



**CITY OF EAST GRAND RAPIDS, MICHIGAN**

**FINANCIAL STATEMENTS**

*FOR THE YEAR ENDED JUNE 30, 2017*



Vredeveld Haefner LLC  
CPAs and Consultants

# CITY OF EAST GRAND RAPIDS

## TABLE OF CONTENTS

---

<b>FINANCIAL SECTION</b>	<b><u>PAGE</u></b>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	9
Statement of Activities	10-11
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position – Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Statement of Net Position/Balance Sheet – Fiduciary Funds	19
Statement of Changes in Net Position – Other Post-employment Benefit Trust Fund	20
<b>Notes to Financial Statements</b>	21-41
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	43
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Streets Fund	44
Defined Benefit Pension Plan	
Schedule of Changes in Employers Net Pension Liability and Other Ratios	45
Schedule of Employer Contributions	46
Retiree Health Other Post-Employment Benefits Plan	
Schedule of Changes in Employers Net OPEB Liability and Other Ratios	47
Schedule of Employer Contributions	48
Note to Required Supplementary Information	48
Combining and Individual Fund Statements and Schedules	
<b>General fund</b>	
Schedule of Revenues – Budget and Actual	49
Schedule of Expenditures – Budget and Actual	51
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet	52-53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	54-55
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Streets Fund	56

# CITY OF EAST GRAND RAPIDS

## TABLE OF CONTENTS

---

	<u>PAGE</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Municipal Streets Fund	57
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Drug Law Enforcement Fund	58
<b>Internal Service Funds</b>	
Combining Statement of Net Position	59
Combining Statement of Revenues, Expenses and Changes in Net Position	60
Combining Statement of Cash Flows	61
<b>INTERNAL CONTROL AND COMPLIANCE</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63-64



## Vredeveld Haefner LLC

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

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

### INDEPENDENT AUDITORS' REPORT

September 25, 2017

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 September 25, 2017, 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

*Urodeuxeld Haefner LLC*

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

# Management's Discussion and Analysis

As management of the City of East Grand Rapids (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017.

## Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2017 fiscal year as follows:

- Significant road and sidewalk projects continue to be completed due to the passing of the dedicated road and sidewalk millage in May of 2015. In the current fiscal year 3.41 miles of projects were completed.
- A federal road project was completed on the Lake Drive/Breton/Lakeside intersection with total expenditures (multiple fiscal years) of \$1,787,300. That total includes federal expenditures of \$671,500.
- In the Motor Pool Equipment Replacement Fund, approximately \$705,000 was invested in various vehicle and equipment replacements.
- Water and sewer rates were increased in this fiscal year to address the aging water distribution mains and sanitary sewer collection systems. Capital expenditures of approximately \$1,230,000 were spent in this fiscal year in the water and sewer fund.
- Payroll included 66 full-time and 13 part-time positions with total salary expenditures of \$5,022,800.

## 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 and major streets fund which are considered to be major funds. Data is combined into a single aggregated presentation for the other governmental funds (non-major governmental funds). Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

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

**Proprietary funds** The City maintains one enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses 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 \$22,532,213 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>	
	2016	2017	2016	2017	2016	2017
<b>Assets</b>						
Current and other assets	\$ 7,232,120	\$ 7,487,103	\$ 1,004,590	\$ 865,070	\$ 8,236,710	\$ 8,352,173
Long-term assets	24,929,210	26,089,239	9,720,522	10,491,597	34,649,732	36,580,836
<b>Total assets</b>	<b>32,161,330</b>	<b>33,576,342</b>	<b>10,725,112</b>	<b>11,356,667</b>	<b>42,886,442</b>	<b>44,933,009</b>
<b>Deferred outflows of resources</b>						
Pension and OPEB related items	1,241,934	1,265,926	-	15,163	1,241,934	1,281,089
<b>Liabilities</b>						
Current liabilities	1,363,416	1,834,055	588,354	321,385	1,951,770	2,155,440
Long-term liabilities	20,954,481	20,724,723	142,767	75,795	21,097,248	20,800,518
<b>Total liabilities</b>	<b>22,317,897</b>	<b>22,558,778</b>	<b>731,121</b>	<b>397,180</b>	<b>23,049,018</b>	<b>22,955,958</b>
<b>Deferred inflows of resources</b>						
OPEB related items	-	697,979	-	27,948	-	725,927
<b>Net position</b>						
Net investment in capital assets	15,064,727	16,876,604	9,680,505	10,491,597	24,745,232	27,368,201
Restricted	1,240,479	1,035,308	-	-	1,240,479	1,035,308
Unrestricted (deficit)	(5,219,839)	(6,326,401)	313,486	455,105	(4,906,353)	(5,871,296)
<b>Total net position</b>	<b>\$11,085,367</b>	<b>\$11,585,511</b>	<b>\$9,993,991</b>	<b>\$10,946,702</b>	<b>\$21,079,358</b>	<b>\$22,532,213</b>

The City's unrestricted net position in governmental activities is in a deficit position as a result of recording the net pension and net other post-employment benefits liabilities. Net investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding was \$27,368,201 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 \$1,035,308 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, 2017, was \$18,887,488 while total cost of all programs and services was \$16,048,491. This resulted in an increase in net position of \$2,838,997. 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>	
	2016	2017	2016	2017	2016	2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,765,682	\$ 1,742,238	\$3,433,347	\$ 4,097,646	\$ 5,199,029	\$ 5,839,884
Operating grants and contributions	933,374	965,237	-	-	933,374	965,237
Capital grants and contributions	675,542	681,492	57,569	113,648	733,111	795,140
General revenues						
Property taxes	9,897,660	10,065,668	-	-	9,897,660	10,065,668
State shared revenues	889,995	951,038	-	-	889,995	951,038
Cable franchise fees	226,001	224,575	-	-	226,001	224,575
Investment earnings	40,203	45,918	2,322	28	42,525	45,946
Gain on sale of assets	(24,134)	-	-	-	(24,134)	-
<b>Total revenues</b>	<b>14,404,323</b>	<b>14,676,166</b>	<b>3,493,238</b>	<b>4,211,322</b>	<b>17,897,561</b>	<b>18,887,488</b>
<b>Expenses</b>						
Legislative	27,081	26,990	-	-	27,081	26,990
General government	1,889,258	1,913,394	-	-	1,889,258	1,913,394
Public safety	6,182,797	4,822,975	-	-	6,182,797	4,822,975
Public works	3,471,010	3,694,555	-	-	3,471,010	3,694,555
Culture and recreation	2,135,948	2,134,153	-	-	2,135,948	2,134,153
Interest on long-term debt	259,803	250,816	-	-	259,803	250,816
Water and sewer	-	-	3,408,556	3,205,608	3,408,556	3,205,608
<b>Total expenses</b>	<b>13,965,897</b>	<b>12,842,883</b>	<b>3,408,556</b>	<b>3,205,608</b>	<b>17,374,453</b>	<b>16,048,491</b>
<b>Increase (decrease) in net position</b>						
<b>before transfers</b>	438,426	1,833,283	84,682	1,005,714	523,108	2,838,997
Transfers in (out)	-	68,284	-	(68,284)	-	-
<b>Increase (decrease) in net position</b>	438,426	1,901,567	84,682	937,430	523,108	2,838,997
<b>Net position – beginning</b>	10,646,941	9,683,944	9,909,309	10,009,272	20,556,250	19,693,216
<b>Net position – ending</b>	<b>\$11,085,367</b>	<b>\$11,585,511</b>	<b>\$9,993,991</b>	<b>\$10,946,702</b>	<b>\$21,079,358</b>	<b>\$22,532,213</b>

**Governmental Activities** The preceding table shows that the governmental activities increased the City's net position by \$1,901,567 during this fiscal year. The increase is the result of significant capital additions that will be depreciated (expensed) in future years.

**Business-type Activities** Business-type activities increased the City's net position by \$937,430 during the year. This is a result of a rate increase as well as an increase in usage of both water and sewage treatment service.

Beginning net position of governmental activities was reduced by \$1,401,423 and business-type activities was increased by \$15,281 to recognize the net other post-employment benefits liability at the beginning of the year in accordance with the implementation of GASB Statement No. 75.

## 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 \$4,808,870, a decrease of \$47,539 from the prior year, which is primarily due to construction of streets within the city.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, nonspendable fund balance of \$70,352 relates to prepaid assets, restricted fund balance of \$10,000 relates to public safety, committed fund balance of \$375,000 relates to future activities committed to by the Board and assigned fund balance of \$371,648 relates to future retirement payments and subsequent year expenditures. Unassigned fund balance represents \$2,924,531 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 23% of total general fund expenditures.

