



# **CITY OF GRAND HAVEN, MICHIGAN**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**



Vredeveld Haefner LLC  
CPAs and Consultants

# CITY OF GRAND HAVEN

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### INDEPENDENT AUDITORS' REPORT

October 29, 2018

Honorable Mayor and Members of the City Council  
City of Grand Haven, Michigan

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Haven, Michigan, (the City) as of and for the year ended June 30, 2018, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Haven, Michigan, as of June 30, 2018, 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 10 and the required supplementary information on pages 55 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, 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 Grand Haven (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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- Property values continue to rise in Grand Haven. It presently approximates taxable value from 2009. Continuing moderate increases in property value are anticipated. Significant investments in the Grand Landing Brownfield TIF and the Downtown Development TIF will boost income presently needed for debt service while reducing the draw from other resources.
- The Grand Avenue reconstruction project was completed in October 2017. Street resurfacing and engineering for Harbor/Washington and Northshore Drive resulted in new reconstruction on these projects beginning after July 1, 2018.
- Monthly financial reporting to City Council and City department heads continues. Access to reports is available through the accounting software, which is installed on all department head computers for quick reference at their desks. Efficiency in locating information is very high, even to detailed analysis through scanned original documents. New online fiscal analyses through Munetrix have broadened the available information for the public.
- Repair & replacement of the Grand Haven pier catwalk will be completed in 2019. A local fund drive sponsored through the Grand Haven Area Community Foundation will provide the financial resources for completion of this project.
- City Finance staff and the Grand Haven Area Community Foundation use a strong grant funding administration system, which allows for quicker reimbursement of grant funded projects. It has proved helpful in receiving various grant funds from County, State and Federal grants and local contributions as well, including July 4 fireworks, the catwalk, the Musical Fountain, the Lynn Sherwood Waterfront Stadium and other projects.
- A major study of water and sewer fund capital and operational needs, including funding options, was completed during the fiscal year and resulted in rate increases of 5%-5%-5% for Water Fund and 11%-8%-8% for the Sewer Fund over the next three years.
- Studies of the City's MERS Municipal Employees Retirement System (pension) and the City's OPEB other post-employment benefits (health & life insurance) system were completed for this audit report.
- The City has established an on-bill financing mechanism for water or sewer line connections to private residential property to assist new installations where necessary. Led by the Housing & Community Development Department, a small reserve has been established in the Water & Sewer Funds for this process.
- The City provides financial and administrative support for the Harbor Transit Multi-modal Transportation System, the Grand Haven-Spring Lake Sewer Authority, the Northwest Ottawa Water System and the Ottawa County Central Dispatch Authority. This added effort provides a lower cost for these services for all. The City Finance Department also provides, on a contract basis, 40 hours of weekly accounting and finance services to Spring Lake Township. The broader exposure to accounting and finance issues has been excellent in staff training and growth of experience.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Grand Haven's 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., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of the City of Grand Haven 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 general government administration, public safety, public works including major and local street construction and maintenance, culture and recreation, and debt service activities. The major business-type activities of the City consist primarily of Board of Light and Power, sewer, and water operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Economic Development Corporation, Main Street Downtown Development Authority, and the Brownfield Redevelopment Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

**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 the 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data is combined into a single aggregated presentation for the other governmental funds. 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 governmental funds. Budgetary comparison schedules have been provided herein for the general and special revenue funds to demonstrate compliance with those budgets.

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Board of Light and Power, sewer, water, and other operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, insurance, and health benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Board of Light and Power, water and sewer activities, all of which are considered to be major funds of the City. Data is combined into a single aggregated presentation for the other enterprise funds. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements and schedules.

**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 those 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 for 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* which includes this management discussion and analysis as well as major fund budgetary schedules, pension and other post-employment benefit schedules.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Grand Haven, assets exceeded liabilities by \$113,694,237 at the close of the most recent fiscal year.

A portion of the City's net position reflects unrestricted net position which is available for future operation while a more significant portion of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City 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.

## Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$20,011,221	\$21,201,151	\$28,480,687	\$28,242,352	\$ 48,491,908	\$ 49,443,503
Capital assets	57,981,053	56,034,724	53,421,941	54,654,201	111,402,994	110,688,925
<b>Total assets</b>	<b>77,992,274</b>	<b>77,235,875</b>	<b>81,902,628</b>	<b>82,896,553</b>	<b>159,894,902</b>	<b>160,132,428</b>
Deferred outflows of Resources	4,065,405	3,264,634	1,336,661	2,660,527	5,402,066	5,925,161
Current and other liabilities	1,355,590	1,733,649	1,713,064	2,069,787	3,068,654	3,803,436
Long-term liabilities	37,701,451	34,278,282	9,093,053	14,889,387	46,794,504	49,167,669
<b>Total liabilities</b>	<b>39,057,041</b>	<b>36,011,931</b>	<b>10,806,117</b>	<b>16,959,174</b>	<b>49,863,158</b>	<b>52,971,105</b>
Deferred inflows of Resources	1,310,493	-	429,080	-	1,739,573	-
Net position						
Net investment in capital						
Assets	41,617,698	38,905,994	52,410,634	52,933,161	94,028,332	91,839,155
Restricted	8,388,492	9,318,028	-	-	8,388,492	9,318,028
Unrestricted	(8,316,045)	(3,735,444)	19,593,458	15,664,745	11,277,413	11,929,301
<b>Total net position</b>	<b>\$41,690,145</b>	<b>\$44,488,578</b>	<b>\$72,004,092</b>	<b>\$68,597,906</b>	<b>\$113,694,237</b>	<b>\$113,086,484</b>

The total net position of the City increased by \$4,629,659. The business-type activities increase in net position of \$4,605,444 is primarily due to Board of Light and Power profitability. The governmental activities had a nominal increase in net position of \$24,215.

## Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenue</b>						
Program revenue						
Charges for services	\$1,897,512	\$1,860,940	\$40,977,209	\$43,049,146	\$42,874,721	\$44,910,086
Operating grants and contributions	2,246,057	1,998,716	585,598	342,173	2,831,655	2,340,889
Capital grants and Contributions	4,296,516	336,383	3,900	48,736	4,300,416	385,119
General revenue						
Property taxes	8,610,133	7,420,237	-	-	8,610,133	7,420,237
State revenues	1,018,592	988,232	-	-	1,018,592	988,232
Unrestricted investment earnings	233,951	161,590	-	-	233,951	161,590
Other	561,924	388,500	-	-	561,924	388,500
<b>Total revenues</b>	<b>18,864,685</b>	<b>13,154,598</b>	<b>41,566,707</b>	<b>43,440,055</b>	<b>60,431,392</b>	<b>56,594,653</b>
<b>Expenses</b>						
General government	4,819,986	6,792,750	-	-	4,819,986	6,792,750
Public safety	6,722,835	3,854,443	-	-	6,722,835	3,854,443
Public works	7,472,853	4,811,698	-	-	7,472,853	4,811,698
Culture and recreation	999,749	596,917	-	-	999,749	596,917
Interest	335,906	653,663	-	-	335,906	653,663
Board of Light & Power	-	-	29,851,004	30,951,632	29,851,004	30,951,632
Sewer	-	-	2,269,116	2,081,201	2,269,116	2,081,201
Water	-	-	2,195,442	1,590,767	2,195,442	1,590,767
Other business-type	-	-	1,134,842	918,988	1,134,842	918,988
<b>Total expenses</b>	<b>20,351,329</b>	<b>16,709,471</b>	<b>35,450,404</b>	<b>35,542,588</b>	<b>55,801,733</b>	<b>52,252,059</b>
Change in net position before transfers	(1,486,644)	(3,554,873)	6,116,303	7,897,467	4,629,659	4,342,594
Transfers	1,510,859	1,457,286	(1,510,859)	(1,457,286)	-	-
Change in net position	24,215	(2,097,587)	4,605,444	6,440,181	4,629,659	4,342,594
<b>Net position-beginning of year, as restated</b>	<b>41,665,930</b>	<b>46,586,165</b>	<b>67,398,648</b>	<b>62,157,725</b>	<b>109,064,578</b>	<b>108,743,890</b>
<b>Net position-end of year</b>	<b>\$41,690,145</b>	<b>\$44,488,578</b>	<b>\$72,004,092</b>	<b>\$68,597,906</b>	<b>\$113,694,237</b>	<b>\$113,086,484</b>

Beginning net position of governmental and business-type activities was reduced for 2018 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.

**Governmental activities.** During the year the City invested \$7,472,853 or 37% of governmental activities expenses in public works. Public safety was \$6,722,835 or 33% of governmental activities expenses while general government, culture and recreation, and interest on long-term debt made up the remaining 30% of governmental activities expenses.

**Business-type activities.** Business-type activities increased the City's net position by \$4,605,444 for the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$6,440,181.

## 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 government'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 \$15,788,176, a decrease of \$1,429,134 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,151,171 while total fund balance was \$4,905,250. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The City Council has adopted a minimum fund balance policy in which the total fund balance of the General Fund will be equal to at least 25 percent of the previous year's expenditures. At June 30, 2018, fund balance represents 46% of total general fund expenditures.

The fund balance of the City's general fund increased by \$459,513 during the current fiscal year.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Board of Light and Power, sewer and water funds at the end of the year amounted to \$17,920,294, \$1,668,797 and \$215,376 respectively. The Board of Light and Power had an increase of \$4,696,433, the sewer fund had an increase in net position for the year of \$4,309, and the water fund had an increase of \$140,131. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between original and final budgets for the general fund were the result of the following:

- Property tax revenue for general operations increased due to small increases in taxable value. The City anticipates further increases in fiscal year 2019 in ad valorem taxable value for general purposes and Brownfield and DDA-TIFs.
- Building permits revenue was originally budgeted at \$330,000. With no budget amendment, final building permits revenue reached \$360,040.
- The administrative fees (indirect costs) structure is annually modified to compare audited operating expenses for each operating fund less transfers out and non-operating expenses. This Federal Transportation Administration approved indirect cost plan serves to spread the administrative costs in the general fund to all funds with significant administrative work.
- Miscellaneous services revenue increased from an original budget of \$433,750 to an amended budget of \$450,000 and actual result of \$450,005. Increases in community center utilities, commodities for resale, custodial services and mini golf revenue caused the major increases.
- Revenue from accounting & finance services provided to Spring Lake Township totaled \$89,766, planning services \$16,500.

- Public Safety expenses original budget was \$4,835,745 amended to \$5,107,380 and resulted in actual costs of \$4,911,951 for the year.
- DPW ran \$267,701 under the amended budget for the year.
- Total General fund expenditures and transfers out were originally budgeted at \$12,722,345, amended to \$13,197,480 and resulted in \$12,499,896 in actual costs, totaling \$697,584 in reduced expenses compared to the amended budget.

## 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, 2018, amounted to \$111,402,994 (net of accumulated depreciation).

The City's capital assets (net of depreciation) are summarized as follows:

<b>Capital Assets</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 8,746,444	\$ 531,603	\$ 9,278,047
Construction in progress	3,308,105	407,890	3,715,995
Structures & improvements	4,471,992	4,459,209	8,931,201
Machinery, equipment, vehicles & fixtures	2,810,896	209,958	3,020,854
Buildings	9,528,628	-	9,528,628
Parking facilities	4,957,964	-	4,957,964
Infrastructure	24,157,024	-	24,157,024
Production and treatment	-	5,310,759	5,310,759
Transmission and distribution	-	40,834,560	40,834,560
General plant	-	1,667,962	1,667,962
<b>Total</b>	<b>\$57,981,053</b>	<b>\$53,421,941</b>	<b>\$111,402,994</b>

Additional information on the City of Grand Haven's capital assets can be found in Note 4 of these financial statements.

**Debt.** At the end of the current fiscal year, the City had total debt outstanding as follows:

<b>Debt</b>			
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
Accrued employee benefits	\$ 1,257,553	\$ 547,738	\$ 1,805,291
Capital lease obligations	1,012,046	-	1,012,046
Bond premiums	691,179	-	691,179
Bonds payable	14,660,130	1,604,870	16,265,000
<b>Total</b>	<b>\$17,620,908</b>	<b>\$2,152,608</b>	<b>\$19,773,516</b>

During fiscal year 2018, the City issued \$6,720,000 of refunding bonds to pay off outstanding bonds. Additional information on the City's long-term debt can be found in Note 6 of these financial statements.

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

The following factors were considered in preparing the City's budget for the 2018-19 fiscal year:

- Property values in the aggregate are expected to increase 2% per year for 5 years, a very conservative estimate for future budget planning.
- Wages and fringe benefits are continually reviewed for budgeting and staffing decisions. A contract with the Police Officer's Labor Council was negotiated by the deadline of June 30, 2017 and runs through June 30, 2020. The Service Employees International Union (DPW) contract was negotiated in June 2016 and runs through June, 2019. A new contract is being negotiated. This stability will assist budgeting in coming years.
- Health benefits costs continue to be difficult to forecast, especially with the additional burdens and processes established by law. We forecast an average increase of 6% per year for the foreseeable future.
- The State of Michigan is directing the use of a newly revised chart of accounts for all local units. Our transition will probably occur in the Spring of 2019. BS&A Financial Management software is being prepared to make the transition as smooth as possible for local units.

