700)</u>	<u>(424,000)</u>	<u>(273,392)</u>	<u>150,608</u>
Other financing sources (uses)				
Transfers in	333,600	333,600	334,816	1,216
Transfers out	<u>(278,000)</u>	<u>(278,000)</u>	<u>(278,070)</u>	<u>(70)</u>
Total other financing sources (uses)	<u>55,600</u>	<u>55,600</u>	<u>56,746</u>	<u>1,146</u>
Net changes in fund balance	(148,100)	(368,400)	(216,646)	151,754
Fund balance, beginning of year	<u>778,512</u>	<u>778,512</u>	<u>778,512</u>	<u>-</u>
Fund balance, end of year	<u>\$ 630,412</u>	<u>\$ 410,112</u>	<u>\$ 561,866</u>	<u>\$ 151,754</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, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ -	\$ 2,727	\$ 2,727
State	185,000	262,100	268,147	6,047
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>2,177</u>	<u>1,177</u>
Total revenues	<u>186,000</u>	<u>263,100</u>	<u>273,051</u>	<u>9,951</u>
Expenditures				
Current				
Public works				
Street maintenance	548,900	615,500	490,040	125,460
Street construction	-	8,300	8,281	19
Street administration	<u>90,300</u>	<u>91,300</u>	<u>69,607</u>	<u>21,693</u>
Total expenditures	<u>639,200</u>	<u>715,100</u>	<u>567,928</u>	<u>147,172</u>
Revenues over (under) expenditures	(453,200)	(452,000)	(294,877)	157,123
Other financing source (uses)				
Transfers in	<u>282,900</u>	<u>282,900</u>	<u>284,786</u>	<u>1,886</u>
Total other financing sources (uses)	<u>282,900</u>	<u>282,900</u>	<u>284,786</u>	<u>1,886</u>
Net changes in fund balance	(170,300)	(169,100)	(10,091)	159,009
Fund balance, beginning of year	<u>639,021</u>	<u>639,021</u>	<u>639,021</u>	<u>-</u>
Fund balance, end of year	<u>\$ 468,721</u>	<u>\$ 469,921</u>	<u>\$ 628,930</u>	<u>\$ 159,009</u>

CITY OF EAST GRAND RAPIDS

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET POSITION

JUNE 30, 2015

Assets	Motor Pool	Health Insurance	Total
Current assets			
Cash and pooled investments	\$ 871,082	\$ 582,431	\$ 1,453,513
Accounts receivable	41,757	192	41,949
Due from other funds	-	69,136	69,136
Prepaid and other assets	3,662	31,164	34,826
Inventory	60,283	-	60,283
Total current assets	976,784	682,923	1,659,707
Capital assets			
Construction in progress	72,335	-	72,335
Capital assets being depreciated	4,180,913	-	4,180,913
Less accumulated depreciation	(2,352,252)	-	(2,352,252)
Net capital assets	1,900,996	-	1,900,996
Total assets	2,877,780	682,923	3,560,703
Liabilities			
Current liabilities			
Accounts payable	102,263	1,517	103,780
Due to other funds	2,529	-	2,529
Accrued liabilities	2,826	240,948	243,774
Unearned revenue	-	10,949	10,949
Compensated absences	10,470	-	10,470
Total liabilities	118,088	253,414	371,502
Net position			
Net investment in capital assets	1,900,996	-	1,900,996
Unrestricted	858,696	429,509	1,288,205
Total net position	\$ 2,759,692	\$ 429,509	\$ 3,189,201

CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Motor Pool</u>	<u>Health Insurance</u>	<u>Total</u>
Operating revenue			
Charges for services	\$ 763,582	\$ 1,382,670	\$ 2,146,252
Other	-	17,403	17,403
	<u>763,582</u>	<u>1,400,073</u>	<u>2,163,655</u>
Total operating revenue			
	<u>763,582</u>	<u>1,400,073</u>	<u>2,163,655</u>
Operating expense			
Salaries and wages	196,473	-	196,473
Contracted services	14,582	345,006	359,588
Materials and supplies	213,274	-	213,274
Equipment	4,286	-	4,286
Claims	-	913,074	913,074
Administration	-	73,690	73,690
Depreciation	285,005	-	285,005
Miscellaneous	700	-	700
	<u>714,320</u>	<u>1,331,770</u>	<u>2,046,090</u>
Total operating expense			
	<u>714,320</u>	<u>1,331,770</u>	<u>2,046,090</u>
Operating income (loss)	<u>49,262</u>	<u>68,303</u>	<u>117,565</u>
Non-operating revenue (expense)			
Gain on sale of fixed assets	19,823	-	19,823
Investment earnings	3,197	1,647	4,844
	<u>23,020</u>	<u>1,647</u>	<u>24,667</u>
Total non-operating revenue (expense)			
	<u>23,020</u>	<u>1,647</u>	<u>24,667</u>
Changes in net position	72,282	69,950	142,232
Net position, beginning of year	<u>2,687,410</u>	<u>359,559</u>	<u>3,046,969</u>
Net position, end of year	<u>\$ 2,759,692</u>	<u>\$ 429,509</u>	<u>\$ 3,189,201</u>

CITY OF EAST GRAND RAPIDS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Motor Pool</u>	<u>Health Insurance</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from internal services provided	\$ 721,481	\$ 1,427,545	\$ 2,149,026
Payments to employees	(195,762)	-	(195,762)
Payments to suppliers	<u>(175,697)</u>	<u>(1,277,717)</u>	<u>(1,453,414)</u>
Net cash provided by (used in) operating activities	<u>350,022</u>	<u>149,828</u>	<u>499,850</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	41,504	-	41,504
Acquisitions of capital assets	<u>(524,930)</u>	<u>-</u>	<u>(524,930)</u>
Net cash provided by (used in) capital and related financing activities	<u>(483,426)</u>	<u>-</u>	<u>(483,426)</u>
Cash flows from investing activities			
Net investment activity	955,919	350,217	1,306,136
Interest income	<u>3,197</u>	<u>1,647</u>	<u>4,844</u>
Net cash provided by (used in) investing activities	<u>959,116</u>	<u>351,864</u>	<u>1,310,980</u>
Net increase (decrease) in cash and pooled investments	825,712	501,692	1,327,404
Cash and pooled investments, beginning of year	<u>45,370</u>	<u>80,739</u>	<u>126,109</u>
Cash and pooled investments, end of year	<u>\$ 871,082</u>	<u>\$ 582,431</u>	<u>\$ 1,453,513</u>
Cash flows from operating activities			
Operating income (loss)	\$ 49,262	\$ 68,303	\$ 117,565
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	285,005	-	285,005
Change in operating assets and liabilities which provided (used) cash			
Accounts receivable	(41,352)	31,058	(10,294)
Due from other funds	-	(3,586)	(3,586)
Prepaid and other assets	(637)	(1,836)	(2,473)
Inventory	(610)	-	(610)
Accounts payable	58,392	(1,259)	57,133
Due to other funds	(749)	-	(749)
Accrued liabilities	1,464	46,199	47,663
Unearned revenue	-	10,949	10,949
Compensated absences	<u>(753)</u>	<u>-</u>	<u>(753)</u>
Net cash provided by (used in) operating activities	<u>\$ 350,022</u>	<u>\$ 149,828</u>	<u>\$ 499,850</u>

INTERNAL CONTROL AND COMPLIANCE



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

October 6, 2015

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Grand Rapids, Michigan, (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 6, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Urodeuxeld Haefner LLC