The Major Street Fund is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on major streets by Act 51. The fund balance decreased by \$162,057 during the current fiscal year leaving a remaining fund balance of \$397,601.

**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 \$937,430 as discussed under business-type activities above.

## Budgetary Highlights

Revenues in the General Fund were approximately \$11,161,000 which is 100.2% of the \$11,133,800 amended budgeted amount for the fiscal year. Property tax revenue was \$8,172,500 or 100.2% collected of the original tax roll.

Expenditures in the General Fund were approximately \$11,066,600 or 96.9% of the amended budgeted amount of \$11,423,800. The budget was amended to use \$290,000 of fund balance for the year; however, the actual will add approximately \$94,400 into unrestricted fund balance which is made up 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, 2017, amounted to \$36,580,836 (net of accumulated depreciation). Of this amount, \$26,089,239 was for its governmental activities and \$10,491,597 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 \$20,800,518. Of this amount, \$9,212,635 was for governmental activities debt; \$9,619,184 related to the net pension liability and \$1,968,699 related to the liability for other post-employment benefits.

The City's total long-term debt decreased by approximately \$652,000 during the current fiscal year due to payments made.

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 2018 fiscal year:

- The General Fund expenditure budget for next year is \$320,100 more than last fiscal year's amended budgeted amount. Budgeted revenues are less than budgeted expenditures by \$310,000. General Fund unrestricted ending balance for the year ending June 30, 2018 is budgeted at 23.35% of expenditures including transfers.
- Property taxes, which comprise 74% of the General Fund budget, were increased by 2.02% in the June 30, 2018 budget. This is due to an overall assessed value increase of 5.6% and a taxable value increase of 3.8%.
- Due to an increase of taxable value over the inflation rate of 0.9%, a rollback of the City millage resulted. The General Fund budget for the year ended June 30, 2017 budget contains a property tax levy of 12.6515, which is the maximum available under the Headlee Amendment.
- The estimated tax funding dedicated to roads and sidewalks for the year ended June 30, 2016 is 1,270,400 and is dedicated to roads and sidewalks. Significant capital projects are planned for the dedicated road and sidewalk millage.
- The budget continues to address the aging water distribution mains and sanitary sewer collection systems. A total of \$832,000 will be spent for the upgrade and replacement of water mains and \$100,000 for upgrades related to the sanitary sewer system for the year ending June 30, 2018.

## **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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 6,670,861	\$ 130,500	\$ 6,801,361
Accounts receivable	220,983	695,825	916,808
Internal balances	19,811	(19,811)	-
Due from other governments	375,688	-	375,688
Inventory	74,239	54,690	128,929
Prepaid and other assets	125,521	3,866	129,387
Capital assets			
Land	2,124,000	-	2,124,000
Depreciable capital assets, net	<u>23,965,239</u>	<u>10,491,597</u>	<u>34,456,836</u>
<b>Total assets</b>	<u>33,576,342</u>	<u>11,356,667</u>	<u>44,933,009</u>
<b>Deferred outflows of resources</b>			
Pension contributions and deficit investment returns	887,238	-	887,238
OPEB related items	<u>378,688</u>	<u>15,163</u>	<u>393,851</u>
<b>Total deferred outflows of resources</b>	<u>1,265,926</u>	<u>15,163</u>	<u>1,281,089</u>
<b>Liabilities</b>			
Accounts payable	937,259	282,397	1,219,656
Accrued liabilities	576,663	24,408	601,071
Unearned revenue	58,656	-	58,656
Compensated absences	261,477	14,580	276,057
Noncurrent liabilities			
Net other post-employment benefits liability	1,892,904	75,795	1,968,699
Net pension liability	9,619,184	-	9,619,184
Debt due within one year	687,651	-	687,651
Debt due in more than one year	<u>8,524,984</u>	<u>-</u>	<u>8,524,984</u>
<b>Total liabilities</b>	<u>22,558,778</u>	<u>397,180</u>	<u>22,955,958</u>
<b>Deferred inflows of resources</b>			
OPEB related items	<u>697,979</u>	<u>27,948</u>	<u>725,927</u>
<b>Net position</b>			
Net investment in capital assets	16,876,604	10,491,597	27,368,201
Restricted for			
Streets	974,864	-	974,864
Public safety	53,991	-	53,991
Debt service	6,453	-	6,453
Unrestricted (deficit)	<u>(6,326,401)</u>	<u>455,105</u>	<u>(5,871,296)</u>
<b>Total net position</b>	<u>\$ 11,585,511</u>	<u>\$ 10,946,702</u>	<u>\$ 22,532,213</u>

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

**CITY OF EAST GRAND RAPIDS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary government</b>				
Governmental activities				
Legislative	\$ 26,990	\$ -	\$ -	\$ -
General government	1,913,394	292,349	-	10,000
Public safety	4,822,975	40,578	74,706	-
Public works	3,694,555	427,568	890,531	671,492
Parks and recreation	2,134,153	981,742	-	-
Interest on long-term debt	250,816	-	-	-
<b>Total governmental activities</b>	<u>12,842,883</u>	<u>1,742,237</u>	<u>965,237</u>	<u>681,492</u>
Business-type activities				
Water and sewer	<u>3,205,608</u>	<u>4,097,646</u>	<u>-</u>	<u>113,648</u>
<b>Total primary government</b>	<u>\$ 16,048,491</u>	<u>\$ 5,839,883</u>	<u>\$ 965,237</u>	<u>\$ 795,140</u>

(continued)

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

**CITY OF EAST GRAND RAPIDS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in net position</b>			
<b>Net (expense) revenue</b>	\$ (9,453,917)	\$ 1,005,686	\$ (8,448,231)
General revenues			
Property taxes	10,065,669	-	10,065,669
State shared revenues	951,038	-	951,038
Cable franchise fees	224,575	-	224,575
Unrestricted investment earnings	45,918	28	45,946
Transfers - internal activities	<u>68,284</u>	<u>(68,284)</u>	<u>-</u>
Total general revenues and transfers	<u>11,355,484</u>	<u>(68,256)</u>	<u>11,287,228</u>
Change in net position	1,901,567	937,430	2,838,997
<b>Net position, beginning of year, as restated</b>	<u>9,683,944</u>	<u>10,009,272</u>	<u>19,693,216</u>
<b>Net position, end of year</b>	<u>\$ 11,585,511</u>	<u>\$ 10,946,702</u>	<u>\$ 22,532,213</u>

(concluded)

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

**CITY OF EAST GRAND RAPIDS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2017**

	<u>General</u>	<u>Special Revenue Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 3,971,274	\$ 754,451	\$ 761,678	\$ 5,487,403
Accounts receivable	132,519	374	-	132,893
Due from other governments	212,462	118,507	44,719	375,688
Inventory	-	10,080	10,080	20,160
Prepaid items	70,352	2,366	9,505	82,223
<b>Total assets</b>	<u>\$ 4,386,607</u>	<u>\$ 885,778</u>	<u>\$ 825,982</u>	<u>\$ 6,098,367</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 292,603	\$ 476,596	\$ 154,661	\$ 923,860
Due to other funds	90,639	4,966	4,967	100,572
Accrued liabilities	205,519	6,615	6,616	218,750
Unearned revenue	46,315	-	-	46,315
<b>Total liabilities</b>	<u>635,076</u>	<u>488,177</u>	<u>166,244</u>	<u>1,289,497</u>
<b>Fund balances</b>				
Nonspendable				
Inventory	-	10,080	10,080	20,160
Prepaid items	70,352	2,366	9,505	82,223
Restricted				
Streets	-	385,155	589,709	974,864
Public safety	10,000	-	43,991	53,991
Debt service	-	-	6,453	6,453
Committed				
Turf replacement	375,000	-	-	375,000
Assigned				
Future retirement payments	61,648	-	-	61,648
Subsequent year expenditures	310,000	-	-	310,000
Unassigned	2,924,531	-	-	2,924,531
<b>Total fund balances</b>	<u>3,751,531</u>	<u>397,601</u>	<u>659,738</u>	<u>4,808,870</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,386,607</u>	<u>\$ 885,778</u>	<u>\$ 825,982</u>	<u>\$ 6,098,367</u>

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

# CITY OF EAST GRAND RAPIDS

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

JUNE 30, 2017

---

<b>Fund balances - total governmental funds</b>	<b>\$ 4,808,870</b>
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 - capital assets (net of accumulated depreciation)	21,850,775
Deferred inflows and outflows relate to future years and are not reported in the funds	
Add - deferred outflows from pension related items	887,238
Add - deferred outflows from OPEB related items	378,688
Deduct - deferred inflows from OPEB related items	(697,979)
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	3,268,667
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(249,374)
Deduct - net other post-employment benefit liability	(1,892,904)
Deduct - net pension liability	(9,619,184)
Deduct - long-term debt	(9,212,635)
Deduct - accrued interest on bonds payable	(60,651)
<b>Net position of governmental activities</b>	<b><u>\$ 11,585,511</u></b>