## **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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information, contact us at 519 Washington Ave, Grand Haven, MI 49417, or as noted below:

Patrick McGinnis  
City Manager  
616 847-4888  
[pmcginnis@grandhaven.org](mailto:pmcginnis@grandhaven.org)

James P. Bonamy  
Finance Director  
616-935-3214  
[jbony@grandhaven.org](mailto:jbony@grandhaven.org)

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GRAND HAVEN**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 16,449,745	\$ 14,062,967	\$ 30,512,712	\$ 652,146
Accounts receivable	1,609,348	5,256,304	6,865,652	175,690
Due from other governments	775,447	3,035,184	3,810,631	-
Taxes receivable	2,020	-	2,020	61
Special assessments receivable	251,241	109,059	360,300	213,276
Internal balances	641,867	(656,947)	(15,080)	-
Capital lease receivable	-	-	-	1,397,453
Prepaid items	240,761	66,677	307,438	5,662
Inventory	40,792	6,607,443	6,648,235	-
Bond discount	-	-	-	18,241
Capital assets				
Land	8,746,444	531,603	9,278,047	-
Construction in progress	3,308,105	407,890	3,715,995	-
Depreciable capital assets, net	45,926,504	52,482,448	98,408,952	-
<b>Total assets</b>	<b>77,992,274</b>	<b>81,902,628</b>	<b>159,894,902</b>	<b>2,462,529</b>
<b>Deferred outflows of resources</b>				
Pension related	3,124,377	1,022,256	4,146,633	30,232
Other post-employment benefits related	740,791	314,405	1,055,196	-
Deferred charge on refunding	200,237	-	200,237	206,572
<b>Total deferred outflows of resources</b>	<b>4,065,405</b>	<b>1,336,661</b>	<b>5,402,066</b>	<b>236,804</b>
<b>Liabilities</b>				
Accounts payable	1,014,696	1,395,512	2,410,208	87,998
Accrued liabilities	219,856	317,552	537,408	4,570
Due to other governments	1,590	-	1,590	-
Accrued interest payable	119,448	-	119,448	126,013
Noncurrent liabilities				
Accrued compensated absences	1,257,553	547,738	1,805,291	-
Other post-employment benefits obligation	3,814,681	1,618,456	5,433,137	-
Net pension liability	16,265,862	5,321,989	21,587,851	157,388
Bond premium	691,179	-	691,179	302,083
Due within one year	957,135	118,322	1,075,457	1,820,916
Due in more than one year	14,715,041	1,486,548	16,201,589	12,211,003
<b>Total liabilities</b>	<b>39,057,041</b>	<b>10,806,117</b>	<b>49,863,158</b>	<b>14,709,971</b>
<b>Deferred inflows of resources</b>				
Pension related	1,307,392	427,763	1,735,155	12,650
Other post-employment benefits related	3,101	1,317	4,418	-
<b>Total deferred inflows of resources</b>	<b>1,310,493</b>	<b>429,080</b>	<b>1,739,573</b>	<b>12,650</b>
<b>Net position</b>				
Net investment in capital assets	41,617,698	52,410,634	94,028,332	-
Restricted for				
Debt service	1,836,676	-	1,836,676	-
Streets	222,683	-	222,683	-
Capital projects	4,423,133	-	4,423,133	-
Permanent trust				
Cemetery - nonexpendable portion	1,906,000	-	1,906,000	-
Unrestricted (deficit)	(8,316,045)	19,593,458	11,277,413	(12,023,288)
<b>Total net position</b>	<b>\$ 41,690,145</b>	<b>\$ 72,004,092</b>	<b>\$ 113,694,237</b>	<b>\$ (12,023,288)</b>

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



**CITY OF GRAND HAVEN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities					
General government	\$ 4,819,986	\$ 263,309	\$ 753,071	\$ 4,250,405	\$ 446,799
Public safety	6,722,835	222,056	5,468	-	(6,495,311)
Public works	7,472,853	957,288	1,487,518	1,991	(5,026,056)
Culture and recreation	999,749	454,859	-	44,120	(500,770)
Interest on long-term debt	335,906	-	-	-	(335,906)
Total governmental activities	<u>20,351,329</u>	<u>1,897,512</u>	<u>2,246,057</u>	<u>4,296,516</u>	<u>(11,911,244)</u>
Business-type activities					
Board of Light and Power	29,851,004	36,147,924	201,737	-	6,498,657
Sewer	2,269,116	2,219,236	79,261	-	29,381
Water	2,195,442	1,988,694	40,442	-	(166,306)
Other business-type activities	<u>1,134,842</u>	<u>621,355</u>	<u>264,158</u>	<u>3,900</u>	<u>(245,429)</u>
Total business-type activities	<u>35,450,404</u>	<u>40,977,209</u>	<u>585,598</u>	<u>3,900</u>	<u>6,116,303</u>
<b>Total primary government</b>	<u>\$ 55,801,733</u>	<u>\$ 42,874,721</u>	<u>\$ 2,831,655</u>	<u>\$ 4,300,416</u>	<u>\$ (5,794,941)</u>
<b>Component Units</b>					
Economic Development Corporation	\$ 15,501	\$ -	\$ 20,125	\$ -	\$ 4,624
Main Street Downtown Development Authority	494,627	-	20,891	83,818	(389,918)
Brownfield Redevelopment Authority	<u>201,879</u>	<u>-</u>	<u>1,084,918</u>	<u>31,559</u>	<u>914,598</u>
<b>Total component units</b>	<u>\$ 712,007</u>	<u>\$ -</u>	<u>\$ 1,125,934</u>	<u>\$ 115,377</u>	<u>\$ 529,304</u>

(Continued)

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

**CITY OF GRAND HAVEN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Primary Government</b>			<b>Component Units</b>
	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>	
<b>Changes in net position</b>				
<b>Net (expense) revenue</b>	<b>\$ (11,911,244)</b>	<b>\$ 6,116,303</b>	<b>\$ (5,794,941)</b>	<b>\$ 529,304</b>
General revenues				
Property taxes	8,610,133	-	8,610,133	1,020,349
State shared revenues	1,018,592	-	1,018,592	-
Unrestricted investment earnings	233,951	-	233,951	49,228
Other general revenues	561,924	-	561,924	76,369
Transfers - internal activities	<u>1,510,859</u>	<u>(1,510,859)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>11,935,459</u>	<u>(1,510,859)</u>	<u>10,424,600</u>	<u>1,145,946</u>
Change in net position	24,215	4,605,444	4,629,659	1,675,250
<b>Net position, beginning of year, as restated</b>	<u>41,665,930</u>	<u>67,398,648</u>	<u>109,064,578</u>	<u>(13,698,538)</u>
<b>Net position, end of year</b>	<b><u>\$ 41,690,145</u></b>	<b><u>\$ 72,004,092</u></b>	<b><u>\$ 113,694,237</u></b>	<b><u>\$ (12,023,288)</u></b>
				(Concluded)

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

# CITY OF GRAND HAVEN

## GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 4,468,347	\$ 2,181,832	\$ 7,223,628	\$ 13,873,807
Accounts receivable	237,909	1,315,632	55,243	1,608,784
Due from other governments	219,828	288,318	267,116	775,262
Taxes receivable	2,020	-	-	2,020
Special assessments receivable	239,812	-	11,429	251,241
Due from other funds	364,312	346,520	247,563	958,395
Prepaid items	15,885	19,002	2,351	37,238
Inventory	18,352	-	-	18,352
<b>Total assets</b>	<u>\$ 5,566,465</u>	<u>\$ 4,151,304</u>	<u>\$ 7,807,330</u>	<u>\$ 17,525,099</u>
<b>Liabilities, deferred inflows and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 213,450	\$ 574,601	\$ 90,522	\$ 878,573
Accrued liabilities	129,787	-	17,096	146,883
Due to other governments	-	1,590	-	1,590
Due to other funds	55,885	1,259	380,029	437,173
<b>Total liabilities</b>	<u>399,122</u>	<u>577,450</u>	<u>487,647</u>	<u>1,464,219</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue	262,093	-	10,611	272,704
<b>Fund balances</b>				
Non-spendable				
Prepaid items	15,885	19,002	2,351	37,238
Permanent fund corpus	-	-	1,906,000	1,906,000
Inventory	18,352	-	-	18,352
Restricted				
Streets	-	-	220,865	220,865
Public works	-	3,554,852	2,494,434	6,049,286
Debt service funds	-	-	1,836,143	1,836,143
Committed				
Capital projects	-	-	849,279	849,279
Budget stabilization	2,719,842	-	-	2,719,842
Unassigned	2,151,171	-	-	2,151,171
<b>Total fund balances</b>	<u>4,905,250</u>	<u>3,573,854</u>	<u>7,309,072</u>	<u>15,788,176</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 5,566,465</u>	<u>\$ 4,151,304</u>	<u>\$ 7,807,330</u>	<u>\$ 17,525,099</u>

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

# CITY OF GRAND HAVEN

## **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, 2018**

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<b>Fund balances - total governmental funds</b>	<b>\$ 15,788,176</b>
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Add - land	8,746,444
Add - construction in progress	3,308,105
Add - capital assets (net of accumulated depreciation)	43,342,123

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

Add - long-term deferred receivables	272,704
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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	4,887,599
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable	(1,242,959)
Deduct - other post-employment benefits	(3,719,664)
Deduct - long-term debt	(15,672,176)
Deduct - bond premium	(691,179)
Deduct - net pension liability	(15,905,908)
Add - deferred charge on refunding	200,237
Add - deferred inflows and outflows related to pension	1,776,776
Add - deferred inflows and outflows related to OPEB	719,315
Deduct - accrued interest on long-term debt	(119,448)

<b>Net position of governmental activities</b>	<b><u>\$ 41,690,145</u></b>
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The accompanying notes are an integral part of these financial statements.

**CITY OF GRAND HAVEN**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES**

**AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Taxes	\$ 6,924,840	\$ -	\$ 1,700,691	\$ 8,625,531
Intergovernmental revenues				
Federal	11,200	6,382	90,314	107,896
State	1,024,060	562,754	1,628,397	3,215,211
Local	34,641	2,708,952	274,241	3,017,834
Special assessments	22,158	-	44,203	66,361
Licenses and permits	685,572	-	-	685,572
Charges for services	1,690,139	-	1,991	1,692,130
Fines	103,463	-	-	103,463
Investment earnings	231,432	(28,473)	30,992	233,951
Miscellaneous	363,171	7,548	250,912	621,631
<b>Total revenues</b>	<u>11,090,676</u>	<u>3,257,163</u>	<u>4,021,741</u>	<u>18,369,580</u>
<b>Expenditures</b>				
Current				
General government	2,830,635	-	934,345	3,764,980
Public safety	4,853,118	-	-	4,853,118
Public works	3,062,283	-	2,935,186	5,997,469
Culture and recreation	765,785	-	44,120	809,905
Debt service				
Principal	13,278	-	842,970	856,248
Interest	12,916	-	441,187	454,103
Capital outlay	-	4,047,736	264,237	4,311,973
<b>Total expenditures</b>	<u>11,538,015</u>	<u>4,047,736</u>	<u>5,462,045</u>	<u>21,047,796</u>
Revenues over (under) expenditures	<u>(447,339)</u>	<u>(790,573)</u>	<u>(1,440,304)</u>	<u>(2,678,216)</u>
Other financing sources (uses)				
Issuance of debt	-	-	6,720,000	6,720,000
Payment of refunded bonds	-	-	(6,766,528)	(6,766,528)
Other	(215,249)	-	-	(215,249)
Transfers in	2,083,982	257,200	5,062,264	7,403,446
Transfers out	(961,881)	(50,000)	(4,880,706)	(5,892,587)
<b>Total other financing sources (uses)</b>	<u>906,852</u>	<u>207,200</u>	<u>135,030</u>	<u>1,249,082</u>
Net changes in fund balances	459,513	(583,373)	(1,305,274)	(1,429,134)
<b>Fund balances, beginning of year, as restated</b>	<u>4,445,737</u>	<u>4,157,227</u>	<u>8,614,346</u>	<u>17,217,310</u>
<b>Fund balances, end of year</b>	<u>\$ 4,905,250</u>	<u>\$ 3,573,854</u>	<u>\$ 7,309,072</u>	<u>\$ 15,788,176</u>

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

# CITY OF GRAND HAVEN

## 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, 2018

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Net changes in fund balances - total governmental funds	\$ (1,429,134)
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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	5,160,001
Deduct - net book value of disposed assets	(389,489)
Deduct - depreciation expense	(2,922,446)

Certain receivables are long-term in nature and are collectable over several years. However only the current year's receipts are reflected as revenues on the fund statements.

Deduct - decrease in unavailable revenues	(15,398)
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Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	856,248
Add - payments to escrow	6,766,528
Deduct - bond issue	(6,720,000)
Add - amortization of deferred bond refunding costs	(21,291)
Add - bond premium amortization	84,127

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

Add - decrease in accrued employee benefits	94,983
Deduct - increase in net pension liability	(733,130)
Add - increase in deferred outflows	566,326
Deduct - increase in deferred inflows	(1,281,484)
Deduct - increase in other post-employment benefit liability	(652,524)
Add - decrease in accrued interest	55,361

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 from the internal service funds	<u>605,537</u>
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Change in net position of governmental activities	<u>\$ 24,215</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF GRAND HAVEN**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Enterprise Funds					Governmental Activities
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds	Enterprise Fund Total	Internal Service Funds
<b>Assets</b>						
Current assets						
Cash and pooled investments	\$ 11,179,288	\$ 1,940,599	\$ 639,094	\$ 303,986	\$ 14,062,967	\$ 2,575,938
Accounts receivable	4,658,995	229,172	269,312	98,825	5,256,304	564
Due from other governments	3,033,157	-	-	2,027	3,035,184	185
Special assessments receivable	-	109,059	-	-	109,059	-
Due from other funds	-	-	-	-	-	120,645
Prepaid items	29,910	18,746	15,413	2,608	66,677	203,523
Inventory	6,509,600	9,049	88,794	-	6,607,443	22,440
Total current assets	25,410,950	2,306,625	1,012,613	407,446	29,137,634	2,923,295
Noncurrent assets						
Capital assets						
Land	222,281	5,260	-	304,062	531,603	-
Construction in progress	362,706	-	-	45,184	407,890	-
Depreciable capital assets, net	25,988,768	8,314,203	13,671,367	4,508,110	52,482,448	2,584,381
Total noncurrent assets	26,573,755	8,319,463	13,671,367	4,857,356	53,421,941	2,584,381
<b>Total assets</b>	<b>51,984,705</b>	<b>10,626,088</b>	<b>14,683,980</b>	<b>5,264,802</b>	<b>82,559,575</b>	<b>5,507,676</b>
<b>Deferred outflows of resources</b>						
Pension related	806,134	85,019	110,439	20,664	1,022,256	69,141
Other post-employment benefits related	256,413	22,765	29,555	5,672	314,405	18,452
Total deferred outflows of resources	1,062,547	107,784	139,994	26,336	1,336,661	87,593
<b>Liabilities</b>						
Current liabilities						
Accounts payable	1,135,701	112,512	117,009	30,290	1,395,512	136,123
Accrued liabilities	296,568	3,947	9,644	7,393	317,552	72,973
Due to other funds	175,388	9,146	14,420	457,993	656,947	-
Current portion of long-term debt	-	-	118,322	-	118,322	-
Total current liabilities	1,607,657	125,605	259,395	495,676	2,488,333	209,096
Long-term liabilities						
Accrued compensated absences	496,921	24,485	22,673	3,659	547,738	14,594
Net pension liability	4,196,831	442,621	574,956	107,581	5,321,989	359,954
Other post-employment benefits obligation	1,319,831	117,229	152,192	29,204	1,618,456	95,017
Bonds payable, net of current portion	-	-	1,486,548	-	1,486,548	-
Total long-term liabilities	6,013,583	584,335	2,236,369	140,444	8,974,731	469,565
<b>Total liabilities</b>	<b>7,621,240</b>	<b>709,940</b>	<b>2,495,764</b>	<b>636,120</b>	<b>11,463,064</b>	<b>678,661</b>
<b>Deferred inflows of resources</b>						
Pension related	337,326	35,577	46,213	8,647	427,763	28,932
OPEB related	1,074	95	124	24	1,317	77
Total deferred inflows of resources	338,400	35,672	46,337	8,671	429,080	29,009
<b>Net position</b>						
Net investment in capital assets	27,167,318	8,319,463	12,066,497	4,857,356	52,410,634	2,584,381
Unrestricted	17,920,294	1,668,797	215,376	(211,009)	19,593,458	2,303,218
<b>Total net position</b>	<b>\$ 45,087,612</b>	<b>\$ 9,988,260</b>	<b>\$ 12,281,873</b>	<b>\$ 4,646,347</b>	<b>\$ 72,004,092</b>	<b>\$ 4,887,599</b>

The accompanying notes are an integral part of these financial statements

**CITY OF GRAND HAVEN**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds		
<b>Operating revenues</b>						
Charges for services	\$ 36,147,924	\$ 2,219,236	\$ 1,988,694	\$ 619,148	\$ 40,975,002	\$ 6,151,633
<b>Operating expenses</b>						
Operating costs and expenses	20,082,159	1,796,097	1,409,406	648,800	23,936,462	5,190,585
Distribution	2,585,086	-	-	-	2,585,086	-
Customer accounts	1,110,506	-	-	-	1,110,506	-
Administrative and general	2,092,782	170,941	217,594	10,818	2,492,135	211,004
Depreciation	3,980,471	159,294	277,809	394,859	4,812,433	314,689
<b>Total operating expenses</b>	<b>29,851,004</b>	<b>2,126,332</b>	<b>1,904,809</b>	<b>1,054,477</b>	<b>34,936,622</b>	<b>5,716,278</b>
Operating income (loss)	6,296,920	92,904	83,885	(435,329)	6,038,380	435,355
<b>Non-operating revenues (expenses)</b>						
Gain (loss) on disposal of capital assets	-	(130,924)	(212,804)	(17,123)	(360,851)	(20,472)
Investment earnings	129,127	11,159	3,017	524	143,827	4,278
Other	72,610	68,102	37,425	265,841	443,978	186,376
Interest expense	-	(11,860)	(77,829)	(63,242)	(152,931)	-
<b>Total non-operating revenues (expenses)</b>	<b>201,737</b>	<b>(63,523)</b>	<b>(250,191)</b>	<b>186,000</b>	<b>74,023</b>	<b>170,182</b>
Income (loss) before other items	6,498,657	29,381	(166,306)	(249,329)	6,112,403	605,537
<b>Transfers and other items</b>						
Contribution in aid of construction	-	-	-	3,900	3,900	-
Transfers in	-	173,142	401,918	10,000	585,060	-
Transfers out	(1,802,224)	(198,214)	(95,481)	-	(2,095,919)	-
<b>Total transfers and other items</b>	<b>(1,802,224)</b>	<b>(25,072)</b>	<b>306,437</b>	<b>13,900</b>	<b>(1,506,959)</b>	<b>-</b>
Changes in net position	4,696,433	4,309	140,131	(235,429)	4,605,444	605,537
<b>Net position, beginning of year, as restated</b>	<b>40,391,179</b>	<b>9,983,951</b>	<b>12,141,742</b>	<b>4,881,776</b>	<b>67,398,648</b>	<b>4,282,062</b>
<b>Net position, end of year</b>	<b>\$ 45,087,612</b>	<b>\$ 9,988,260</b>	<b>\$ 12,281,873</b>	<b>\$ 4,646,347</b>	<b>\$ 72,004,092</b>	<b>\$ 4,887,599</b>

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



**CITY OF GRAND HAVEN**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds		
<b>Cash flows from operating activities</b>						
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,138,455
Receipts from customers and users	36,068,881	2,324,146	2,032,247	652,911	41,078,185	-
Payments to employees	(4,766,435)	(281,288)	(364,809)	(128,624)	(5,541,156)	(229,694)
Payments to suppliers	(27,990,604)	(1,574,105)	(1,121,807)	(263,708)	(30,950,224)	(1,206,147)
Claims paid	-	-	-	-	-	(3,793,131)
<b>Net cash provided by (used in) operating activities</b>	<u>3,311,842</u>	<u>468,753</u>	<u>545,631</u>	<u>260,579</u>	<u>4,586,805</u>	<u>909,483</u>
<b>Cash flows from non-capital financing activities</b>						
Transfers in	(1,733,223)	173,142	401,918	10,000	(1,148,163)	-
Transfers out	(178,144)	(198,214)	(95,481)	-	(471,839)	-
<b>Net cash provided by (used in) non-capital financing activities</b>	<u>(1,911,367)</u>	<u>(25,072)</u>	<u>306,437</u>	<u>10,000</u>	<u>(1,620,002)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>						
Interest paid on long-term debt	-	(11,860)	(77,829)	(63,242)	(152,931)	-
Contribution in aid of construction	-	-	-	3,900	3,900	-
Principal paid on long-term debt	-	-	(116,170)	-	(116,170)	-
Acquisitions of capital assets	(3,386,908)	(173,142)	(330,509)	(50,464)	(3,941,023)	(433,424)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(3,386,908)</u>	<u>(185,002)</u>	<u>(524,508)</u>	<u>(109,806)</u>	<u>(4,206,224)</u>	<u>(433,424)</u>
<b>Cash flows from investing activities</b>						
Interest received	129,127	11,158	3,017	524	143,826	4,278
<b>Net increase (decrease) in cash and pooled investments</b>	<u>(1,857,306)</u>	<u>269,837</u>	<u>330,577</u>	<u>161,297</u>	<u>(1,095,595)</u>	<u>480,337</u>
<b>Cash and pooled investments, beginning of year</b>	<u>13,036,594</u>	<u>1,670,762</u>	<u>308,517</u>	<u>142,689</u>	<u>15,158,562</u>	<u>2,095,601</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 11,179,288</u>	<u>\$ 1,940,599</u>	<u>\$ 639,094</u>	<u>\$ 303,986</u>	<u>\$ 14,062,967</u>	<u>\$ 2,575,938</u>
<b>Cash flows from operating activities</b>						
Operating income (loss)	\$ 6,475,064	\$ 92,904	\$ 83,885	\$ (435,329)	\$ 6,216,524	\$ 435,355
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	3,980,471	159,294	277,809	394,859	4,812,433	314,689
Miscellaneous revenue	72,610	68,102	37,425	265,841	443,978	186,376
Deferred outflows of resources for pension	1,651,436	(1,910)	(8,346)	(2,909)	1,638,271	(15,756)
Deferred outflows of resources for OPEB	(256,413)	(22,765)	(29,555)	(5,672)	(314,405)	(18,452)
Deferred inflows of resources for pension	337,326	35,577	46,213	8,647	427,763	28,932
Deferred inflows of resources for OPEB	1,074	95	124	24	1,317	77
Change in operating assets and liabilities which provided (used) cash						
Accounts receivable	(167,159)	30,347	6,128	(14,952)	(145,636)	22,224
Special assessments receivable	-	6,461	-	-	6,461	-
Due from other funds	-	-	-	-	-	(69,903)
Due from other governmental units	-	-	-	48,715	48,715	(15)
Prepaid items	34,922	(2,116)	(3,765)	1,946	30,987	(44,166)
Inventory	(519,336)	(602)	(1,393)	-	(521,331)	(3,605)
Deposit with others	(773,177)	-	-	-	(773,177)	-
Accounts payable	(297,096)	33,550	(1,662)	(8,106)	(273,314)	86,735
Accrued liabilities	(141,272)	(3,627)	4,336	(94)	(140,657)	(137,026)
Other liabilities	15,506	-	-	-	15,506	-
Due to other funds	-	1,309	12,727	(21,244)	(7,208)	-
Compensated absences	(80,533)	1,517	2,350	271	(76,395)	(238)
Net pension liability	(7,327,864)	50,052	92,657	23,459	(7,161,696)	107,588
Net OPEB obligation	306,283	20,565	26,698	5,123	358,669	16,668
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 3,311,842</u>	<u>\$ 468,753</u>	<u>\$ 545,631</u>	<u>\$ 260,579</u>	<u>\$ 4,586,805</u>	<u>\$ 909,483</u>

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

**CITY OF GRAND HAVEN**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Retiree Health Care</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and pooled investments	\$ 693,194	\$ 4,446,485
Funds on deposit with MERS	2,094,812	-
Due from other funds	15,080	-
Due from other governmental units	<u>-</u>	<u>69,496</u>
<b>Total assets</b>	<u>2,803,086</u>	<u>\$ 4,515,981</u>
<b>Liabilities</b>		
Accounts payable	-	212,572
Accrued liabilities	-	69,158
Due to other governmental units	-	28
Trust deposits	<u>-</u>	<u>4,234,223</u>
<b>Total liabilities</b>	<u>-</u>	<u>\$ 4,515,981</u>
<b>Net position</b>		
Restricted for other post-employment benefits	<u>\$ 2,803,086</u>	

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

**CITY OF GRAND HAVEN**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Retiree Health Care</b>
<b>Additions</b>	
Employer contributions	\$ 924,644
Interest income	<u>154,082</u>
<b>Total additions</b>	<u>1,078,726</u>
<b>Deductions</b>	
Insurance payments	639,638
Changes in net position	439,088
<b>Net position, beginning of year</b>	<u>2,363,998</u>
<b>Net position, end of year</b>	<u><u>\$ 2,803,086</u></u>

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

**CITY OF GRAND HAVEN**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<u>Economic Development Corporation</u>	<u>Main Street Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 301,507	\$ 107,699	\$ 242,940	\$ 652,146
Accounts receivable	37,240	96,708	41,742	175,690
Taxes receivable	-	-	61	61
Special assessments receivable	-	213,276	-	213,276
Capital lease receivable	-	1,397,453	-	1,397,453
Prepaid items	5,031	298	333	5,662
Bond discount	-	18,241	-	18,241
<b>Total assets</b>	<u>343,778</u>	<u>1,833,675</u>	<u>285,076</u>	<u>2,462,529</u>
<b>Deferred outflows of resources</b>				
Pension related	-	30,232	-	30,232
Deferred charge on refunding	-	51,804	154,768	206,572
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>82,036</u>	<u>154,768</u>	<u>236,804</u>
<b>Liabilities</b>				
Accounts payable	16	87,089	893	87,998
Accrued liabilities	-	4,570	-	4,570
Accrued interest	-	84,214	41,799	126,013
Long-term debt				
Net pension liability	-	157,388	-	157,388
Bond premium	-	-	302,083	302,083
Due within one year	-	360,000	1,460,916	1,820,916
Due in more than one year	-	7,300,000	4,911,003	12,211,003
<b>Total liabilities</b>	<u>16</u>	<u>7,993,261</u>	<u>6,716,694</u>	<u>14,709,971</u>
<b>Deferred inflows of resources</b>				
Pension related	-	12,650	-	12,650
<b>Net position (deficit)</b>				
Unrestricted	<u>\$ 343,762</u>	<u>\$ (6,090,200)</u>	<u>\$ (6,276,850)</u>	<u>\$ (12,023,288)</u>
<b>Total net position (deficit)</b>	<u>\$ 343,762</u>	<u>\$ (6,090,200)</u>	<u>\$ (6,276,850)</u>	<u>\$ (12,023,288)</u>

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

**CITY OF GRAND HAVEN**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Economic Development Corporation</u>	<u>Main Street Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
<b>Expenses</b>				
Economic Development Corp	\$ 15,501	\$ -	\$ -	\$ 15,501
Main Street Downtown Development Authority	-	494,627	-	494,627
Brownfield Redevelopment Authority	-	-	201,879	201,879
<b>Total expenses</b>	<u>15,501</u>	<u>494,627</u>	<u>201,879</u>	<u>712,007</u>
<b>Revenues</b>				
Program revenues				
Operating grants and contributions	20,125	20,891	1,084,918	1,125,934
Capital grants	-	83,818	31,559	115,377
General revenues				
Property taxes	-	441,668	578,681	1,020,349
Unrestricted investment earnings	3,332	45,627	269	49,228
Miscellaneous	-	74,690	1,679	76,369
<b>Total revenues</b>	<u>23,457</u>	<u>666,694</u>	<u>1,697,106</u>	<u>2,387,257</u>
Change in net position	7,956	172,067	1,495,227	1,675,250
<b>Net position (deficit), beginning of year</b>	<u>335,806</u>	<u>(6,262,267)</u>	<u>(7,772,077)</u>	<u>(13,698,538)</u>
<b>Net position (deficit), end of year</b>	<u>\$ 343,762</u>	<u>\$ (6,090,200)</u>	<u>\$ (6,276,850)</u>	<u>\$ (12,023,288)</u>

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

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Haven, Michigan (the City) was established in 1854 and incorporated in 1867 under the provisions of Act 279, P.A. 1909, as amended. The City operates under a council-manager form of government and provides services as authorized by its charter.

The accounting policies of 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. The City has one blended component unit. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize they are legally separate from the City.

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

The City of Grand Haven Building Authority was established on April 12, 1993 under State Law (Act 31 of 1948, as amended) to effect improvements within the City. The Building Authority is a blended component unit as its relationship with the City permeates the financial operations of the City. The Building Authority's governing body is selected by City Council and currently includes the City Manager, the City Clerk and the Finance Director. A separate report is not prepared for the Building Authority. The Building Authority paid the final debt service payment on the community center building authority bond in October 2014. The Building Authority is currently inactive but is available for future use as necessary.

#### ***Discretely Presented Component Units***

The **Economic Development Corporation** (the Corporation) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of 10 individuals, is selected by the City Council.

The **Main Street Downtown Development Authority** (MSDDA) operates to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 10 individuals, is selected by the City Council.

Recommended in December 2004, the City Council adopted the MSDDA's Tax Increment Financing (TIF) and Development Plan which set forth guidelines for downtown public improvements. In January 2006, the City issued \$3,345,000 in Downtown TIF bonds for the first project series, being improvements to parking lots on Franklin Street between Harbor Avenue and Third Street. With the introduction of this project, three internal funds were established under the oversight of the MSDDA to manage the inflow of bond funds and future tax increments as well as spending on project construction and future debt service.

In October 2009, to provide funding for reconstruction of utilities and Washington Avenue, a \$5,600,000 Capital Improvement (Recovery Zone Economic Development Bond) was issued with a Standard and Poor's "AA" rating at 5.6%. The effective municipal interest cost of the bond was 3.12%. The Federal Government will pay 45% of the annual interest costs over the life of the bond. Funds for debt service will be drawn from the MSDDA taxation, streets, water and sewer funds as needed. The 2013 Federal

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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Sequester has reduced the Federal portion of interest beginning in the Fall of 2013 and it appears that the Sequester will continue into 2019. The MSDDA and the City have reserves to cover the additional interest cost.

The **Brownfield Redevelopment Authority** (the Brownfield) was created to account for the redevelopment of environmentally contaminated and other underutilized sites within the City. The Brownfield's governing body, which consists of 10 individuals, is selected by the City Council.

The Brownfield Redevelopment Authority assisted razing the Grand Haven Brass Foundry and construction of the Grand Haven Boat Storage facility in fiscal year 2005-06. Public infrastructure reconstruction costs were paid by a \$710,000 Brownfield Tax Increment Financing Bond issued March 31, 2005. Payments of principal and interest on the bond from tax revenue began in October 2005 and continued to October 2017. The Brownfield Redevelopment Authority created three internal funds, including a special revenue fund to account for tax and interest revenue, a debt service fund to account for principal and interest payments and a capital projects fund to account for construction costs.

In 2006, the Brownfield Redevelopment Authority assisted with the sale of City-owned property to Grand Landing, LLC, on the City's north end. Public infrastructure reconstruction was supported by a \$15,095,000 Brownfield Tax Increment Financing Bond issued October 10, 2006. Payments of principal and interest on the bond from tax revenue began in May 2007 and continue to November 2021. The Brownfield Redevelopment Authority created three internal funds to account for project and debt service costs including a special revenue fund to account for tax and interest revenue, a debt service fund to account for principal and interest payments and a capital projects fund to account for construction costs. In the summer of 2012, the property was sold to Redstar Development, LLC after the bankruptcy of Grand Landing, LLC. The City completed its public infrastructure improvements. No or very limited future public investment on the property is anticipated.

The Brownfield Redevelopment Authority maintains a single sub-fund to consider future Brownfield projects within the City. This fund receives transfers from the Economic Development Corporation (EDC) to cover its costs. As new projects are considered, the EDC may be reimbursed for costs leading up to new projects, however, no guarantee of reimbursement is noted. If no project is forthcoming from certain costs, the EDC is not anticipated to be reimbursed.