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

**CITY OF EAST GRAND RAPIDS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Special Revenue Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Taxes	\$ 8,172,475	\$ -	\$ 1,872,909	\$ 10,045,384
Intergovernmental revenues				
State	980,781	627,623	249,482	1,857,886
Local	-	-	69,645	69,645
Licenses and permits	62,298	-	-	62,298
Charges for services	509,268	-	-	509,268
Recreation	1,192,418	-	-	1,192,418
Fines	36,181	-	-	36,181
Rentals	40,425	-	-	40,425
Investment earnings	39,717	1,943	2,472	44,132
Other	127,410	564	12,862	140,836
<b>Total revenues</b>	<u>11,160,973</u>	<u>630,130</u>	<u>2,207,370</u>	<u>13,998,473</u>
<b>Expenditures</b>				
Current				
Legislative	27,029	-	-	27,029
General government	1,584,615	-	-	1,584,615
Public safety	4,824,809	-	103,577	4,928,386
Public works	1,679,012	1,767,783	1,301,576	4,748,371
Parks and recreation	1,873,225	-	-	1,873,225
Debt service				
Principal	-	-	631,000	631,000
Interest	-	-	253,386	253,386
<b>Total expenditures</b>	<u>9,988,690</u>	<u>1,767,783</u>	<u>2,289,539</u>	<u>14,046,012</u>
Revenues over (under) expenditures	<u>1,172,283</u>	<u>(1,137,653)</u>	<u>(82,169)</u>	<u>(47,539)</u>
Other financing sources (uses)				
Transfers in	-	1,234,834	1,634,300	2,869,134
Transfers out	(1,077,923)	(259,238)	(1,531,973)	(2,869,134)
Total other financing sources (uses)	<u>(1,077,923)</u>	<u>975,596</u>	<u>102,327</u>	<u>-</u>
Net changes in fund balances	94,360	(162,057)	20,158	(47,539)
<b>Fund balances, beginning of year</b>	<u>3,657,171</u>	<u>559,658</u>	<u>639,580</u>	<u>4,856,409</u>
<b>Fund balances, end of year</b>	<u>\$ 3,751,531</u>	<u>\$ 397,601</u>	<u>\$ 659,738</u>	<u>\$ 4,808,870</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, 2017**

---

**Net changes in fund balances - total governmental funds** \$ (47,539)

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

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

Add - capital outlay	2,675,343
Deduct - depreciation expense	(1,798,244)
Deduct - net book value of disposed capital assets	(8,867)

Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	643,972
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	(21,412)
Add - decrease in net pension liability	687,789
Add - decrease in net other post-employment benefits liability	291,544
Add - increase in deferred outflows	23,992
Deduct - increase in deferred inflows	(697,979)
Add - decrease in accrued interest	2,570

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

Add - increase in net position of the internal service funds	<u>142,522</u>
--	----------------

**Change in net position of governmental activities** \$ 1,901,567

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

**CITY OF EAST GRAND RAPIDS**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION**

**JUNE 30, 2017**

	<b>Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Water and Sewer</b>	<b>Internal Service Funds</b>
<b>Assets</b>		
Current assets		
Cash and pooled investments	\$ 130,500	\$ 1,183,458
Accounts receivable	695,825	88,090
Due from other funds	-	124,681
Prepaid and other assets	3,866	43,298
Inventory	54,690	54,079
	<hr/>	<hr/>
Total current assets	884,881	1,493,606
Capital assets		
Depreciable capital assets, net	10,491,597	2,114,464
	<hr/>	<hr/>
<b>Total assets</b>	<b>11,376,478</b>	<b>3,608,070</b>
	<hr/>	<hr/>
<b>Deferred outflows of resources</b>		
OPEB related items	15,163	-
	<hr/>	<hr/>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	282,397	13,399
Accrued liabilities	24,408	297,262
Due to other funds	19,811	4,298
Unearned revenue	-	12,341
Compensated absences	14,580	12,103
	<hr/>	<hr/>
Total current liabilities	341,196	339,403
Long-term liabilities		
Net other post-employment benefits liability	75,795	-
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>416,991</b>	<b>339,403</b>
	<hr/>	<hr/>
<b>Deferred inflows of resources</b>		
OPEB related items	27,948	-
	<hr/>	<hr/>
<b>Net position</b>		
Net investment in capital assets	10,491,597	2,114,464
Unrestricted	455,105	1,154,203
	<hr/>	<hr/>
<b>Total net position</b>	<b>\$ 10,946,702</b>	<b>\$ 3,268,667</b>
	<hr/>	<hr/>

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, 2017**

	<b>Enterprise Fund Water and Sewer</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Operating revenue</b>		
Charges for services	\$ 4,034,966	\$ 2,184,154
Other	62,680	60,980
<b>Total operating revenue</b>	<u>4,097,646</u>	<u>2,245,134</u>
<b>Operating expense</b>		
Personnel services	573,732	209,139
Contractual services	165,578	399,681
Materials and supplies	935,289	171,118
Equipment	141,074	1,625
Claims	-	917,556
Administration	230,341	105,186
Depreciation	473,197	413,829
Miscellaneous	685,903	8,892
<b>Total operating expense</b>	<u>3,205,114</u>	<u>2,227,026</u>
Operating income (loss)	<u>892,532</u>	<u>18,108</u>
Non-operating revenue (expense)		
Gain on sale of capital assets	-	49,929
Investment earnings	28	6,201
Interest expense	(494)	-
<b>Total non-operating revenue (expense)</b>	<u>(466)</u>	<u>56,130</u>
Income (loss) before transfers and contributions	<u>892,066</u>	<u>74,238</u>
Capital contributions	113,648	-
Transfers in	-	68,284
Transfers out	(68,284)	-
<b>Total transfers and contributions</b>	<u>45,364</u>	<u>68,284</u>
Changes in net position	937,430	142,522
<b>Net position, beginning of year, as restated</b>	<u>10,009,272</u>	<u>3,126,145</u>
<b>Net position, end of year</b>	<u>\$ 10,946,702</u>	<u>\$ 3,268,667</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, 2017**

	<u>Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Cash flows from operating activities</b>		
Receipts from internal services provided	\$ -	\$ 2,153,895
Receipts from customers and users	4,093,651	-
Payments to employees	(571,407)	(206,731)
Payments to suppliers	<u>(2,425,970)</u>	<u>(1,555,764)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>1,096,274</u>	<u>391,400</u>
<b>Cash flows from non-capital financing activities</b>		
Transfers in	-	68,284
Transfers out	<u>(68,284)</u>	<u>-</u>
<b>Net cash provided by (used in) non-capital financing activities</b>	<u>(68,284)</u>	<u>68,284</u>
<b>Cash flows from capital and related financing activities</b>		
Interest expense	(494)	-
Principal paid on bonds	(40,017)	-
Proceeds from sale of capital assets	-	49,929
Capital grants	-	-
Acquisitions of capital assets	<u>(1,228,991)</u>	<u>(705,626)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(1,269,502)</u>	<u>(655,697)</u>
<b>Cash flows from investing activities</b>		
Interest income	<u>28</u>	<u>6,201</u>
Net increase (decrease) in cash and pooled investments	(241,484)	(189,812)
<b>Cash and pooled investments, beginning of year</b>	<u>371,984</u>	<u>1,373,270</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 130,500</u>	<u>\$ 1,183,458</u>
<b>Cash flows from operating activities</b>		
Operating income (loss)	\$ 892,532	\$ 18,108
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	473,197	413,829
Deferred outflows of resources	(15,163)	-
Deferred inflows of resources	27,948	-
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	(3,995)	(53,321)
Due from other funds	-	(39,089)
Prepaid and other assets	(683)	(5,301)
Inventory	4,792	1,425
Accounts payable	(283,464)	(42,309)
Due to other funds	11,570	1,171
Accrued liabilities	13,675	94,433
Unearned revenue	-	1,170
Compensated absences	2,820	1,284
Net other post-employment benefits liabilities	<u>(26,955)</u>	<u>-</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,096,274</u>	<u>\$ 391,400</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, 2017**

---

	<b>Other Post-employment Benefit Trust</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and pooled investments	\$ -	\$ 9,050
Investments	<u>1,311,552</u>	<u>-</u>
<b>Total assets</b>	<u>1,311,552</u>	<u>\$ 9,050</u>
 <b>Liabilities</b>		
Accrued liabilities	15,984	\$ -
Due to other governmental units	<u>-</u>	<u>9,050</u>
<b>Total liabilities</b>	<u>15,984</u>	<u>\$ 9,050</u>
 <b>Net position</b>		
Held in trust for other post-employment benefits	<u>\$ 1,295,568</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, 2017**

---

	<b>Other Post-employment Benefit Trust</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 75,031
Other	24,321
Investment earnings	<u>83,057</u>
<b>Total Additions</b>	200,757
<b>Deductions</b>	
Benefits	<u>121,156</u>
Net increase	79,601
<b>Net position, beginning of year</b>	<u>1,215,967</u>
<b>Net position, end of year</b>	<u><u>\$ 1,295,568</u></u>

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

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

---

### 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, 2017

---

### ***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, pension and OPEB liabilities, and claims and judgments, are recorded only when payment is due. Property taxes, state revenue, grants, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

The City reports the following major governmental funds:

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

The *Major Streets Fund* accounts for funds specifically intended for the maintenance and construction of major streets. Financing is provided from Public Act 51 State Shared Gas and Weight Tax and miscellaneous service revenues.