Condensed financial statements for each of the discretely presented component units are included in the government-wide financial statements. Complete financial statements of the individual component units can be obtained from their respective administrative offices at 519 Washington, Grand Haven, MI 49417.

#### ***Joint Ventures***

The City participates in the following activities, which are considered to be joint ventures in relation to the City due to the formation of an organization by contractual agreement between two or more participants that maintain joint control, financial interest, and fiscal responsibility.

The City is a member of the Grand Haven – Spring Lake Sewer Authority (the Authority). The City can appoint two members to the joint venture's governing board, which then approves the annual budget. In the current year, the City incurred expenses totaling \$1,166,188 to the Authority for sewage treatment. The purpose of the Grand Haven-Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing six members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and County of Ottawa) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority's debt. The City is unaware of any circumstances

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall.

The City is a member of the Harbor Transit Multi-Modal Transportation System (HTMMTS), created January 1, 2012 from Harbor Transit, formerly an enterprise fund of the City. HTMMTS provides transportation services within and for the Cities of Grand Haven and Ferrysburg, Charter Township of Grand Haven, the Village of Spring Lake and Spring Lake Township. HTMMTS is governed by a Board of Trustees containing 11 members. The HTMMTS Articles of Incorporation require the Members to have two members serving on the HTMMTS Board, one being the local unit Manager. The participating communities provide local support through taxation for services provided. HTMMTS also receives revenue from Federal and State grants, farebox and other revenue sources. During the year ended June 30, 2018, the City distributed tax revenues of \$299,252 to HTMMTS. The City is unaware of any circumstances which would cause any additional benefit or burden to the local governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall.

The Board of Light and Power is a member of a joint venture, the Michigan Public Power Agency (MPPA), with 16 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, Michigan 48917.

The MPPA operates various projects. The Board of Light and Power currently participates in the Transmission Project, Granger Project, North American Natural Resources Project, and the Energy Service Project. The dollar amount of Board of Light and Power's commitments for participation in the various MPPA projects of \$40,000,000 increases from \$2,100,000 in 2017 to \$2,900,000 in 2025 at which point the commitments decline to zero in 2040.

The Transmission Project was financed with initial capital contributions of 13 MPPA participants which were utilized to purchase an undivided interest in the transmission grid by the MPPA.

The Granger and North American Natural Resources (NANR) Projects are landfill renewable energy programs operated by the MPPA which provides MPPA participants with renewable energy to meet Michigan Public Act 295 requirements.

The Energy Services Project provides 15 MPPA participants with capacity and energy provided by third parties through the MPPA.

During the current year the Board of Light and Power had the following transactions with the MPPA:

Electricity purchase from/through MPPA	\$1,872,216
Payments to MPPA for electricity transmission	816,644
Payments to MPPA for renewable energy	2,251,734
Payments to MPPA for other	303,780

#### ***Joint Purchase Agreement***

The City is also a member of the Northwest Ottawa Water Treatment Plant (the Plant). The City appoints one member to the Plant's governing board, which then approves the annual budget. In the current year, the City incurred expenses totaling \$714,963 to the Plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate and maintain a water production



# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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facility. The Plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Village of Spring Lake, Townships of Grand Haven and Spring Lake, and County of Ottawa). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement and debt service. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

#### **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. For the most part, the effect of interfund activity has been removed from these statements. *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.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### **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 state shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, intergovernmental revenue, charges 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 government.

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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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 fund are charges to City departments for repairs and equipment utilization. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal fund includes the cost of services, administrative 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 primary 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 *Public Improvement* fund is a capital projects fund used to account for the financial resources and activities relating to City construction projects.

The City reports the following major proprietary funds:

The *Board of Light and Power Fund* accounts for the operation, maintenance, capital additions and retirement of revenue bonds of the electric supply system. Financing is provided by user charges from the sale of electricity.

The *Municipal Sewer Enterprise Fund* is used to account for the cost of collecting and treating wastewater. Revenues are chiefly from service charges to customers. These revenues are also used to pay principal and interest on bonds which were used to finance improvements to the system.

The *Municipal Water Enterprise Fund* is used to account for the cost of providing water services to customers. Revenues are primarily charges to customers for water usage. These revenues are used to pay operating costs and principal and interest on bonds which were used to finance improvements to the system.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* are used to account for the financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *Capital Projects Funds* are used to account for the financial resources and activities relating to specific construction projects.

The *Permanent Fund* is used to record activity of legal trusts for which the interest on the corpus provides funds for the City cemetery operations.

The *Internal Service Funds* are used to account for the revenues and costs of goods or services provided by the City to other departments and funds or to other governmental units on a cost reimbursement basis.

The *Agency Fund* is used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

# **CITY OF GRAND HAVEN**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2018**

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#### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for governmental funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted at the activity level.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Agency Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621. The appropriations ordinances are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. The City did amend its budget during the year. Any revisions that alter the total expenditures of any activity must be approved by the City Council.
7. Budgeted amounts are as originally adopted, or as amended, by the City Council.

#### ***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 of these balances at any time similar to a demand deposit account.

#### ***Statutory Authority***

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.

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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- 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 retiree health care fund is also allowed to invest in corporate debt and equity securities.

#### **Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances at year-end were immaterial.

#### **Inventory and Prepaid Items**

Inventory consists of coal and supplies which are stated at the lower of cost, determined principally by the moving average method, or market. Inventory also consists of meters and parts for the water and sewer enterprise funds, which is valued at cost on the first-in/first-out (FIFO) method. Inventory is recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

#### **Capital Assets**

Capital assets, which include property, plant, 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 three 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 amount reported for infrastructure includes only assets added since 2003.

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 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>
Structures and improvements	3-200
Machinery, equipment, vehicles and fixtures	2-30
Buildings	5-100
Parking facilities	1-35
Production and treatment	5-50
Transmission and distribution	5-50
General plant	5-30
Infrastructure	7-150

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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#### **Property Taxes**

City property taxes are attached as an enforceable lien on property as of December 31. Summer Taxes are levied July 1 and are due without penalty on or before September 15, and winter taxes are levied on December 1 and are due without penalty on or before February 15. The summer tax bills include the City's own property taxes. When property owners' aggregate winter taxes are less than \$100, their winter taxes are added to the summer tax bill. Real property taxes not collected are turned over to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

#### **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 several items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has items that qualify for reporting in this category related to pension and other post-employment benefits which are discussed in Notes 8 and 9.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments, capital leases, and other long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has items that qualify for reporting in this category related to pension and other post-employment benefits which are discussed in Notes 8 and 9.

#### **Net Position and Fund Balance Reporting**

Governmental funds report fund balance in the following five categories:

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

# **CITY OF GRAND HAVEN**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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### ***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.

The City Council has adopted a minimum fund balance policy in which the total fund balance of the general fund will be equal to at least 25 percent of the previous year's expenditures. If the General Fund balance falls below the minimum range, the City will replenish shortages or deficiencies using budget strategies and timeframes as detailed in the policy. Stabilization amounts are established by formal action of the Board. Any increases or uses of stabilization amounts are required to be authorized by the Board. At year-end, the fund balance of the general fund was approximately 46% of the previous year's expenditures.

The City Council has delegated the authority to assign fund balance to the City Manager or his designee.

### ***Interfund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements 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 reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

### ***Compensated Absences***

Under contracts and employee policy, employee groups and individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts. Accumulated vacation time of governmental funds is recorded on the statement of net position and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources.

### ***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures/expenses.

### ***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,

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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.

### 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

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

During the year ended June 30, 2018, the City incurred expenditures in the general and special revenue funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
<b>General Fund</b>			
IT Services	\$ 139,320	\$ 157,172	\$ (17,852)
DPW – Street Lighting	270,000	282,223	(12,223)
DPW – Harbor Transit	33,320	33,719	(399)
Debt service principal	-	13,278	(13,278)
Transfers out	949,945	961,881	(11,936)
<b>Major Streets Fund</b>			
Administration	343,040	382,446	(39,406)
Trunkline – Traffic Signals	8,200	9,615	(1,415)
Transfers out	200,000	244,446	(44,446)
<b>Local Streets Fund</b>			
Routine Maintenance	277,545	284,906	(7,361)
Winter Maintenance	185,050	185,969	(919)
<b>Lighthouse Maintenance Fund</b>			
Expenditures	7,620	44,120	(36,500)

### 3. DEPOSITS

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

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Fiduciary Activities</u>	<u>Component Units</u>	<u>Total</u>
Cash and pooled investments	\$16,449,745	\$14,062,967	\$5,139,679	\$652,146	\$36,304,537
Funds on deposit with MERS	-	-	2,094,812	-	2,094,812
	<u>\$16,449,745</u>	<u>\$14,062,967</u>	<u>\$7,234,491</u>	<u>\$652,146</u>	<u>\$38,399,349</u>

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

Deposits	\$26,731,172
Investments	11,661,618
Petty cash	<u>6,559</u>
Total	<u>\$38,399,349</u>

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

These deposits are in financial institutions located in Michigan. 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.

### Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Government obligation mutual funds	N/A	\$ 425,757	Unrated	
Funds on deposit with MERS	N/A	2,094,812	Unrated	
US Government and agency securities/pools				
FFCB bond 1.25%	1/21/20	538,291	Aaa	Moody's
FFCB bond 1.92%	4/19/22	482,370	Aaa	Moody's
FHLB bond 1.25%	8/24/21	492,955	Aaa	Moody's
FNMA bond 1.35%	10/28/19	245,855	AAA	Moody's
FHLMC bond 1.5%	12/30/19	490,500	AAA	Moody's
FNMA bond 1.375%	12/27/19	491,605	AAA	Moody's
FNMA bond 1.375%	12/27/19	491,605	AAA	Moody's
FHLB bond 1.25%	5/24/19	247,415	Aaa	Moody's
FNMA bond 1.35%	10/28/19	983,420	Aaa	Moody's
GNMA pool 2.25%	3/20/47	680,989	Unrated	
FNMA pool 2%	6/25/39	245,558	Unrated	
FNMA pool 2.25%	11/25/47	351,665	Unrated	
FNMA pool 2.5%	11/25/47	308,287	Unrated	
FNMA pool 2.25%	7/25/43	312,187	Unrated	
FHLMC pool 2.5%	7/15/42	388,278	Unrated	
FNMA pool 2.5%	3/25/28	213,212	Unrated	
GNMA pool 2.0%	1/16/45	320,469	Unrated	
GNMA pool 2.5%	3/20/47	179,638	Unrated	
	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
GNMA pool 2.5%	3/20/47	\$ 179,638	Unrated	
FHLMC pool 2.0%	10/15/46	160,714	Unrated	
FNMA pool 3%	12/25/43	212,667	Unrated	
FHLMC pool 3%	7/15/31	204,173	Unrated	
FHLMC pool 3%	12/15/41	258,036	Unrated	
GNMA pool 3.5%	8/20/40	184,128	Unrated	
FHLMC pool 3.5%	4/15/44	229,906	Unrated	
FNMA pool 4%	11/25/19	1,569	Unrated	
FNMA pool 4%	6/25/41	242,426	Unrated	
FNMA pool 2.5%	3/25/39	3,493	Unrated	
<b>Total</b>		<b><u>\$11,661,618</u></b>		

### Investment and deposit risk

**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. As of year-end, \$23,313,944 of the City's bank balance of \$27,341,571 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.



# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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*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.

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

*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 \$11,661,618 of investments, the City has custodial credit risk of \$9,141,049 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investments, \$2,520,569 is invested in mutual funds for which the City's custodial credit risk exposure cannot be determined because the mutual funds do 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.

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

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

- U.S. Government agency bonds and notes are valued using quoted market prices (Level 1 inputs).
- Money market funds, funds on deposit with MERS, US Government agency pools and municipal bonds are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

### 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 8,443,746	\$ 306,734	\$ 4,036	\$ 8,746,444
Construction in progress	1,094,947	3,054,957	841,799	3,308,105
Total capital assets, not being depreciated	<u>9,538,693</u>	<u>3,361,691</u>	<u>845,835</u>	<u>12,054,549</u>
<b>Capital assets, being depreciated</b>				
Structures and improvements	10,766,702	86,101	198,408	10,654,395
Machinery, equipment, vehicles and Fixtures	6,123,300	460,732	190,048	6,393,984
Buildings	14,434,022	96,351	110,300	14,420,073
Parking facilities	9,138,395	584,109	-	9,722,504
Infrastructure	40,609,791	1,846,240	8,773,766	33,682,265
Total capital assets, being depreciated	<u>81,072,210</u>	<u>3,073,533</u>	<u>9,272,522</u>	<u>74,873,221</u>
Less accumulated depreciation:				
Structures and improvements	5,988,237	365,958	171,792	6,182,403
Machinery, equipment, vehicles and Fixtures	3,346,666	399,598	163,176	3,583,088
Buildings	4,609,221	350,189	67,965	4,891,445
Parking facilities	4,490,436	274,104	-	4,764,540
Infrastructure	16,141,619	1,847,286	8,463,664	9,525,241
Total accumulated depreciation	<u>34,576,179</u>	<u>3,237,135</u>	<u>8,866,597</u>	<u>28,946,717</u>
<b>Net capital assets, being depreciated</b>	<u>46,496,031</u>	<u>(163,602)</u>	<u>405,925</u>	<u>45,926,504</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$56,034,724</b></u>	<u><b>\$3,198,089</b></u>	<u><b>\$1,251,760</b></u>	<u><b>\$57,981,053</b></u>

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2018</u>
<b>Business-type activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 531,603	\$ -	\$ -	\$ 531,603
Construction in progress	1,005,383	389,480	986,973	407,890
Total capital assets, not being depreciated	<u>1,536,986</u>	<u>389,480</u>	<u>986,973</u>	<u>939,493</u>
<b>Capital assets being depreciated</b>				
Structures and improvements	10,127,939	-	218,645	9,909,294
Machinery, equipment, vehicles and Fixtures	533,950	11,875	44,426	501,399
Production and treatment	104,518,297	98,352	323,154	104,293,495
Transmission and distribution	69,460,282	3,355,052	1,450,159	71,365,175
General plant	2,047,883	1,679,131	1,248,664	2,478,350
Total capital assets, being depreciated	<u>186,688,351</u>	<u>5,144,410</u>	<u>3,285,048</u>	<u>188,547,713</u>
Less accumulated depreciation for:				
Structures and improvements	\$ 5,273,224	\$ 379,056	\$202,195	\$5,450,085
Machinery, equipment, vehicles and Fixtures	302,014	31,495	42,068	291,441
Production and treatment	96,860,893	2,121,843	-	98,982,736
Transmission and distribution	29,308,876	2,077,947	856,208	30,530,615
General plant	1,826,129	202,092	1,217,833	810,388
Total accumulated depreciation	<u>133,571,136</u>	<u>4,812,433</u>	<u>2,318,304</u>	<u>136,065,265</u>
<b>Net capital assets, being depreciated</b>	<u>53,117,215</u>	<u>331,977</u>	<u>966,744</u>	<u>52,482,448</u>
<b>Business-type activities capital assets, net</b>	<u><b>\$54,654,201</b></u>	<u><b>\$ 721,457</b></u>	<u><b>\$1,953,717</b></u>	<u><b>\$53,421,941</b></u>

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

### **Governmental activities**

General government	\$ 686,703
Public safety	1,010,270
Public works	1,075,931
Culture and recreation	149,542
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>314,689</u>

**Total depreciation expense - governmental activities** **\$3,237,135**

### **Business-type activities**

Board of Light and Power	\$3,980,471
Sewer	159,294
Water	277,809
Other business-type	<u>394,859</u>

**Total depreciation expense – business- type activities** **\$4,812,433**

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### 5. INTERFUND TRANSACTIONS

Internal balances for the year ended June 30, 2018 are as follows:

<u>Due from</u>	<u>Due to</u>						<u>Total</u>
	<u>General Fund</u>	<u>Public Improvement Fund</u>	<u>Board of Light and Power</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Non-major Funds</u>	
General fund	\$ -	\$ 915	\$160,308	\$ -	\$ -	\$203,089	\$364,312
Public Improvement		-				346,520	346,520
Non-major funds	55,885	344	15,080	9,146	14,420	288,413	383,288
	<b>\$55,885</b>	<b>\$ 1,259</b>	<b>\$175,388</b>	<b>\$9,146</b>	<b>\$14,420</b>	<b>\$838,022</b>	<b>\$1,094,120</b>

Interfund balances reflect loans made from funds with cash and pooled investments to those funds requiring temporary cash flow.

Transfers in and out for the year ended June 30, 2018 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>						<u>Total</u>
	<u>General Fund</u>	<u>Public Improvement</u>	<u>Board of Light and Power</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Non-major Funds</u>	
General fund	\$ -	\$ -	\$1,802,224	\$107,461	\$95,480	\$ 78,817	\$2,083,982
Public Improvement	257,200	-	-	-	-	-	257,200
Non-major funds	704,681	50,000	-	-	1	4,317,582	5,072,264
Sewer fund	-	-	-	-	-	173,142	173,142
Water fund	-	-	-	90,753	-	311,165	401,918
Totals	<b>\$961,881</b>	<b>\$ 50,000</b>	<b>\$1,802,224</b>	<b>\$198,214</b>	<b>\$95,481</b>	<b>\$4,880,706</b>	<b>\$7,988,506</b>

Transfers are used to allocate administrative costs and move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

### 6. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2018.

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
\$9,400,000 2008 Unlimited Tax General Obligation Bonds due in annual installments of \$185,000 to \$890,000 through April 2028; interest at 3.0 to 4.125%	\$6,955,000	\$ -	\$6,955,000	\$ -	\$ -
\$4,775,000 2014 Unlimited Tax General Obligation Bonds due in annual installments of \$255,000 to \$405,000 through April 2029; interest at 2.0 to 4.0%	2,278,960	-	153,830	2,125,130	156,678
\$6,545,000 2015 Unlimited Tax General Obligation Bonds due in annual installments of \$230,000 to \$460,000 through April 2035; interest at 2.0 to 4.0%	6,075,000	-	240,000	5,835,000	250,000
\$6,720,000 2017 Unlimited Tax General Obligation Refunding Bonds due in annual installments of \$20,000 to \$845,000 through April 2028; interest at 2.0%	-	6,720,000	20,000	6,700,000	515,000
\$1,134,626 2010 Capital Lease due in annual installments of \$18,235 to \$91,175 through April 2034; interest at 3.25 to 6.5%	1,044,464	-	32,418	1,012,046	35,457
<b>Total debt</b>	<b>16,353,424</b>	<b>6,720,000</b>	<b>7,401,248</b>	<b>15,672,176</b>	<b>957,135</b>
Bond premiums	775,306	-	84,127	691,179	81,367
Accrued employee benefits	1,352,774	471,337	566,558	1,257,553	-
<b>Total Governmental Activities</b>	<b><u>\$18,481,504</u></b>	<b><u>\$7,191,337</u></b>	<b><u>\$8,051,933</u></b>	<b><u>\$17,620,908</u></b>	<b><u>\$1,038,502</u></b>
<b>Business-type Activities</b>					
\$4,775,000 2014 Unlimited Tax General Obligation Bonds due in annual installments of \$255,000 to \$405,000 through April 2029; interest at 2.0 to 4.0%	\$1,721,040	\$ -	\$116,170	\$1,604,870	\$118,322
<b>Total debt</b>	<b>1,721,040</b>	<b>-</b>	<b>116,170</b>	<b>1,604,870</b>	<b>118,322</b>
Accrued employee benefits	624,133	156,846	233,241	547,738	-
<b>Total Business-type Activities</b>	<b><u>\$2,345,173</u></b>	<b><u>\$156,846</u></b>	<b><u>\$349,411</u></b>	<b><u>\$2,152,608</u></b>	<b><u>\$118,322</u></b>

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

Component Units	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
\$5,600,000 2009 Capital Improvement Bonds due in annual installments of \$90,000 to \$450,000 through April 2034; interest at 3.25% to 6.0%	\$5,155,000	\$ -	\$160,000	\$4,995,000	\$175,000
\$710,000 2005 Tax Increment Bonds due in annual installments of \$35,000 to \$70,000 through October 2017; interest at 3.69%	70,000	-	70,000	-	-
\$1,000,000 2011 Brownfield Redevelopment Bonds due in annual installments of \$100,174 through May 2021; interest at 2.0%	256,919	-	-	256,919	125,916
\$2,960,000 2015 General Obligation Refunding Bonds due in annual installments of \$135,000 to \$380,000 through October 2026; interest at 2.3%	2,825,000	-	160,000	2,665,000	185,000
\$7,355,000 2016 Brownfield Redevelopment Bonds due in annual installments of \$1,240,000 to \$1,750,000 through November 2021; interest at 3.0% to 4.0%	7,355,000	-	1,240,000	6,115,000	1,335,000
Total debt	15,661,919	-	1,630,000	14,031,919	1,820,916
Issuance discounts	(20,086)	-	(1,845)	(18,241)	(1,797)
Issuance premiums	447,383	-	145,300	302,083	121,484
<b>Total Component Units</b>	<b>\$16,089,216</b>	<b>\$ -</b>	<b>\$1,773,455</b>	<b>\$14,315,761</b>	<b>\$1,940,603</b>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2018 are as follows:

Year Ending June 30	Governmental Activities Principal	Interest	Business-type Activities Principal	Interest	Component Units Principal	Interest
2019	\$ 957,135	\$ 741,741	\$ 118,322	\$ 63,012	\$ 1,820,916	\$ 540,783
2020	1,002,708	700,212	124,775	59,462	1,879,853	480,197
2021	1,052,457	621,490	129,078	54,470	2,116,150	411,269
2022	1,109,043	603,096	135,532	49,308	2,240,000	326,694
2023	1,162,779	548,370	139,835	43,886	535,000	274,145
2024-2028	6,769,765	1,796,119	783,073	131,485	2,935,000	1,048,501
2029-2033	2,622,112	489,577	174,255	6,970	2,055,000	505,654
2034-2038	996,177	57,609	-	-	450,000	27,000
<b>Total</b>	<b>\$15,672,176</b>	<b>\$5,558,214</b>	<b>\$1,604,870</b>	<b>\$408,593</b>	<b>\$14,031,919</b>	<b>\$3,614,243</b>

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

During fiscal year 2018, the City issued \$6,720,000 of refunding bonds to pay off outstanding bonds. This advanced refunding was undertaken to reduce total debt service payments by \$717,703, which resulted in an economic gain of \$640,691.

#### 7. LEASES RECEIVABLE

The Main Street Downtown Development Authority has capital leases receivable from the primary government for the acquisition and construction of infrastructure assets and water and sewer projects. The amount each fund of the primary government is required to contribute for repayment of debt is a percentage of the project applicable. The future lease payments for these leases are as follows:

<b>Year Ending</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 48,960	\$ 42,410
2020	51,758	41,130
2021	57,352	39,743
2022	61,549	38,165
2023	65,746	36,473
2024-2028	411,262	150,684
2029-2033	574,928	77,806
2034-2038	125,898	4,155
<b>Total</b>	<b>\$1,397,453</b>	<b>\$430,566</b>

#### 8. PENSION PLANS

##### **Defined Benefit Pension 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).

##### **Benefits Provided**

Pension benefits approved by the City Council are provided to all full time employees based on division/bargaining unit. Benefits provided include a multiplier of from 2.25 to 2.5 times final average compensation. Vesting period of 6 years. Normal retirement age is 60 with early retirement at 50 to 55 with from 15 to 25 years of service. Final average compensation is calculated based on a 3 year average.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2017):

	<b>Total City</b>
Active plan members	179
Inactive employees or beneficiaries currently receiving benefits	196
Inactive employees entitled but not yet receiving benefits	51
<b>Total</b>	<b>426</b>

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was from 14.86 to 20.11% of annual covered payroll depending on position and classification. Participating employees are required to contribute from 0 to 16.6% percent of covered payroll to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

### Net Pension Liability

The City's net pension liability was measured as of December 31, 2017, 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, 2017 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 2015 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 GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

Discount rate. The discount rate used to measure the total pension liability is 8.00% which did not change from the prior year. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2016	\$101,218,656	\$73,178,036	\$28,040,620
Changes for the Year:			
Service cost	1,896,453	-	1,896,453
Interest	7,931,391	-	7,931,391
Change in benefits	(54,797)	-	(54,797)
Differences between expected and actual experience	2,035,707	-	2,035,707
Change in assumptions	-	-	-
Contributions: employer	-	6,969,429	(6,969,429)
Contributions: employee	-	1,649,872	(1,649,872)
Net investment Income	-	9,637,326	(9,637,326)
Benefit payments, including refunds	(6,048,965)	(6,048,965)	-
Administrative expense	-	(152,492)	152,492
Other changes	-	-	-
Net changes	5,759,789	12,055,170	(6,295,381)
Balance at December 31, 2017	\$106,978,445	\$85,233,206	\$21,745,239

#### 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 8.0%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total Pension Liability	\$119,782,143	\$106,978,445	\$96,288,035
Fiduciary Net Position	85,233,206	85,233,206	85,233,206
Net Pension Liability	\$ 34,548,937	\$ 21,745,239	\$11,054,829

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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

For the year ended June 30, 2018 the City recognized pension expense of \$4,074,990. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences in experience	\$ -	\$ 339,763
Differences in assumptions	3,307,334	-
Excess (deficit) investment returns	-	1,408,042
Contributions subsequent to the measurement date*	869,531	-
Total	<u>\$4,176,865</u>	<u>\$1,747,805</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 2019.

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

2019	\$1,750,279
2020	1,494,696
2021	(948,173)
2022	(737,273)
2022	-
Thereafter	-
Total	<u>\$1,559,529</u>

#### Defined Contribution Plans

The City provides an externally managed IRS Section 457 plan which provides pension benefits to qualified employees. The City does not contribute to the plan. Participants may elect to contribute up to the legal maximum. The plan provisions and contribution amounts were established by the City Council and may be amended by the Council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The balance of employee contributions and earnings are held in trust for employees by an organization separate from the City.

The City provides a defined contribution pension plan (externally managed IRS Section 401a plan), which provides pension benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City's contribution for employees eligible to participate in the plans vests immediately. Participants contribute from 2% of covered wages which is matched by the City. City contributions were \$62,606 and participant contributions were \$62,606 to the plan during the year. The plan provisions and contribution amounts were established by the City Council and may be amended by the Council.

The Board of Light and Power provides a defined contribution pension plan (the Plan) that provides pension benefits to all fulltime employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate after six months of employment. Employees are required to contribute 1% and the Board contributes 2% of each participant's compensation to the Plan. The Board's contributions are fully vested after four years of service. During the year employees contributed \$35,413 and the Board contributed \$734,140 to the plan.

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### 9. OTHER POST-EMPLOYMENT BENEFITS

#### Defined Benefit Plan

##### ***Plan description***

The City administers a single-employer defined benefit healthcare plan (the Plan). In addition to retirement benefits, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with the City's policy, the City provides health care benefits to retirees in accordance with the pension ordinance. For retirees below age 65, the City pays 75 percent to 80 percent of the annual premium (depending on the bargaining unit) and the retiree pays the balance. For retirees age 65 and older, the City pays 10 percent on the annual premium (depending on the bargaining unit) and the retiree pays the balance. Retirees are required to purchase and pay for Medicare supplemental insurance when they become eligible. As of June 30, 2018, the date of the last plan valuation, the Plan covered 188 members (120 active plan members and 68 retirees receiving benefits). The Plan is closed to new participants. The city adopted a legal trust for the Plan which is included in the City's financial statements. The Plan does not issue a publicly available financial report.

##### ***Contributions***

The Plan was established and is being funded under the authority of the City Council and under agreements with unions representing various classes of employees. The Plan's funding policy is that the employer will contribute any discretionary contributions. There are no long-term contracts for contributions to the Plan. The plan has no legally required reserves.

The contribution requirements of the plan members and the City are determined and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. For the current year the City's annual required contribution (ARC) was \$646,318 while actual contributions were \$639,638.

##### ***Benefits provided***

In accordance with the collective bargaining agreements, retirees receive an employer-paid benefit toward health and life insurance premiums for the retiree and spouse. For employees hired before October 1, 2013 based on hire date the Plan pays from 75% to 80% of the premium payment until age 65 and 0-10% thereafter.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2018):

Retirees and beneficiaries receiving benefits	68
Active plan members	<u>120</u>
Total	<u>188</u>

The plan is closed to new participants.

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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#### **Net OPEB Liability**

The total OPEB liability in the June 30, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5 % (2.99% in 2017)

Salary Increases: 2.0%

Investment rate of return: 5.25%, net of investment expense, including inflation

20 – year Aa Municipal Bond rate: 3.00%

Healthcare cost trend rates: 7% graded down 0.5% per year to an ultimate rate of 5%

As set forth in IRS Regulations for 2018 (1.430(h)(3)) for Non-annuitants, separately for males and females as well as annuitants and non-annuitants. Based on RP-2000 Tables with Scale AA.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Global Equity	55.5%	6.15%
Global Fixed Income	18.5%	1.26%
Real Assets	13.5%	7.22%
Diversifying Strategies	12.5%	5.00%
Cash	0.0%	0.00%

The City, as plan sponsor and investment fiduciary, has chosen for the Plan an asset mix intended to meet or exceed a long-term rate of return of 5.25%.

Concentrations. 100% of the Plan's investments are invested in the MERS total market portfolio.

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.65%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total OPEB liability is 7.75%. 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate used for the beginning of year total OPEB liability was 7.5%.

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2017	\$6,353,547	\$1,948,271	\$4,405,276
Changes for the Year:			
Service cost	49,554	-	49,554
Interest	456,247	-	456,247
Change in benefits	-	-	-
Differences between expected and actual experience	1,015,790	-	1,015,790
Change in assumptions	292,450	-	292,450
Contributions: employer	-	-	-
Contributions: employee	-	639,638	(639,638)
Net investment Income	-	151,458	(151,458)
Benefit payments, including refunds	(639,638)	(639,638)	-
Administrative expense	-	(4,916)	4,916
Other changes	-	-	-
Net changes	1,174,403	146,542	1,027,861
Balance at June 30, 2018	\$7,527,950	\$2,094,813	\$5,433,137

#### 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 7.75%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (6.75%) or 1% higher (8.75%) than the current rate.