The City reports the following major proprietary fund:

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

**CITY OF EAST GRAND RAPIDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

Additionally, the City reports the following fund types:

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

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

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

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

The *Other 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 activity level. Supplemental appropriations were necessary during the year.

**CITY OF EAST GRAND RAPIDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

***Cash and Pooled Investments***

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

***Investments***

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

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

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

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

---

### ***Inventory***

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

### ***Capital Assets***

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

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

	<u>Years</u>
Water and Sewage Systems	20-50
Buildings and improvements	10-35
Vehicles and equipment	4-20
Infrastructure	5-20

### ***Unearned/Unavailable Revenue***

Governmental funds 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	\$46,315
Internal service funds	12,341
Total	<u>\$58,656</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, 2017

---

### **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 are reported in this category related to the pension investments and contributions as discussed in note 6 as well as OPEB items as discussed in note 7.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has items reported in this category related to OPEB items as discussed in note 7.

### **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.

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

---

4. Assigned – the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

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

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

#### ***Net Position and Fund Balance Flow Assumptions***

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

#### ***Property Taxes***

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

#### ***Interfund Transactions***

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

## **2. DEFICIT NET POSITION**

At June 30, 2017, the City reported a deficit unrestricted net position in its governmental activities of \$6,326,401 due to the reporting of the net pension liability and net other post-employment benefits liability.

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

#### 3. CASH AND INVESTMENTS

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

	<b>Primary Government</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Cash and pooled investments	\$6,801,361	\$ 9,050	\$6,810,411
Investments	-	1,311,552	1,311,552
	\$6,801,361	\$1,320,602	\$8,121,963

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

Deposits	\$4,317,556
Investments	3,803,782
Petty cash	625
<b>Total</b>	<b>\$8,121,963</b>

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of June 30, 2017, \$2,679,892 of the City's bank balance of \$4,429,892 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:

	<b>Maturity</b>	<b>Fair Value</b>	<b>Rating</b>
Governmental activities			
Kent County Investment Pool	N/A	\$2,492,230	Unrated
Other Post-employment Benefits Trust Fund			
VT II VP Milestone Ret. Income collective investment trust (CIT)	N/A	1,311,552	Unrated
<b>Total</b>		<b>\$3,803,782</b>	

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

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

---

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

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

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

#### ***Investment and deposit risk***

*Interest Rate Risk.* State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no stated maturity date for the City's investments identified above.

At June 30, 2017 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	20%	0-3
Certificates of deposits	67%	0-2
Deposits, money markets and other pools	13%	Not applicable

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

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

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

**CITY OF EAST GRAND RAPIDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**4. INTERFUND TRANSACTIONS**

Interfund receivables and payables of individual funds at June 30, 2017 were as follows:

<u>Payable fund</u>	<u>Receivable fund</u>
	<u>Internal service</u>
General fund	\$ 90,639
Major streets fund	4,966
Nonmajor governmental funds	4,967
Water and sewer fund	19,811
Internal service fund	4,298
	<b>\$124,681</b>

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

Transfers in and out for the year ended June 30, 2017 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>				<u>Total</u>
	<u>General fund</u>	<u>Major Streets fund</u>	<u>Nonmajor governmental funds</u>	<u>Water and Sewer fund</u>	
Major streets	\$ 240,000	\$ -	\$994,834	-	<b>\$1,234,834</b>
Nonmajor governmental funds	837,923	259,238	537,139	-	<b>1,634,300</b>
Internal service funds	-	-	-	68,284	<b>68,284</b>
	<b>\$1,077,923</b>	<b>\$259,238</b>	<b>\$1,531,973</b>	<b>68,284</b>	<b>\$2,937,418</b>

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move allocated cost of general operations to applicable funds.

**CITY OF EAST GRAND RAPIDS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**5. CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 2,124,000	\$ -	\$ -	\$ 2,124,000
Construction in progress	306,267	-	306,267	-
Total capital assets, not being depreciated	<u>2,430,267</u>	-	<u>306,267</u>	<u>2,124,000</u>
<b>Capital assets, being depreciated</b>				
Land improvements	1,963,631	17,368	-	1,980,999
Buildings	12,417,729	-	-	12,417,729
Building improvements	3,524,284	20,471	-	3,544,755
Vehicles and equipment	5,115,330	844,171	490,002	5,469,499
Infrastructure	20,685,631	2,832,984	-	23,518,615
Total capital assets, being depreciated	<u>43,706,605</u>	<u>3,714,994</u>	<u>490,002</u>	<u>46,931,597</u>
Less accumulated depreciation for				
Land improvements	\$ 813,348	\$ 102,387	\$ -	915,735
Buildings	4,166,043	400,170	-	4,566,213
Building improvements	2,662,497	184,313	-	2,846,810
Vehicles and equipment	3,012,396	524,659	481,135	3,055,920
Infrastructure	10,581,136	1,000,544	-	11,581,680
Total accumulated depreciation	<u>21,235,420</u>	<u>2,212,073</u>	<u>481,135</u>	<u>22,966,358</u>
<b>Net capital assets, being depreciated</b>	<u>22,471,185</u>	<u>1,502,921</u>	<u>8,867</u>	<u>23,965,239</u>
<b>Governmental Activities capital assets, net</b>	<b><u>\$24,901,452</u></b>	<b><u>\$1,502,921</u></b>	<b><u>\$315,134</u></b>	<b><u>\$26,089,239</u></b>
<b>Business-type Activities</b>				
Construction in progress	\$ 529,927	\$ -	\$529,927	\$ -
<b>Capital assets being depreciated</b>				
Sewer system	9,265,100	149,462	-	9,414,562
Water system	8,180,095	1,476,929	34,696	9,622,328
Lift station	437,553	154,746	39,000	553,299
Water tower	602,175	-	-	602,175
Drains	1,726,036	-	-	1,726,036
Meters	350,271	-	-	350,271
Total capital assets, being depreciated	<u>20,561,230</u>	<u>1,781,137</u>	<u>73,696</u>	<u>22,268,671</u>
Less accumulated depreciation for				
Sewer system	6,022,389	206,397	-	6,228,786
Water system	2,782,443	177,603	27,758	2,932,288
Lift station	319,636	20,233	39,000	300,869
Water tower	342,659	41,681	-	384,340
Drains	1,579,506	9,769	-	1,589,275
Meters	324,002	17,514	-	341,516
Total accumulated depreciation	<u>11,370,635</u>	<u>473,197</u>	<u>66,758</u>	<u>11,777,074</u>
<b>Net capital assets, being depreciated</b>	<u>9,190,595</u>	<u>1,307,940</u>	<u>6,938</u>	<u>10,491,597</u>
<b>Business-type Activities capital assets, net</b>	<b><u>\$9,720,522</u></b>	<b><u>\$1,307,940</u></b>	<b><u>\$536,865</u></b>	<b><u>\$10,491,597</u></b>

**CITY OF EAST GRAND RAPIDS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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

<b>Governmental Activities</b>	
General government	\$ 359,649
Public safety	269,737
Public works	899,121
Recreation and culture	269,737
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	413,829
<b>Total depreciation expense - governmental activities</b>	<b>\$2,212,073</b>
 <b>Business-type Activities</b>	
Water and sewer	\$473,197

**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](http://www.mersofmich.com).

This plan is closed to new entrants.