	1% Decrease	Current Discount rate	1 % increase
Total OPEB liability	\$8,036,907	\$7,527,950	\$7,071,071
Fiduciary net position	2,094,813	2,094,813	2,094,813
Net OPEB liability	\$5,942,094	\$5,433,137	\$4,976,258
Plan fiduciary position as a percentage of the total OPEB liability	26.06%	27.83%	29.63%

#### 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 8%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower (7%) or 1% higher (9%) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1 % increase
Total OPEB liability	\$7,028,662	\$7,527,950	\$8,085,947
Fiduciary net position	2,094,813	2,094,813	2,094,813
Net OBEB liability	\$4,933,849	\$5,433,137	\$5,991,134

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018 the employer recognized OPEB expense of \$616,723. 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	\$ 819,312	\$ -
Differences in assumptions	235,883	-
Excess(deficit) investment returns	-	4,418
Total	<u>\$1,055,195</u>	<u>\$4,418</u>

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

2019	\$251,941
2020	251,941
2021	251,941
2022	251,939
2023	43,015
Thereafter	-
Total	<u>\$1,050,777</u>

### Defined Contribution Plan

The City provides a Health Care Savings Plan (HCSP), which provides health insurance benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. In 2008 the HCSP was opened with a mandatory employee contribution rate of .25% of covered wages. Employees could elect to contribute up to 10%. In May 2011 MERS determined that the range was not allowed and froze contributions at the levels they were currently at. The City was not required to contribute. Employees hired after May 2011 are required to contribute 3% with a 3% City match, except for SEIU union employees who in the fall of 2013 voted to increase employee contributions to 5% with the City matching 3%. City contributions were \$126,430 and participant contributions were \$387,537 to the plan during the year. The plan provisions and contribution amounts were established and may be amended by MERS.

## 10. RISK MANAGEMENT

### Primary Government

The City purchases insurance and participates in public entity risk pools for the various risks associated with City operations. Significant risk management activities of the City are accounted for and disclosed below.

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains its liability insurance coverage from Municipal Underwriters of West Michigan, Inc. The City pays an annual premium to Municipal Underwriters of West Michigan, Inc. for liability insurance coverage. Municipal Underwriters of West Michigan, Inc. is self-sustaining through member premiums and provides, subject to certain deductibles, occurrences based coverage by internally insuring certain risks and reinsuring risks through commercial companies. A \$1,000

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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

The City is self-funded for medical, dental, optical and disability insurance. The claims liability of \$68,504 reported at June 30, 2018 is based on the requirements of accounting standards which require 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 self-insurance internal service fund. An independent administrator is contracted to process the daily claims. An excess coverage insurance policy covers individual claims in excess of \$75,000 per covered individual with a 125% aggregate. 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 and recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Settled claims have not exceeded insurance coverage in the history of the self-insurance program, and there have been no significant reductions in insurance coverage from the prior year.

The changes in the claims liability for the years ended June 30, 2017 and 2018 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>
2017	\$137,585	\$3,955,191	\$3,887,347	\$205,429
2018	205,429	3,642,666	3,779,591	68,504

The Board of Light and Power is exposed to various risks related to liability, damage or loss for which it participated in the creation of a self-insurance program known as the Michigan Professional Insurance Association (MPIA). The MPIA was established pursuant to the State of Michigan Act 35 of 1951; Intergovernmental Contracts between Municipal Corporations.

MPIA administers an actuarially based risk management fund and utilizes such funds deposited by the Board of Light and Power to defend and protect Board of Light and Power. MPIA has purchased commercial insurance for coverage in excess of the Board of Light and Power's self-insured reserve limits. MPIA assumes risk of loss within the scope of the memorandum of coverage to the extent of the coverage limits offered by the memorandum of coverage to the extent of the coverage limits offered by the memorandum.

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

Following is insurance coverage and related deductibles effect at year-end:

	<u>Deductible/Retention</u>	
	<u>2018</u>	<u>2017</u>
Property, real and personal, including earthquake and flood excluding equipment breakdown	\$250,000	\$250,000
Equipment breakdown, excluding Sims #3	50,000	50,000
Equipment breakdown at Sims, excluding Sims #3	250,000	250,000
Equipment breakdown, specific to Sims #3 boiler	500,000	500,000
General liability	50,000	50,000
Public officials liability	50,000	50,000
Employee benefits liability	10,000	10,000
Crime	25,000	25,000
Open cargo	1% of value	1% of value

The Board of Light and Power makes annual payments to the MPIA for administrative charges, insurance purchases and estimated risk retention reserves. At year-end the risk retention reserve balance held by the MPIA for the Board of Light and Power was \$3,033,157 which excluded assets set aside for estimated claims of \$69,500. The estimated claims 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 and 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 any of the past three years, and changes in insurance coverage are reflected above.

The claims liability for the Board of Light and Power as reported by the MPIA for the years ended June 30, 2018 and 2017 was \$69,500 and \$69,500 respectively. Claims adjustment expense cannot be specifically identified to each participant in the MPIA. Total claims expense reported by the MPIA for the years ended June 30, 2018 and 2017 were \$2,452 and \$65,906 respectively.

#### 11. DEFERRED SPECIAL ASSESSMENTS RECIEVABLE

The Brownfield Redevelopment Authority component unit has outstanding deferred special assessments receivable totaling \$5,940,473 at June 30, 2018. The assessments are in place for condominium units, retail outlets, and property not yet developed. Considering the uncertainty of collection of the assessments, and the amount of the assessments to be received not readily determinable, the assessments receivable have been fully offset with an allowance for doubtful accounts, and as such, there is no net receivable reported in the financial statements of the Brownfield Redevelopment Authority component unit at June 30, 2018.

#### 12. TAX ABATEMENTS

The City entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2018 the City abated property tax revenues of approximately \$224,500.



# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### 13. CONTINGENCIES

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

### 14. COMMITMENTS

The Board of Light and Power has entered into long-term contracts to purchase a minimum of 120,000 tons of coal annually through December 31, 2018.

The Board of Light and Power has entered into an agreement to transfer a portion of electric revenue generated at the Grand Landing location to help fund payment of component unit debt. These transfers began during 2016 and are contingent upon electric sales revenue and future development at the Grand Landing location. The agreement provides for contingent transfers through 2019.

As disclosed in Note 1, the City is a member of the Grand Haven-Spring Lake Sewer Authority and the Northwest Ottawa Water Treatment Plant. The City, along with the other participating communities, has pledged their full faith and credit for repayment of the outstanding debt of these entities. For all debt, the amount the city is required to contribute to these entities for repayment of debt is not a fixed amount, but is based on the volume of sewage treated and water purchased and is included in the rate charged by these entities.

### 15. RELATED PARTY TRANSACTIONS

City-owned facilities are users of Board of Light and Power electric services. The Board of Light and Power includes the sale of such services in its charges for services revenue and reflects balances received for these services as accounts receivable. The Board of Light and Power is required to pay five percent of gross retail sales to the City under provisions of the City Charter. The payment of the five percent of gross sales to the City is reported as transfers out.

### 16. 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. A summary of the current year activity and cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall – July 1, 2017	\$(535,222)
Current year building permit revenues	360,041
Related expenses	
Direct costs	(314,418)
Estimated indirect costs	(41,424)
Cumulative shortfall – June 30, 2018	<u>\$(531,023)</u>

# CITY OF GRAND HAVEN

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### 17. PRIOR PERIOD ADJUSTMENTS

Beginning net position/fund balance of the City was decreased to record the net other post-employment benefit liability in accordance with the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions* as follows:

<u>Opinion Unit</u>	<u>Amount</u>
Governmental Activities	\$2,773,855
Business-type Activities	1,199,258
Board of Light and Power	1,013,548
Sewer Fund	78,706
Water Fund	86,587
Marina Fund	20,417
Motor Pool Fund	65,213

Beginning fund balance of the General fund and net position of the City was decreased by \$48,793 to record the transfer of funds collected on behalf of an unrelated entity to a trust and agency fund.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF GRAND HAVEN

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Taxes				
Property taxes	\$ 5,897,651	\$ 6,924,445	\$ 6,924,840	\$ 395
Intergovernmental revenues				
Federal	-	-	11,200	11,200
State	972,595	1,016,900	1,024,060	7,160
Local	51,250	36,070	34,641	(1,429)
Special assessments	18,000	18,000	22,158	4,158
Licenses and permits	662,700	652,100	685,572	33,472
Charges for services	1,660,180	1,686,980	1,690,139	3,159
Fines	94,500	109,000	103,463	(5,537)
Investment earnings	240,000	170,000	231,432	61,432
Miscellaneous	407,500	137,900	363,171	225,271
<b>Total revenues</b>	<b>10,004,376</b>	<b>10,751,395</b>	<b>11,090,676</b>	<b>339,281</b>
<b>Expenditures</b>				
Current				
General government	3,060,355	3,048,205	2,830,635	217,570
Public safety	4,827,745	5,096,080	4,853,118	242,962
Public works	3,055,931	3,261,015	3,062,283	198,732
Culture and recreation	808,269	828,835	765,785	63,050
Debt service				
Principal	-	-	13,278	(13,278)
Interest and fiscal charges	12,920	13,400	12,916	484
<b>Total expenditures</b>	<b>11,765,220</b>	<b>12,247,535</b>	<b>11,538,015</b>	<b>709,520</b>
<b>Revenues over (under) expenditures</b>	<b>(1,760,844)</b>	<b>(1,496,140)</b>	<b>(447,339)</b>	<b>1,048,801</b>
Other financing sources (uses)				
Other	-	-	(215,249)	(215,249)
Transfers in	2,227,095	2,217,070	2,083,982	(133,088)
Transfers out	(957,125)	(949,945)	(961,881)	(11,936)
<b>Total other financing sources (uses)</b>	<b>1,269,970</b>	<b>1,267,125</b>	<b>906,852</b>	<b>(360,273)</b>
<b>Net changes in fund balance</b>	<b>(490,874)</b>	<b>(229,015)</b>	<b>459,513</b>	<b>688,528</b>
<b>Fund balance, beginning of year, as restated</b>	<b>4,445,737</b>	<b>4,445,737</b>	<b>4,445,737</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 3,954,863</b>	<b>\$ 4,216,722</b>	<b>\$ 4,905,250</b>	<b>\$ 688,528</b>

# CITY OF GRAND HAVEN

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	2014	2015	2016	2017
<b>Total pension liability</b>				
Service cost	\$ 1,714,380	\$ 1,784,375	\$ 1,938,291	\$ 1,896,453
Interest	6,872,845	6,970,006	7,719,273	7,931,391
Changes in benefit terms	-	(8,167)	(27,927)	(54,797)
Difference between expected and actual experience	-	1,069,871	(1,279,520)	2,035,707
Changes in assumptions	-	4,451,385	-	-
Benefit payments including employee refunds	(4,522,352)	(5,086,362)	(5,306,454)	(6,048,965)
Other	-	217,812	-	-
<b>Net change in total pension liability</b>	<u>4,064,873</u>	<u>9,398,920</u>	<u>3,043,663</u>	<u>5,759,789</u>
<b>Total pension liability, beginning of year</b>	<u>84,711,200</u>	<u>88,776,073</u>	<u>98,174,993</u>	<u>101,218,656</u>
<b>Total pension liability, end of year</b>	<u>\$ 88,776,073</u>	<u>\$ 98,174,993</u>	<u>\$ 101,218,656</u>	<u>\$ 106,978,445</u>
<b>Plan Fiduciary Net Position</b>				
Contributions-employer	\$ 1,230,140	\$ 1,351,197	\$ 1,528,835	\$ 6,969,429
Contributions-employee	1,017,387	1,188,014	1,399,568	1,649,872
Net investment income	4,384,730	(1,056,807)	7,662,061	9,637,326
Benefit payments including employee refunds	(4,522,352)	(5,086,362)	(5,306,454)	(6,048,965)
Administrative expense	(160,769)	(155,709)	(151,314)	(152,492)
<b>Net change in plan fiduciary net position</b>	<u>1,949,136</u>	<u>(3,759,667)</u>	<u>5,132,696</u>	<u>12,055,170</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>69,855,871</u>	<u>71,805,007</u>	<u>68,045,340</u>	<u>73,178,036</u>
<b>Plan fiduciary net position, end of year</b>	<u>\$ 71,805,007</u>	<u>\$ 68,045,340</u>	<u>\$ 73,178,036</u>	<u>\$ 85,233,206</u>
<b>Total net pension liability</b>	<u>\$ 16,971,066</u>	<u>\$ 30,129,653</u>	<u>\$ 28,040,620</u>	<u>\$ 21,745,239</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	81%	69%	72%	80%
<b>Covered employee payroll</b>	\$ 11,071,127	\$ 11,535,426	\$ 12,103,488	\$ 11,544,999
<b>Employer's net pension liability as a percentage of covered employee payroll</b>	65%	38%	43%	53%

# CITY OF GRAND HAVEN

## DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2018

	2015	2016	2017	2018
Actuarially determined contributions	\$ 1,285,986	\$ 1,533,911	\$ 1,528,835	\$ 1,976,799
Contributions in relation to the actuarially determined contribution	1,285,986	1,533,911	1,528,835	6,976,799
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (5,000,000)
Covered employee payroll	\$ 11,071,127	\$ 11,535,426	\$ 12,103,488	\$ 11,544,999
Contributions as a percentage of covered employee payroll	11.6%	13.3%	12.6%	60.4%

### Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed (10 year smoothed in 2014)
Inflation	2.5% (3.5% 2014)
Salary increases	3.75% TO 14.5% (4.5% IN 2014)
Investment rate of return	7.75% (8.25% 2014)
Retirement age	Varies depending on plan adoption
Mortality	RP-2014 mortality tables of a 50% Male and 50% Female blend (50% female/ 50% male 1994 groupannuity mortality table 2014)

# CITY OF GRAND HAVEN

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2017</b>	<b>2018</b>
<b>Total OPEB liability</b>		
Service cost	\$ 52,122	\$ 49,554
Interest	456,376	456,247
Changes in benefit terms	-	-
Difference between expected and actual experience	79,952	1,015,790
Changes in assumptions	-	292,450
Benefit payments including employee refunds	(535,595)	(639,638)
Other	-	-
<b>Net change in total OPEB liability</b>	<u>52,855</u>	<u>1,174,403</u>
<b>Total OPEB liability, beginning of year</b>	<u>6,300,692</u>	<u>6,353,547</u>
<b>Total OPEB liability, end of year</b>	<u><u>\$ 6,353,547</u></u>	<u><u>\$ 7,527,950</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions-employer	\$ 500,000	\$ -
Contributions/benefit payments made from general operating funds	535,595	639,638
Net investment income	198,865	151,458
Benefit payments including employee refunds	(535,595)	(639,638)
Administrative expense	(4,014)	(4,916)
Other	-	-
<b>Net change in plan fiduciary net position</b>	<u>694,851</u>	<u>146,542</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>1,253,420</u>	<u>1,948,271</u>
<b>Plan fiduciary net position, end of year</b>	<u><u>\$ 1,948,271</u></u>	<u><u>\$ 2,094,813</u></u>
<b>Employer net OPEB liability</b>	<u><u>\$ 4,405,276</u></u>	<u><u>\$ 5,433,137</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	31%	28%
<b>Covered employee payroll</b>	\$ 11,180,895	\$ 9,528,743
<b>Employer's net OPEB liability as a percentage of covered employee payroll</b>	39%	57%



**CITY OF GRAND HAVEN**  
**DEFINED BENEFIT OPEB PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>2017</u>	<u>2018</u>
Actuarial determined contributions	\$ 859,095	\$ 646,318
Contributions in relation to the actuarially determined contribution	1,035,595	639,638
Contribution deficiency (excess)	<u>\$ (176,500)</u>	<u>\$ 6,680</u>
Covered employee payroll	\$ 11,180,895	\$ 9,528,743
Contributions as a percentage of covered employee payroll	9%	7%