***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, 2016):

Active plan members	6
Inactive employees entitled but not yet receiving benefits	6
Inactive employees or beneficiaries currently receiving benefits	46
<b>Total</b>	<b>58</b>

***Contributions***

The City is required to contribute at an actuarially determined rate, which for the current year was \$86,868 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 0% to 5.0% percent of gross wages to the Plan based on position and classification. The contribution requirements of the City are

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

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, 2016, 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, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% (3-4% for 2014)

Salary Increases: base wage inflation of 3.75% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5 for 2014)

Investment rate of return: 7.75%, net of investment expense, including inflation (8.25 for 2014)

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return</u>
Global Equity	57.5%	6.27%	3.60%
Global Fixed Income	20.0%	3.43%	0.68%
Real Assets	12.5%	5.48%	0.69%
Diversifying Strategies	10.0%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			8.00%

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

#### Discount rate

The discount rate used to measure the total pension liability is 8.00%. 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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2015	\$18,797,241	\$8,490,268	\$10,306,973
Changes for the Year:			
Service cost	55,650	-	55,650
Interest	1,439,882	-	1,439,882
Change in benefits	-	-	-
Differences between expected and actual experience	(284,896)	-	(284,896)
Change in assumptions	-	-	-
Contributions: employer	-	968,148	(968,148)
Contributions: employee	-	17,480	(17,480)
Net investment Income	-	931,223	(931,223)
Benefit payments, including refunds	(1,653,090)	(1,653,090)	-
Administrative expense	-	(18,426)	18,426
Other changes	-	-	-
Net changes	(442,454)	245,335	(687,789)
Balance at December 31, 2016	\$18,354,787	\$8,735,603	\$9,619,184

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

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

	1% Decrease	Current Discount rate	1 % Increase
Total Pension Liability	\$19,984,149	\$18,354,787	\$16,950,344
Fiduciary Net Position	8,735,603	8,735,603	8,735,603
Net Pension Liability	\$11,248,546	\$ 9,619,184	\$ 8,214,741

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

---

#### Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2017 the employer recognized pension expense of \$709,323. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Differences in experience	\$ -
Differences in assumptions	-
Excess (deficit) investment returns	358,560
Contributions subsequent to the measurement date*	<u>528,678</u>
Total	<u><u>\$887,238</u></u>

\* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2018.

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

2018	\$678,103
2019	149,425
2020	115,598
2021	<u>(55,888)</u>
Total	<u><u>\$887,238</u></u>

#### Defined Contribution Plans

The City also maintains a defined contribution retirement plan administered by ICMA-RC. The plan has a vesting period of 5 years and can be amended by City Council within the limits of various union agreements. The City's contribution for the year was \$523,463 and employee contributions were \$119,389. 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 7.5% of the participants' salaries to the Plan.

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

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

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

---

### 7. OTHER POST-EMPLOYMENT BENEFITS

#### **Plan Description**

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

#### **Benefits provided**

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

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2017):

Active plan members	62
Retirees and beneficiaries receiving benefits	<u>6</u>
Total	<u>68</u>

#### **Contributions**

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

#### **Net OPEB Liability**

The total OPEB liability in the June 30, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.0%

Salary Increases: 2.25%

Investment rate of return: 7.31%, net of investment expense, including inflation

Healthcare cost trend rates: 5% per year

20-year Aa Municipal bond yield: 3.1%

Mortality rates used SOA RPH-2014 at 2006 projected with MP-2016, annuitant and non-annuitant, sex-distinct mortality tables.

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

The long-term expected rate of return on OPEB plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
US equity	33%	7.00%
International equity	11%	6.25%
Fixed income	45%	3.78%
Diversifying strategies	10%	6.00%
Cash	1%	1.00%

The sum of each target benefit times its long-term expected real rate is 5.31%. The long-term expected rate of return is 7.31% with inflation.

Discount rate. The discount rate used to measure the total OPEB liability is 3.46%. The projection of cash flows used to determine the discount rate assumes that no City contributions will be made as assets are drawn down to pay retiree benefits. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to pay all projected future benefit payments of current members through 2024. For projected benefits that are expected to be covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. As of June 30, 2016, the discount rate used to value OPEB liabilities was 5.0%.

#### Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at June 30, 2016	\$3,487,884	\$1,215,967	\$2,271,917
Changes for the Year:			
Service cost	140,181	-	140,181
Interest	179,527	-	179,527
Change in benefits	(126,139)	-	(126,139)
Differences between expected and actual experience	(767,215)	-	(767,215)
Change in assumptions	425,060	-	425,060
Contributions: employer	-	75,031	(75,031)
Contributions: employee	-	-	-
Net investment Income	-	79,601	(79,601)
Benefit payments, including refunds	(75,031)	(75,031)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(223,617)	79,601	(303,218)
Balance at June 30, 2017	\$3,264,267	\$1,295,568	\$1,968,699

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

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

The following presents the net OPEB liability of the employer, calculated using the discount rate of 3.46%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total OPEB liability	\$3,533,140	\$3,264,267	\$3,012,518
Fiduciary net position	1,295,568	1,295,568	1,295,568
Net OPEB liability	\$2,237,572	\$1,968,699	\$1,716,950
Plan fiduciary position as a percentage of the total OPEB liability	39.69%		

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

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 5.0%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current healthcare cost trend rate	1% Increase
Total OPEB liability	\$2,907,018	\$3,264,267	\$3,048,832
Fiduciary net position	1,295,568	1,295,568	1,295,568
Net OBEB liability	\$1,611,450	\$1,968,699	\$1,753,264

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

For the year ended June 30, 2017 the employer recognized OPEB expense of \$102,778. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$710,885
Differences in assumptions	393,851	-
Excess(deficit) investment returns	-	15,042
Total	\$393,851	\$725,927

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

2017	\$ (28,882)
2018	(28,882)
2019	(28,882)
2020	(28,880)
2021	(25,121)
Thereafter	(191,429)
Total	\$(332,076)

**CITY OF EAST GRAND RAPIDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**8. LONG-TERM DEBT**

The following is a summary of the debt transactions of the City for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
\$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%	\$7,870,000	\$ -	\$265,000	\$7,605,000	\$295,000
\$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%	819,000	-	121,000	698,000	127,000
\$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%	1,005,000	-	245,000	760,000	250,000
Capital lease	36,600	-	12,972	23,628	7,775
<b>Total</b>	<b>9,730,600</b>	<b>-</b>	<b>643,972</b>	<b>9,086,628</b>	<b>679,775</b>
Unamortized premium	133,883	-	7,876	126,007	7,876
Accrued compensated absences	238,781	22,696	-	261,477	-
<b>Total Governmental Activities</b>	<b>\$10,103,264</b>	<b>\$22,696</b>	<b>\$651,848</b>	<b>\$9,474,112</b>	<b>\$687,651</b>
<b>Business-type Activities</b>					
\$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 at 1.5%	\$40,017	\$ -	\$40,017	\$ -	\$ -
Accrued compensated absences	11,760	2,820	-	14,580	-
<b>Total Business-type Activities</b>	<b>\$51,777</b>	<b>\$2,820</b>	<b>\$40,017</b>	<b>\$14,580</b>	<b>\$ -</b>

# CITY OF EAST GRAND RAPIDS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

The annual requirements to amortize all debt outstanding (excluding unamortized premium and accrued compensated absences) as of June 30, 2017 are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 679,775	\$ 244,494	\$ -	\$ -
2019	712,397	229,245	-	-
2020	752,456	212,633	-	-
2021	531,000	194,160	-	-
2022	566,000	175,856	-	-
2023-2027	2,575,000	691,500	-	-
2028-2032	2,745,000	324,000	-	-
2033	525,000	15,750	-	-
<b>Total</b>	<b>\$9,086,628</b>	<b>\$2,087,638</b>	<b>\$ -</b>	<b>\$ -</b>

#### 9. RISK MANAGEMENT

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

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

The City is self-funded for employees' health benefits. The claims liability of \$124,083 reported at June 30, 2017 is based on the requirements of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The activity of the self-funded insurance is accounted for in the Health Insurance Internal Service fund. An excess coverage insurance policy covers claims in excess of \$50,000 per covered individual. There were no changes in insurance coverage from the prior year other than an increase in 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.

**CITY OF EAST GRAND RAPIDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

The changes in the claims liability for the years ended June 30, 2017 and 2016 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>
2016	\$126,542	\$1,133,068	\$1,199,024	\$ 60,586
2017	60,586	1,283,928	1,220,431	124,083

**10. CONSTRUCTION CODE FEES**

The City oversees building construction in accordance with the State of Michigan Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. During the year, the City collected fees of \$64,090 with related direct and indirect expenditures in excess of that amount.

**11. COMMITMENTS**

The City Commission approved construction projects prior to June 30, 2017 for approximately \$410,000; with the work to be done subsequent to year end.

**12. CONTINGENCIES**

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

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

**13. PRIOR PERIOD ADJUSTMENTS**

Beginning net position of governmental activities was decreased by \$1,401,423 to record the net pension liability in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75.

Beginning net position of business-type activities and of the water and sewer enterprise fund were increased by \$15,281 to record the net pension liability in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75.

**(This page left intentionally blank)**

## **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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 8,160,000	\$ 8,160,000	\$ 8,172,475	\$ 12,475
Intergovernmental revenues				
State	916,500	939,800	980,781	40,981
Licenses and permits	65,000	66,000	62,298	(3,702)
Charges for services	489,100	505,000	509,268	4,268
Recreation	1,178,900	1,218,600	1,192,418	(26,182)
Fines	40,000	40,000	36,181	(3,819)
Rentals	40,400	40,400	40,425	25
Investment earnings	20,000	35,000	39,717	4,717
Other	170,500	129,000	127,410	(1,590)
<b>Total revenues</b>	<u>11,080,400</u>	<u>11,133,800</u>	<u>11,160,973</u>	<u>27,173</u>
<b>Expenditures</b>				
Current				
Legislative	30,800	29,500	27,029	2,471
General government	1,637,900	1,656,600	1,584,615	71,985
Public safety	5,037,700	4,922,300	4,824,809	97,491
Public works	1,698,700	1,793,400	1,679,012	114,388
Parks and recreation	1,945,300	1,944,000	1,873,225	70,775
<b>Total expenditures</b>	<u>10,350,400</u>	<u>10,345,800</u>	<u>9,988,690</u>	<u>357,110</u>
<b>Revenues over (under) expenditures</b>	730,000	788,000	1,172,283	384,283
Other financing sources (uses)				
Transfers out	<u>(1,000,000)</u>	<u>(1,078,000)</u>	<u>(1,077,923)</u>	<u>77</u>
Net changes in fund balance	(270,000)	(290,000)	94,360	384,360
<b>Fund balance, beginning of year</b>	<u>3,657,171</u>	<u>3,657,171</u>	<u>3,657,171</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 3,387,171</u>	<u>\$ 3,367,171</u>	<u>\$ 3,751,531</u>	<u>\$ 384,360</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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 635,000	\$ 562,000	\$ 627,623	\$ 65,623
Investment earnings	2,000	1,800	1,943	143
Miscellaneous	-	200	564	364
<b>Total revenues</b>	<u>637,000</u>	<u>564,000</u>	<u>630,130</u>	<u>66,130</u>
<b>Expenditures</b>				
Current				
Public works				
Street maintenance	490,000	598,400	458,630	139,770
Street construction	1,029,500	1,205,000	1,206,917	(1,917)
Street administration	98,900	55,200	48,073	7,127
Engineering	69,700	70,400	54,163	16,237
<b>Total expenditures</b>	<u>1,688,100</u>	<u>1,929,000</u>	<u>1,767,783</u>	<u>161,217</u>
Revenues over (under) expenditures	<u>(1,051,100)</u>	<u>(1,365,000)</u>	<u>(1,137,653)</u>	<u>227,347</u>
Other financing sources (uses)				
Transfers in	1,138,500	1,235,000	1,234,834	(166)
Transfers out	<u>(260,000)</u>	<u>(260,000)</u>	<u>(259,238)</u>	<u>762</u>
Total other financing sources (uses)	<u>878,500</u>	<u>975,000</u>	<u>975,596</u>	<u>596</u>
Net changes in fund balance	(172,600)	(390,000)	(162,057)	227,943
<b>Fund balance, beginning of year</b>	<u>559,658</u>	<u>559,658</u>	<u>559,658</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 387,058</u>	<u>\$ 169,658</u>	<u>\$ 397,601</u>	<u>\$ 227,943</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, 2017**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Total pension liability</b>			
Service cost	\$ 52,264	\$ 53,644	\$ 55,650
Interest	1,418,426	1,361,488	1,439,882
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	268,503	(284,896)
Changes in assumptions	-	921,755	-
Benefit payments including employee refunds	(1,606,741)	(1,684,931)	(1,653,090)
Other	-	42,544	-
<b>Net change in total pension liability</b>	<u>(136,051)</u>	<u>963,003</u>	<u>(442,454)</u>
<b>Total pension liability, beginning of year</b>	<u>17,970,289</u>	<u>17,834,238</u>	<u>18,797,241</u>
<b>Total pension liability, ending of year</b>	<u>\$ 17,834,238</u>	<u>\$ 18,797,241</u>	<u>\$ 18,354,787</u>
 <b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$ 750,996	\$ 815,262	\$ 968,148
Contributions-employee	18,124	15,034	17,480
Net Investment income	600,334	(132,612)	931,223
Benefit payments including employee refunds	(1,606,741)	(1,684,931)	(1,653,090)
Administrative expense	(21,858)	(19,970)	(18,426)
<b>Net change in plan fiduciary net position</b>	<u>(259,145)</u>	<u>(1,007,217)</u>	<u>245,335</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>9,756,630</u>	<u>9,497,485</u>	<u>8,490,268</u>
<b>Plan fiduciary net position, ending of year</b>	<u>\$ 9,497,485</u>	<u>\$ 8,490,268</u>	<u>\$ 8,735,603</u>
 <b>Total net pension liability</b>	<u>\$ 8,336,753</u>	<u>\$ 10,306,973</u>	<u>\$ 9,619,184</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	53.3%	45.2%	47.6%
 <b>Covered employee payroll</b>	\$ 415,614	\$ 425,735	\$ 437,527
 <b>Employer's net pension liability as a percentage of covered employee payroll</b>	2005.9%	2421.0%	2198.5%

**CITY OF EAST GRAND RAPIDS**  
**DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 736,644	\$ 893,880	\$ 1,042,416
Contributions in relation to the actuarially determined contribution	<u>736,644</u>	<u>893,880</u>	<u>1,042,416</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 415,614	\$ 425,735	\$ 437,527
Contributions as a percentage of covered employee payroll	177%	210%	238%

**Notes to schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	2016: 7.75% 2014: 8.25%
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

# CITY OF EAST GRAND RAPIDS

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

FOR THE YEAR ENDED JUNE 30, 2017

---

	<u>2017</u>
<b>Total OPEB liability</b>	
Service cost	\$ 140,181
Interest	179,527
Changes in benefit terms	(126,139)
Difference between expected and actual experience	(767,215)
Changes in assumptions	425,060
Benefit payments including employee refunds	(75,031)
Other	-
<b>Net change in total OPEB liability</b>	<u>(223,617)</u>
<b>Total OPEB liability, beginning of year</b>	<u>3,487,884</u>
<b>Total OPEB liability, ending of year</b>	<u>\$ 3,264,267</u>
<b>Plan Fiduciary Net Position</b>	
Contributions-employer	\$ 75,031
Contributions-employee	-
Net Investment income	79,601
Benefit payments including employee refunds	(75,031)
Administrative expense	-
Other	-
<b>Net change in plan fiduciary net position</b>	<u>79,601</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>1,215,967</u>
<b>Plan fiduciary net position, ending of year</b>	<u>\$ 1,295,568</u>
<b>Employer net OPEB liability</b>	<u>\$ 1,968,699</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	40%
<b>Covered employee payroll</b>	\$ 5,022,780
<b>Employer's net OPEB liability as a percentage of covered employee payroll</b>	39%

**CITY OF EAST GRAND RAPIDS**  
**OTHER POST-EMPLOYMENT BENEFITS PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

	2017
Actuarial determined contributions	\$ -
Contributions in relation to the actuarially determined contribution	99,352
Contribution deficiency (excess)	\$ (99,352)
Covered employee payroll	\$ 5,022,780
Contributions as a percentage of covered employee payroll	2%

**Notes to schedule**

Actuarial cost method	Entry Age Normal (level percent)
Amortization method	Level percent, closed
Remaining amortization period	15 years (average future service)
Asset valuation method	Market value
Inflation	3.46%
Salary increases	2.25%
Investment rate of return	7.31%
20-year Aa Municipal bond yield	3.10%
Retirement age	Varies depending on plan adoption
Mortality	RP Mortality with 2016 mortality projections

---

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

---

**Basis of Accounting**

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

**Pension and OPEB data**

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

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

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

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**CITY OF EAST GRAND RAPIDS**