**Notes to schedule**

Actuarial cost method	Entry Age
Amortization method	Level percent, closed
Remaining amortization period	7 years
Asset valuation method	Market value
Inflation	2.99%
Healthcare cost trend rates	8.00%
Salary increases	2.00%
Investment rate of return	4.51%
Retirement age	Varies depending on plan adoption
Mortality	RP-2000 tables with Scale AA

**SCHEDULE OF INVESTMENT RETURNS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>2017</u>	<u>2018</u>
Annual money-weighted rate of return net of investment expense	12.2%	7.7%

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**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.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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**CITY OF GRAND HAVEN**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**JUNE 30, 2018**

	<b>Special Revenue</b>						
	<b><u>Major Streets</u></b>	<b><u>Local Streets</u></b>	<b><u>Housing</u></b>	<b><u>2014 Capital Improvement Bonds</u></b>	<b><u>2008 UTGO Bonds</u></b>	<b><u>2015 Infrastructure Bonds</u></b>	<b><u>Lighthouse Maintenance</u></b>
<b>Assets</b>							
Cash and pooled investments	\$ -	\$ 121,752	\$ 20,945	\$ -	\$ 738,949	\$ 1,923,184	\$ 60,000
Accounts receivable	10,048	2,005	7,466	-	430	-	35,004
Due from other governments	142,148	49,654	-	-	-	75,314	-
Special assessments receivable	11,008	421	-	-	-	-	-
Due from other funds	3,603	244	2,067	-	-	-	-
Prepaid items	909	909	-	-	-	-	-
<b>Total assets</b>	<b>\$ 167,716</b>	<b>\$ 174,985</b>	<b>\$ 30,478</b>	<b>\$ -</b>	<b>\$ 739,379</b>	<b>\$ 1,998,498</b>	<b>\$ 95,004</b>
<b>Liabilities, deferred inflows and fund balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 14,616	\$ 27,054	\$ 2,937	\$ -	\$ 1,596	\$ -	\$ 35,004
Accrued liabilities	9,949	7,147	-	-	-	-	-
Due to other funds	28,024	23,047	27,309	-	-	241,649	60,000
<b>Total liabilities</b>	<b>52,589</b>	<b>57,248</b>	<b>30,246</b>	<b>-</b>	<b>1,596</b>	<b>241,649</b>	<b>95,004</b>
<b>Deferred inflows of resources</b>							
Unavailable revenue	10,181	-	-	-	430	-	-
<b>Fund balances (deficit)</b>							
Non-spendable							
Prepaid items	909	909	-	-	-	-	-
Permanent fund corpus	-	-	-	-	-	-	-
Restricted							
Streets	104,037	116,828	-	-	-	-	-
Public works	-	-	232	-	737,353	1,756,849	-
Debt service funds	-	-	-	-	-	-	-
Committed							
Capital projects	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>104,946</b>	<b>117,737</b>	<b>232</b>	<b>-</b>	<b>737,353</b>	<b>1,756,849</b>	<b>-</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 167,716</b>	<b>\$ 174,985</b>	<b>\$ 30,478</b>	<b>\$ -</b>	<b>\$ 739,379</b>	<b>\$ 1,998,498</b>	<b>\$ 95,004</b>

<u>Debt Service</u>				<u>Capital Projects</u>		<u>Permanent</u>		
<u>2014 Capital Improvement Bonds</u>	<u>2015 Infrastructure Bonds</u>	<u>Brownfield Debt Support</u>	<u>2008 UTGO Bonds</u>	<u>Fire Truck</u>	<u>2015 Infrastructure Bonds</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>	
\$ -	\$ -	\$ 1,836,143	\$ -	\$ 616,945	\$ -	\$ 1,905,710	\$ 7,223,628	
-	-	-	-	-	-	290	55,243	
-	-	-	-	-	-	-	267,116	
-	-	-	-	-	-	-	11,429	
-	-	-	-	-	241,649	-	247,563	
<u>75</u>	<u>458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,351</u>	
<u>\$ 75</u>	<u>\$ 458</u>	<u>\$ 1,836,143</u>	<u>\$ -</u>	<u>\$ 616,945</u>	<u>\$ 241,649</u>	<u>\$ 1,906,000</u>	<u>\$ 7,807,330</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,315	\$ -	\$ 90,522	
-	-	-	-	-	-	-	17,096	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>380,029</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,315</u>	<u>-</u>	<u>487,647</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,611</u>	
75	458	-	-	-	-	-	2,351	
-	-	-	-	-	-	1,906,000	1,906,000	
-	-	-	-	-	-	-	220,865	
-	-	-	-	-	-	-	2,494,434	
-	-	1,836,143	-	-	-	-	1,836,143	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>616,945</u>	<u>232,334</u>	<u>-</u>	<u>849,279</u>	
<u>75</u>	<u>458</u>	<u>1,836,143</u>	<u>-</u>	<u>616,945</u>	<u>232,334</u>	<u>1,906,000</u>	<u>7,309,072</u>	
<u>\$ 75</u>	<u>\$ 458</u>	<u>\$ 1,836,143</u>	<u>\$ -</u>	<u>\$ 616,945</u>	<u>\$ 241,649</u>	<u>\$ 1,906,000</u>	<u>\$ 7,807,330</u>	

**CITY OF GRAND HAVEN**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue						
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Housing</u>	<u>2014 Capital Improvement Bonds</u>	<u>2008 UTGO Bonds</u>	<u>2015 Infrastructure Bonds</u>	<u>Lighthouse Maintenance</u>
<b>Revenues</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 811,830	\$ 496,606	\$ -
Intergovernmental revenues							
Federal	-	-	15,000	-	-	75,314	-
State	926,863	290,326	25,208	-	-	386,000	-
Local	183,078	-	47,043	-	-	-	44,120
Special assessments	459	1,532	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Investment earnings	668	466	134	211	(9,557)	12,871	-
Miscellaneous	-	64,990	7,623	-	1,172	177,127	-
<b>Total revenues</b>	<u>1,111,068</u>	<u>357,314</u>	<u>95,008</u>	<u>211</u>	<u>803,445</u>	<u>1,147,918</u>	<u>44,120</u>
<b>Expenditures</b>							
Current							
General government	-	-	-	-	1,596	-	-
Public works	2,205,401	701,816	27,969	-	-	-	-
Culture and recreation	-	-	-	-	-	-	44,120
Debt service							
Principal	-	19,139	-	-	-	-	-
Interest	-	18,620	-	-	-	-	-
Capital outlay	-	188,398	-	-	-	-	-
<b>Total expenditures</b>	<u>2,205,401</u>	<u>927,973</u>	<u>27,969</u>	<u>-</u>	<u>1,596</u>	<u>-</u>	<u>44,120</u>
Revenues over (under) expenditures	<u>(1,094,333)</u>	<u>(570,659)</u>	<u>67,039</u>	<u>211</u>	<u>801,849</u>	<u>1,147,918</u>	<u>-</u>
Other financing sources (uses)							
Issuance of debt	-	-	-	-	-	-	-
Payment of refunded bonds	-	-	-	-	-	-	-
Transfers in	1,014,429	686,446	1,500	421,942	-	-	-
Transfers out	(244,446)	-	(70,003)	(422,153)	(895,865)	(2,011,549)	-
Total other financing sources (uses)	<u>769,983</u>	<u>686,446</u>	<u>(68,503)</u>	<u>(211)</u>	<u>(895,865)</u>	<u>(2,011,549)</u>	<u>-</u>
Net changes in fund balances	(324,350)	115,787	(1,464)	-	(94,016)	(863,631)	-
<b>Fund balances, beginning of year</b>	<u>429,296</u>	<u>1,950</u>	<u>1,696</u>	<u>-</u>	<u>831,369</u>	<u>2,620,480</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 104,946</u>	<u>\$ 117,737</u>	<u>\$ 232</u>	<u>\$ -</u>	<u>\$ 737,353</u>	<u>\$ 1,756,849</u>	<u>\$ -</u>

<u>Debt Service</u>				<u>Capital Projects</u>		<u>Permanent</u>	<u>Total</u>
<u>2014 Capital Improvement Bonds</u>	<u>2015 Infrastructure Bonds</u>	<u>Brownfield Debt Support</u>	<u>2008 UTGO Bonds</u>	<u>Fire Truck</u>	<u>2015 Infrastructure Bonds</u>	<u>Cemetery Perpetual Care</u>	
\$ -	\$ -	\$ 392,255	\$ -	\$ -	\$ -	\$ -	\$ 1,700,691
-	-	-	-	-	-	-	90,314
-	-	-	-	-	-	-	1,628,397
-	-	-	-	-	-	-	274,241
-	-	-	-	-	-	-	1,991
-	-	-	-	-	-	44,203	44,203
(3)	-	5,876	-	2,675	-	17,651	30,992
-	-	-	-	-	-	-	250,912
(3)	-	398,131	-	2,675	-	61,854	4,021,741
-	-	874,125	58,624	-	-	-	934,345
-	-	-	-	-	-	-	2,935,186
-	-	-	-	-	-	-	44,120
153,830	240,000	-	430,001	-	-	-	842,970
86,741	235,542	-	100,284	-	-	-	441,187
-	-	-	-	-	75,839	-	264,237
240,571	475,542	874,125	588,909	-	75,839	-	5,462,045
(240,574)	(475,542)	(475,994)	(588,909)	2,675	(75,839)	61,854	(1,440,304)
-	-	-	6,720,000	-	-	-	6,720,000
-	-	-	(6,766,528)	-	-	-	(6,766,528)
240,649	476,000	-	635,249	50,000	1,536,049	-	5,062,264
-	-	-	-	-	(1,227,876)	(8,814)	(4,880,706)
240,649	476,000	-	588,721	50,000	308,173	(8,814)	135,030
75	458	(475,994)	(188)	52,675	232,334	53,040	(1,305,274)
-	-	2,312,137	188	564,270	-	1,852,960	8,614,346
\$ 75	\$ 458	\$ 1,836,143	\$ -	\$ 616,945	\$ 232,334	\$ 1,906,000	\$ 7,309,072



# CITY OF GRAND HAVEN

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 890,080	\$ 690,080	\$ 926,863	\$ 236,783
Local	112,000	225,580	183,078	(42,502)
Special assessments	500	500	459	(41)
Investment earnings	<u>100</u>	<u>1,000</u>	<u>668</u>	<u>(332)</u>
<b>Total revenues</b>	1,002,680	917,160	1,111,068	193,908
<b>Expenditures</b>				
Current				
Public works	<u>2,153,428</u>	<u>2,771,370</u>	<u>2,205,401</u>	<u>565,969</u>
Revenues over (under) expenditures	<u>(1,150,748)</u>	<u>(1,854,210)</u>	<u>(1,094,333)</u>	<u>759,877</u>
Other financing sources (uses)				
Transfers in	810,520	1,626,786	1,014,429	(612,357)
Transfers out	<u>(240,000)</u>	<u>(200,000)</u>	<u>(244,446)</u>	<u>(44,446)</u>
Total other financing sources (uses)	<u>570,520</u>	<u>1,426,786</u>	<u>769,983</u>	<u>(656,803)</u>
Net changes in fund balance	(580,228)	(427,424)	(324,350)	103,074
<b>Fund balance, beginning of year</b>	<u>429,296</u>	<u>429,296</u>	<u>429,296</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ (150,932)</u>	<u>\$ 1,872</u>	<u>\$ 104,946</u>	<u>\$ 103,074</u>

# CITY OF GRAND HAVEN

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 201,000	\$ 241,000	\$ 290,326	\$ 49,326
Special assessments	2,400	2,400	1,532	(868)
Investment earnings	100	400	466	66
Miscellaneous	500	66,135	64,990	(1,145)
<b>Total revenues</b>	<u>204,000</u>	<u>309,935</u>	<u>357,314</u>	<u>47,379</u>
<b>Expenditures</b>				
Current				
Public works	737,160	820,280	701,816	118,464
Debt service				
Principal	-	-	19,139	(19,139)
Interest	37,760	55,760	18,620	37,140
Capital outlay	442,000	389,100	188,398	200,702
<b>Total expenditures</b>	<u>1,216,920</u>	<u>1,265,140</u>	<u>927,973</u>	<u>337,167</u>
Revenues over (under) expenditures	(1,012,920)	(955,205)	(570,659)	384,546
Other financing sources (uses)				
Transfers in	1,021,900	1,042,000	686,446	(355,554)
Net changes in fund balance	8,980	86,795	115,787	28,992
<b>Fund balance, beginning of year</b>	<u>1,950</u>	<u>1,950</u>	<u>1,950</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 10,930</u>	<u>\$ 88,745</u>	<u>\$ 117,737</u>	<u>\$ 28,992</u>

# CITY OF GRAND HAVEN

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Intergovernmental revenues				
Federal	\$ -	\$ 15,000	\$ 15,000	\$ -
State	25,000	29,500	25,208	(4,292)
Local	81,214	69,000	47,043	(21,957)
Investment earnings	-	100	134	34
Miscellaneous	<u>8,000</u>	<u>12,600</u>	<u>7,623</u>	<u>(4,977)</u>
<b>Total revenues</b>	114,214	126,200	95,008	(31,192)
<b>Expenditures</b>				
Current				
Public works	<u>26,150</u>	<u>38,230</u>	<u>27,969</u>	<u>10,261</u>
Revenues over (under) expenditures	88,064	87,970	67,039	(20,931)
Other financing sources (uses)				
Transfers out	<u>(88,095)</u>	<u>(72,070)</u>	<u>(70,003)</u>	<u>2,067</u>
Net changes in fund balance	(31)	15,900	(1,464)	(17,364)
<b>Fund balance, beginning of year</b>	<u>1,696</u>	<u>1,696</u>	<u>1,696</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,665</u>	<u>\$ 17,596</u>	<u>\$ 232</u>	<u>\$ (17,364)</u>

# CITY OF GRAND HAVEN

## 2014 CAPITAL IMPROVEMENT BONDS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Investment earnings	\$ -	\$ 450	\$ 211	\$ (239)
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	-	450	211	(239)
Other financing sources (uses)				
Transfers in	422,450	422,250	421,942	
Transfers out	(422,450)	(422,950)	(422,153)	797
Total other financing sources (uses)	-	(700)	(211)	797
Net changes in fund balance	-	(250)	-	558
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ (250)</u>	<u>\$ -</u>	<u>\$ 558</u>

# CITY OF GRAND HAVEN

## 2008 UTGO BOND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 668,735	\$ 811,825	\$ 811,830	\$ 5
Investment earnings	1,400	1,000	(9,557)	(10,557)
Miscellaneous	-	1,170	1,172	2
<b>Total revenues</b>	670,135	813,995	803,445	(10,550)
<b>Expenditures</b>				
Current				
General government	-	-	1,596	(1,596)
Revenues over (under) expenditures	670,135	813,995	801,849	(12,146)
Other financing sources (uses)				
Transfers out	(891,100)	(1,296,371)	(895,865)	400,506
Net changes in fund balance	(220,965)	(482,376)	(94,016)	388,360
<b>Fund balance, beginning of year</b>	831,369	831,369	831,369	-
<b>Fund balance, end of year</b>	<u>\$ 610,404</u>	<u>\$ 348,993</u>	<u>\$ 737,353</u>	<u>\$ 388,360</u>