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

**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 8,140,000	\$ 8,140,000	\$ 8,152,332	\$ 12,332
Interest and penalties on property taxes	20,000	20,000	20,143	143
Total taxes	<u>8,160,000</u>	<u>8,160,000</u>	<u>8,172,475</u>	<u>12,475</u>
Intergovernmental revenue				
State shared revenue	910,000	910,000	951,038	41,038
Community stabilization	-	20,300	20,285	(15)
State grants	6,500	9,500	9,458	(42)
Total intergovernmental revenue	<u>916,500</u>	<u>939,800</u>	<u>980,781</u>	<u>40,981</u>
Licenses and permits				
Business licenses	15,000	16,000	16,200	200
Building permits	35,000	35,000	32,733	(2,267)
Other	15,000	15,000	13,365	(1,635)
Total licenses and permits	<u>65,000</u>	<u>66,000</u>	<u>62,298</u>	<u>(3,702)</u>
Charges for services				
Administrative charges	205,000	205,000	205,000	-
Cable television franchise fees	225,000	225,000	224,575	(425)
Clerk's services	1,000	11,500	11,467	(33)
Right-of-way fees	35,000	35,000	39,861	4,861
Other	23,100	28,500	28,365	(135)
Total charges for services	<u>489,100</u>	<u>505,000</u>	<u>509,268</u>	<u>4,268</u>
Recreation fees	<u>1,178,900</u>	<u>1,218,600</u>	<u>1,192,418</u>	<u>(26,182)</u>
Fines and penalties	<u>40,000</u>	<u>40,000</u>	<u>36,181</u>	<u>(3,819)</u>
Investment earnings	<u>20,000</u>	<u>35,000</u>	<u>39,717</u>	<u>4,717</u>
Rentals				
Library rental fee	<u>40,400</u>	<u>40,400</u>	<u>40,425</u>	<u>25</u>
Other revenue				
Cable tower rental	67,000	67,000	65,726	(1,274)
Drug seizure funds	51,500	-	-	-
Cable television capital fees	52,000	52,000	51,684	(316)
Miscellaneous revenue	-	10,000	10,000	-
Total other revenue	<u>170,500</u>	<u>129,000</u>	<u>127,410</u>	<u>(1,590)</u>
<b>Total revenues</b>	<u>\$ 11,080,400</u>	<u>\$ 11,133,800</u>	<u>\$ 11,160,973</u>	<u>\$ 27,173</u>

**(This page left intentionally blank)**

**CITY OF EAST GRAND RAPIDS**

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

**FOR THE YEAR ENDED JUNE 30, 2017**

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
City Commission	\$ 30,800	\$ 29,500	\$ 27,029	\$ 2,471
General government				
City manager	350,600	359,900	342,585	17,315
City attorney	265,000	280,000	261,066	18,934
Elections	19,000	22,200	20,316	1,884
City assessor	119,000	121,100	115,633	5,467
Finance	647,300	653,900	638,236	15,664
Other	237,000	219,500	206,779	12,721
Total general government	1,637,900	1,656,600	1,584,615	71,985
Public safety				
General activity	4,920,700	4,916,800	4,819,719	97,081
State programs	5,500	5,500	5,090	410
Drug seizure program	111,500	-	-	-
Total public safety	5,037,700	4,922,300	4,824,809	97,491
Public works				
City buildings	818,800	796,500	762,655	33,845
Zoning administration	160,500	150,700	121,370	29,330
Street lighting	98,800	90,000	84,568	5,432
Wealthy streetscape maintenance	103,000	149,000	133,825	15,175
Waste collection	414,300	469,400	448,160	21,240
Lake restoration	1,400	11,100	10,631	469
Tree maintenance and removal	101,900	126,700	117,803	8,897
Total public works	1,698,700	1,793,400	1,679,012	114,388
Parks and recreation				
Parks	745,400	746,300	702,382	43,918
Pool	239,500	214,100	210,466	3,634
Special events	145,700	135,300	132,782	2,518
Recreation programing	116,000	96,700	90,032	6,668
Grounds maintenance	345,800	381,700	379,733	1,967
Recreation sports	237,400	242,600	239,039	3,561
Middle school sports	50,000	58,100	57,923	177
Acquatic club	65,500	69,200	60,868	8,332
Total culture and recreation	1,945,300	1,944,000	1,873,225	70,775
<b>Total expenditures</b>	<b>\$ 10,350,400</b>	<b>\$ 10,345,800</b>	<b>\$ 9,988,690</b>	<b>\$ 357,110</b>

**CITY OF EAST GRAND RAPIDS**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**JUNE 30, 2017**

	Special Revenue			Debt Service	
	<u>Local Streets</u>	<u>Municipal Streets</u>	<u>Drug Law Enforcement</u>	<u>Wealthy Pool</u>	<u>Municipal Complex</u>
<b>Assets</b>					
Cash and pooled investments	\$ 521,746	\$ 189,488	\$ 43,991	\$ 2,114	\$ 4,339
Due from other governments	44,719	-	-	-	-
Inventory	10,080	-	-	-	-
Prepaid items	2,366	7,139	-	-	-
<b>Total assets</b>	<u>\$ 578,911</u>	<u>\$ 196,627</u>	<u>\$ 43,991</u>	<u>\$ 2,114</u>	<u>\$ 4,339</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 33,892	\$ 120,769	\$ -	\$ -	\$ -
Due to other funds	4,967	-	-	-	-
Accrued liabilities	6,616	-	-	-	-
<b>Total liabilities</b>	<u>45,475</u>	<u>120,769</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>					
Nonspendable					
Inventory	10,080	-	-	-	-
Prepaid items	2,366	7,139	-	-	-
Restricted					
Streets	520,990	68,719	-	-	-
Drug seizure	-	-	43,991	-	-
Debt service	-	-	-	2,114	4,339
Assigned	-	-	-	-	-
<b>Total fund balances</b>	<u>533,436</u>	<u>75,858</u>	<u>43,991</u>	<u>2,114</u>	<u>4,339</u>
<b>Total liabilities and fund balances</b>	<u>\$ 578,911</u>	<u>\$ 196,627</u>	<u>\$ 43,991</u>	<u>\$ 2,114</u>	<u>\$ 4,339</u>

<b>Capital Projects</b>		
<b>Streetscape</b>	<b>Culvert and Trail Project</b>	<b>Total</b>
\$ -	\$ -	\$ 761,678
-	-	44,719
-	-	10,080
-	-	9,505
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 825,982</u>
\$ -	\$ -	\$ 154,661
-	-	4,967
-	-	6,616
<u>-</u>	<u>-</u>	<u>166,244</u>
-	-	10,080
-	-	9,505
-	-	589,709
-	-	43,991
-	-	6,453
-	-	-
<u>-</u>	<u>-</u>	<u>659,738</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 825,982</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, 2017**

	Special Revenue			Debt Service	
	<u>Local Streets</u>	<u>Municipal Streets</u>	<u>Drug Law Enforcement</u>	<u>Wealthy Pool</u>	<u>Municipal Complex</u>
<b>Revenues</b>					
Taxes	\$ -	\$ 1,245,667	\$ -	\$ 137,192	\$ 490,050
Intergovernmental revenues					
State	249,482	-	-	-	-
Local	-	-	69,645	-	-
Investment earnings	2,472	-	-	-	-
Miscellaneous	12,862	-	-	-	-
<b>Total revenues</b>	<u>264,816</u>	<u>1,245,667</u>	<u>69,645</u>	<u>137,192</u>	<u>490,050</u>
<b>Expenditures</b>					
Current					
Public safety	-	-	103,577	-	-
Public works	969,436	332,140	-	-	-
Debt service					
Principal	-	-	-	121,000	265,000
Interest	-	-	-	16,298	222,850
<b>Total expenditures</b>	<u>969,436</u>	<u>332,140</u>	<u>103,577</u>	<u>137,298</u>	<u>487,850</u>
Revenues over (under) expenditures	<u>(704,620)</u>	<u>913,527</u>	<u>(33,932)</u>	<u>(106)</u>	<u>2,200</u>
Other financing sources (uses)					
Transfers in	612,139	685,000	77,923	-	-
Transfers out	-	(1,526,891)	-	-	-
Total other financing sources (uses)	<u>612,139</u>	<u>(841,891)</u>	<u>77,923</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(92,481)	71,636	43,991	(106)	2,200
<b>Fund balances, beginning of year</b>	<u>625,917</u>	<u>4,222</u>	<u>-</u>	<u>2,220</u>	<u>2,139</u>
<b>Fund balances, end of year</b>	<u>\$ 533,436</u>	<u>\$ 75,858</u>	<u>\$ 43,991</u>	<u>\$ 2,114</u>	<u>\$ 4,339</u>

<b>Capital Projects</b>		
<b>Streetscape</b>	<b>Culvert and Trail Project</b>	<b>Total</b>
\$ -	\$ -	\$ 1,872,909
-	-	249,482
-	-	69,645
-	-	2,472
-	-	12,862
-	-	2,207,370
-	-	103,577
-	-	1,301,576
245,000	-	631,000
14,238	-	253,386
259,238	-	2,289,539
(259,238)	-	(82,169)
259,238	-	1,634,300
-	(5,082)	(1,531,973)
259,238	(5,082)	102,327
-	(5,082)	20,158
-	5,082	639,580
\$ -	\$ -	\$ 659,738

**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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 250,000	\$ 245,000	\$ 249,482	\$ 4,482
Investment earnings	1,200	2,700	2,472	(228)
Miscellaneous	-	12,900	12,862	(38)
<b>Total revenues</b>	<u>251,200</u>	<u>260,600</u>	<u>264,816</u>	<u>4,216</u>
<b>Expenditures</b>				
Current				
Public works				
Street maintenance	485,100	456,700	389,314	67,386
Street construction	503,000	533,000	532,057	943
Street administration	97,400	54,500	48,065	6,435
<b>Total expenditures</b>	<u>1,085,500</u>	<u>1,044,200</u>	<u>969,436</u>	<u>74,764</u>
Revenues over (under) expenditures	(834,300)	(783,600)	(704,620)	78,980
Other financing source (uses)				
Transfers in	738,700	613,600	612,139	(1,461)
Net changes in fund balance	(95,600)	(170,000)	(92,481)	77,519
<b>Fund balance, beginning of year</b>	<u>625,917</u>	<u>625,917</u>	<u>625,917</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 530,317</u>	<u>\$ 455,917</u>	<u>\$ 533,436</u>	<u>\$ 77,519</u>

**CITY OF EAST GRAND RAPIDS**

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

**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,241,000	\$ 1,245,300	\$ 1,245,667	\$ 367
Investment earnings	500	500	-	(500)
<b>Total revenues</b>	<u>1,241,500</u>	<u>1,245,800</u>	<u>1,245,667</u>	<u>(133)</u>
<b>Expenditures</b>				
Current				
Public works				
Street maintenance	323,300	288,300	277,053	11,247
Street construction	50,000	114,000	55,087	58,913
<b>Total expenditures</b>	<u>373,300</u>	<u>402,300</u>	<u>332,140</u>	<u>70,160</u>
Revenues over (under) expenditures	<u>868,200</u>	<u>843,500</u>	<u>913,527</u>	<u>70,027</u>
Other financing source (uses)				
Transfers in	664,300	685,000	685,000	-
Transfers out	(1,532,500)	(1,528,500)	(1,526,891)	1,609
Total other financing sources (uses)	<u>(868,200)</u>	<u>(843,500)</u>	<u>(841,891)</u>	<u>1,609</u>
Net changes in fund balance	-	-	71,636	71,636
<b>Fund balance, beginning of year</b>	<u>4,222</u>	<u>4,222</u>	<u>4,222</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 4,222</u>	<u>\$ 4,222</u>	<u>\$ 75,858</u>	<u>\$ 71,636</u>

**CITY OF EAST GRAND RAPIDS**

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

**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
Local	\$ -	\$ 69,600	\$ 69,645	\$ 45
<b>Expenditures</b>				
Current				
Public safety				
Drug law enforcement	-	115,600	103,577	12,023
Revenues over (under) expenditures	-	(46,000)	(33,932)	12,068
Other financing source (uses)				
Transfers in	-	78,000	77,923	(77)
Net changes in fund balance	-	32,000	43,991	11,991
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ 32,000</u>	<u>\$ 43,991</u>	<u>\$ 11,991</u>

**CITY OF EAST GRAND RAPIDS**

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

**JUNE 30, 2017**

<b>Assets</b>	<b>Motor Pool</b>	<b>Health Insurance</b>	<b>Total</b>
Current assets			
Cash and pooled investments	\$ 557,975	\$ 625,483	\$ 1,183,458
Accounts receivable	51,952	36,138	88,090
Due from other funds	-	124,681	124,681
Prepaid and other assets	4,077	39,221	43,298
Inventory	<u>54,079</u>	<u>-</u>	<u>54,079</u>
Total current assets	<u>668,083</u>	<u>825,523</u>	<u>1,493,606</u>
Capital assets			
Capital assets being depreciated	4,702,450	-	4,702,450
Less accumulated depreciation	<u>(2,587,986)</u>	<u>-</u>	<u>(2,587,986)</u>
Net capital assets	<u>2,114,464</u>	<u>-</u>	<u>2,114,464</u>
<b>Total assets</b>	<u>2,782,547</u>	<u>825,523</u>	<u>3,608,070</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	11,078	2,321	13,399
Due to other funds	4,298	-	4,298
Accrued liabilities	4,572	292,690	297,262
Unearned revenue	-	12,341	12,341
Compensated absences	<u>12,103</u>	<u>-</u>	<u>12,103</u>
<b>Total liabilities</b>	<u>32,051</u>	<u>307,352</u>	<u>339,403</u>
<b>Net position</b>			
Net investment in capital assets	2,114,464	-	2,114,464
Unrestricted	<u>636,032</u>	<u>518,171</u>	<u>1,154,203</u>
<b>Total net position</b>	<u>\$ 2,750,496</u>	<u>\$ 518,171</u>	<u>\$ 3,268,667</u>

# CITY OF EAST GRAND RAPIDS

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

**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Motor Pool</u>	<u>Health Insurance</u>	<u>Total</u>
<b>Operating revenue</b>			
Charges for services	\$ 725,453	\$ 1,458,701	\$ 2,184,154
Other	<u>22,477</u>	<u>38,503</u>	<u>60,980</u>
<b>Total operating revenue</b>	<u>747,930</u>	<u>1,497,204</u>	<u>2,245,134</u>
<b>Operating expense</b>			
Salaries and wages	209,139	-	209,139
Contracted services	5,938	393,743	399,681
Materials and supplies	171,118	-	171,118
Equipment	1,625	-	1,625
Claims	-	917,556	917,556
Administration	-	105,186	105,186
Depreciation	413,829	-	413,829
Miscellaneous	<u>8,892</u>	<u>-</u>	<u>8,892</u>
<b>Total operating expense</b>	<u>810,541</u>	<u>1,416,485</u>	<u>2,227,026</u>
Operating income (loss)	<u>(62,611)</u>	<u>80,719</u>	<u>18,108</u>
Non-operating revenue (expense)			
Gain on sale of capital assets	49,929	-	49,929
Investment earnings	<u>3,128</u>	<u>3,073</u>	<u>6,201</u>
Total non-operating revenue (expense)	<u>53,057</u>	<u>3,073</u>	<u>56,130</u>
Changes in net position	58,730	83,792	142,522
<b>Net position, beginning of year</b>	<u>2,691,766</u>	<u>434,379</u>	<u>3,126,145</u>
<b>Net position, end of year</b>	<u>\$ 2,750,496</u>	<u>\$ 518,171</u>	<u>\$ 3,268,667</u>

**CITY OF EAST GRAND RAPIDS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Motor Pool</b>	<b>Health Insurance</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Receipts from internal services provided	\$ 699,454	\$ 1,454,441	\$ 2,153,895
Payments to employees	(206,731)	-	(206,731)
Payments to suppliers	(228,691)	(1,327,073)	(1,555,764)
<b>Net cash provided by (used in) operating activities</b>	<u>264,032</u>	<u>127,368</u>	<u>391,400</u>
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from sale of capital assets	49,929	-	49,929
Acquisitions of capital assets:	(705,626)	-	(705,626)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(655,697)</u>	<u>-</u>	<u>(655,697)</u>
<b>Cash flows from investing activities:</b>			
Interest income	3,128	3,073	6,201
<b>Net increase (decrease) in cash and pooled investments</b>	(320,253)	130,441	(189,812)
<b>Cash and pooled investments, beginning of year</b>	<u>878,228</u>	<u>495,042</u>	<u>1,373,270</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 557,975</u>	<u>\$ 625,483</u>	<u>\$ 1,183,458</u>
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ (62,611)	\$ 80,719	\$ 18,108
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	413,829	-	413,829
Change in operating assets and liabilities which provided (used) cash			
Accounts receivable	(49,647)	(3,674)	(53,321)
Due from other funds	-	(39,089)	(39,089)
Prepaid and other assets	(284)	(5,017)	(5,301)
Inventory	1,425	-	1,425
Accounts payable	(42,259)	(50)	(42,309)
Due to other funds	1,171	-	1,171
Accrued liabilities	1,124	93,309	94,433
Unearned revenue	-	1,170	1,170
Compensated absences	1,284	-	1,284
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 264,032</u>	<u>\$ 127,368</u>	<u>\$ 391,400</u>

**(This page left intentionally blank)**

## **INTERNAL CONTROL AND COMPLIANCE**



## Vredeveld Haefner LLC

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

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

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

September 25, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 25, 2017.

#### **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.

*Ordenold Haefner LLC*