# CITY OF GRAND HAVEN

## 2015 INFRASTRUCTURE BONDS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 462,971	\$ 496,600	\$ 496,606	\$ 6
Intergovernmental revenues				
Federal	-	-	75,314	75,314
State	-	386,000	386,000	-
Investment earnings	5,000	16,200	12,871	(3,329)
Miscellaneous	-	177,127	177,127	-
<b>Total revenues</b>	467,971	1,075,927	1,147,918	71,991
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	467,971	1,075,927	1,147,918	71,991
Other financing sources (uses)				
Transfers out	(2,001,520)	(2,326,575)	(2,011,549)	315,026
Net changes in fund balance	(1,533,549)	(1,250,648)	(863,631)	387,017
<b>Fund balance, beginning of year</b>	2,620,480	2,620,480	2,620,480	-
<b>Fund balance, end of year</b>	<u>\$ 1,086,931</u>	<u>\$ 1,369,832</u>	<u>\$ 1,756,849</u>	<u>\$ 387,017</u>

# CITY OF GRAND HAVEN

## ***LIGHTHOUSE MAINTENANCE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL***

***FOR THE YEAR ENDED JUNE 30, 2018***

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	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
Local	\$ -	\$ 7,620	\$ 44,120	\$ 36,500
<b>Expenditures</b>				
Current				
Culture and recreation	-	7,620	44,120	(36,500)
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

**CITY OF GRAND HAVEN**  
**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**

**JUNE 30, 2018**

	<b>Marina</b>	<b>Airport</b>	<b>Chinook Pier Rental</b>	<b>Total</b>
<b>Assets</b>				
Current assets				
Cash and pooled investments	\$ 66,197	\$ 188,740	\$ 49,049	\$ 303,986
Accounts receivable	56,852	23,520	18,453	98,825
Due from other governments	2,027	-	-	2,027
Prepaid items	-	2,608	-	2,608
<b>Total current assets</b>	<b>125,076</b>	<b>214,868</b>	<b>67,502</b>	<b>407,446</b>
Non-current assets				
Capital assets				
Land	94,000	181,762	28,300	304,062
Construction in progress	20,913	24,271	-	45,184
Depreciable capital assets, net	2,179,444	1,411,254	917,412	4,508,110
<b>Total non-current assets</b>	<b>2,294,357</b>	<b>1,617,287</b>	<b>945,712</b>	<b>4,857,356</b>
<b>Total assets</b>	<b>2,419,433</b>	<b>1,832,155</b>	<b>1,013,214</b>	<b>5,264,802</b>
<b>Deferred outflows of resources</b>				
Pension related	20,664	-	-	20,664
Other post-employment benefits related	5,672	-	-	5,672
<b>Total deferred outflows of resources</b>	<b>26,336</b>	<b>-</b>	<b>-</b>	<b>26,336</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	11,337	2,919	16,034	30,290
Accrued liabilities	5,713	1,680	-	7,393
Due to other funds	348,963	-	109,030	457,993
<b>Total current liabilities</b>	<b>366,013</b>	<b>4,599</b>	<b>125,064</b>	<b>495,676</b>
Long-term liabilities				
Accrued compensated absences	3,659	-	-	3,659
Other post-employment benefits	29,204	-	-	29,204
Net pension liability	107,581	-	-	107,581
<b>Total long-term liabilities</b>	<b>140,444</b>	<b>-</b>	<b>-</b>	<b>140,444</b>
<b>Total liabilities</b>	<b>506,457</b>	<b>4,599</b>	<b>125,064</b>	<b>636,120</b>
<b>Deferred inflows of resources</b>				
Pension related	8,647	-	-	8,647
Other post-employment benefits related	24	-	-	24
<b>Deferred inflows of resources</b>	<b>8,671</b>	<b>-</b>	<b>-</b>	<b>8,671</b>
<b>Net position</b>				
Net investment in capital assets	2,294,357	1,617,287	945,712	4,857,356
Unrestricted	(363,716)	210,269	(57,562)	(211,009)
<b>Total net position</b>	<b>\$ 1,930,641</b>	<b>\$ 1,827,556</b>	<b>\$ 888,150</b>	<b>\$ 4,646,347</b>



# CITY OF GRAND HAVEN

## NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Marina</u>	<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
<b>Operating revenue</b>				
Charges for services	\$ 299,838	\$ 190,526	\$ 128,784	\$ 619,148
<b>Operating expense</b>				
Operating	311,781	172,384	164,635	648,800
Administrative and general	-	10,818	-	10,818
Depreciation	159,814	180,768	54,277	394,859
<b>Total operating expense</b>	471,595	363,970	218,912	1,054,477
Operating income (loss)	(171,757)	(173,444)	(90,128)	(435,329)
Non-operating revenue (expense)				
Gain (loss) on disposal of capital assets	(16,303)	(672)	(148)	(17,123)
Investment earnings	101	293	130	524
Other	2,207	149,733	113,901	265,841
Interest expense	-	-	(63,242)	(63,242)
Total non-operating revenue (expense)	(13,995)	149,354	50,641	186,000
Income (loss) before other items	(185,752)	(24,090)	(39,487)	(249,329)
Transfers and other items				
Contribution in aid of construction	-	3,900	-	3,900
Transfers in	-	10,000	-	10,000
Total transfers and other items	-	13,900	-	13,900
Changes in net position	(185,752)	(10,190)	(39,487)	(235,429)
<b>Net position, beginning of year, as restated</b>	2,116,393	1,837,746	927,637	4,881,776
<b>Net position, end of year</b>	\$ 1,930,641	\$ 1,827,556	\$ 888,150	\$ 4,646,347

**CITY OF GRAND HAVEN**  
**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Marina</u>	<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 294,003	\$ 229,272	\$ 129,636	\$ 652,911
Payments to employees	(128,624)	-	-	(128,624)
Payments to suppliers	(152,594)	(38,411)	(72,703)	(263,708)
<b>Net cash provided by (used in) operating activities</b>	<u>12,785</u>	<u>190,861</u>	<u>56,933</u>	<u>260,579</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers in	-	10,000	-	10,000
<b>Cash flows from capital and related financing activities</b>				
Interest expense	-	-	(63,242)	(63,242)
Contribution in aid of construction	-	3,900	-	3,900
Acquisitions of capital assets	(26,193)	(24,271)	-	(50,464)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(26,193)</u>	<u>(20,371)</u>	<u>(63,242)</u>	<u>(109,806)</u>
<b>Cash flows from investing activities</b>				
Interest income	101	294	129	524
Net increase (decrease) in cash and pooled investments	(13,307)	180,784	(6,180)	161,297
<b>Cash and pooled investments, beginning of year</b>	<u>79,504</u>	<u>7,956</u>	<u>55,229</u>	<u>142,689</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 66,197</u>	<u>\$ 188,740</u>	<u>\$ 49,049</u>	<u>\$ 303,986</u>
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ (171,757)	\$ (173,444)	\$ (90,128)	\$ (435,329)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	159,814	180,768	54,277	394,859
Miscellaneous revenue	2,207	149,733	113,901	265,841
Deferred outflows of resources for pension	(2,909)	-	-	(2,909)
Deferred outflows of resources for OPEB	(5,672)	-	-	(5,672)
Deferred inflows of resources for pension	8,647	-	-	8,647
Deferred inflows of resources for OPEB	24	-	-	24
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	(6,100)	(9,704)	852	(14,952)
Due from other governmental units	265	48,450	-	48,715
Prepaid expenses	-	1,946	-	1,946
Accounts payable	(762)	(7,133)	(211)	(8,106)
Accrued liabilities	(339)	245	-	(94)
Due to other funds	514	-	(21,758)	(21,244)
Compensated absences	271	-	-	271
Net pension liability	23,459	-	-	23,459
Net OPEB obligation	5,123	-	-	5,123
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 12,785</u>	<u>\$ 190,861</u>	<u>\$ 56,933</u>	<u>\$ 260,579</u>

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**CITY OF GRAND HAVEN**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**

**JUNE 30, 2018**

<b>Assets</b>	<b>Motor Pool</b>	<b>Insurance</b>	<b>Health Benefits</b>	<b>Total</b>
Current assets				
Cash and pooled investments	\$ 810,115	\$ 860,587	\$ 905,236	\$ 2,575,938
Accounts receivable	-	-	564	564
Due from other governments	185	-	-	185
Due from other funds	120,645	-	-	120,645
Prepaid items	70	210,907	(7,454)	203,523
Inventory	22,440	-	-	22,440
Total current assets	953,455	1,071,494	898,346	2,923,295
Non-current assets				
Capital assets				
Depreciable capital assets, net	2,584,381	-	-	2,584,381
<b>Total assets</b>	<b>3,537,836</b>	<b>1,071,494</b>	<b>898,346</b>	<b>5,507,676</b>
<b>Deferred outflows of resources</b>				
Pension related	69,141	-	-	69,141
Other post-employment benefits related	18,452	-	-	18,452
<b>Total deferred outflows of resources</b>	<b>87,593</b>	<b>-</b>	<b>-</b>	<b>87,593</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	131,753	4,040	330	136,123
Accrued liabilities	4,469	-	68,504	72,973
Total current liabilities	136,222	4,040	68,834	209,096
Long-term liabilities				
Accrued compensated absences	14,594	-	-	14,594
Other post-employment benefits	95,017	-	-	95,017
Net pension liability	359,954	-	-	359,954
Total long-term liabilities	469,565	-	-	469,565
<b>Total liabilities</b>	<b>605,787</b>	<b>4,040</b>	<b>68,834</b>	<b>678,661</b>
<b>Deferred inflows of resources</b>				
Pension related	28,932	-	-	28,932
Other post-employment benefits related	77	-	-	77
<b>Total deferred inflows of resources</b>	<b>29,009</b>	<b>-</b>	<b>-</b>	<b>29,009</b>
<b>Net position</b>				
Net investment in capital assets	2,584,381	-	-	2,584,381
Unrestricted	406,252	1,067,454	829,512	2,303,218
<b>Total net position</b>	<b>\$ 2,990,633</b>	<b>\$ 1,067,454</b>	<b>\$ 829,512</b>	<b>\$ 4,887,599</b>

# CITY OF GRAND HAVEN

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Motor Pool</u>	<u>Insurance</u>	<u>Health Benefits</u>	<u>Total</u>
<b>Operating revenue</b>				
Charges for services	\$ 1,604,813	\$ 520,411	\$ 4,026,409	\$ 6,151,633
<b>Total operating revenue</b>	<u>1,604,813</u>	<u>520,411</u>	<u>4,026,409</u>	<u>6,151,633</u>
<b>Operating expense</b>				
Operating	946,027	436,492	3,808,066	5,190,585
Administrative and general	-	-	211,004	211,004
Depreciation	<u>314,689</u>	<u>-</u>	<u>-</u>	<u>314,689</u>
<b>Total operating expense</b>	<u>1,260,716</u>	<u>436,492</u>	<u>4,019,070</u>	<u>5,716,278</u>
Operating income (loss)	<u>344,097</u>	<u>83,919</u>	<u>7,339</u>	<u>435,355</u>
Non-operating revenue (expense)				
Gain (loss) on disposal of capital assets	(20,472)	-	-	(20,472)
Investment earnings	1,023	2,587	668	4,278
Other	<u>34,516</u>	<u>-</u>	<u>151,860</u>	<u>186,376</u>
Total non-operating revenue (expense)	<u>15,067</u>	<u>2,587</u>	<u>152,528</u>	<u>170,182</u>
Changes in net position	359,164	86,506	159,867	605,537
<b>Net position, beginning of year, as restated</b>	<u>2,631,469</u>	<u>980,948</u>	<u>669,645</u>	<u>4,282,062</u>
<b>Net position, end of year</b>	<u>\$ 2,990,633</u>	<u>\$ 1,067,454</u>	<u>\$ 829,512</u>	<u>\$ 4,887,599</u>

**CITY OF GRAND HAVEN**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Motor Pool</u>	<u>Insurance</u>	<u>Health Benefits</u>	<u>Total</u>
<b>Cash flows from operating activities</b>				
Receipts from internal services provided	\$ 1,591,618	\$ 520,411	\$ 4,026,426	\$ 6,138,455
Payments to employees	(229,694)	-	-	(229,694)
Payments to suppliers	(518,626)	(479,376)	(208,145)	(1,206,147)
Claims paid	-	-	(3,793,131)	(3,793,131)
<b>Net cash provided by (used in) operating activities</b>	<b>843,298</b>	<b>41,035</b>	<b>25,150</b>	<b>909,483</b>
<b>Cash flows from capital and related financing activities</b>				
Acquisitions of capital assets	(433,424)	-	-	(433,424)
<b>Cash flows from investing activities</b>				
Interest income	1,023	2,587	668	4,278
Net increase (decrease) in cash and pooled investments	410,897	43,622	25,818	480,337
<b>Cash and pooled investments, beginning of year</b>	<b>399,218</b>	<b>816,965</b>	<b>879,418</b>	<b>2,095,601</b>
<b>Cash and pooled investments, end of year</b>	<b>\$ 810,115</b>	<b>\$ 860,587</b>	<b>\$ 905,236</b>	<b>\$ 2,575,938</b>
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ 344,097	\$ 83,919	\$ 7,339	\$ 435,355
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	314,689	-	-	314,689
Miscellaneous revenue	34,516	-	151,860	186,376
Deferred outflows of resources for pension	(15,756)	-	-	(15,756)
Deferred outflows of resources for OPEB	(18,452)	-	-	(18,452)
Deferred inflows of resources for pension	28,932	-	-	28,932
Deferred inflows of resources for OPEB	77	-	-	77
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	22,207	-	17	22,224
Due from other funds	(69,903)	-	-	(69,903)
Due from other governmental units	(15)	-	-	(15)
Prepaid expenses	70	(46,924)	2,688	(44,166)
Inventory	(3,605)	-	-	(3,605)
Accounts payable	82,524	4,040	171	86,735
Accrued liabilities	(101)	-	(136,925)	(137,026)
Compensated absences	(238)	-	-	(238)
Net pension liability	107,588	-	-	107,588
Net OPEB obligation	16,668	-	-	16,668
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 843,298</b>	<b>\$ 41,035</b>	<b>\$ 25,150</b>	<b>\$ 909,483</b>

# CITY OF GRAND HAVEN

## AGENCY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES

**JUNE 30, 2018**

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	<b><u>Payroll Tax Collection</u></b>	<b><u>Current Tax Fund</u></b>	<b><u>Trust and Agency</u></b>	<b><u>Harbor Transit Multi-Modal Transportation System</u></b>
<b>Assets</b>				
Cash	\$ 202,576	\$ 9,686	\$ 100,425	\$ 937,001
Due from other governmental units	<u>69,496</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$ 272,072</u></b>	<b><u>\$ 9,686</u></b>	<b><u>\$ 100,425</u></b>	<b><u>\$ 937,001</u></b>
 <b>Liabilities</b>				
Accounts Payable	\$ 202,914	\$ 9,658	\$ -	\$ -
Accrued liabilities	69,158	-	-	-
Due to other governmental units	-	28	-	-
Trust deposits	<u>-</u>	<u>-</u>	<u>100,425</u>	<u>937,001</u>
<b>Total liabilities</b>	<b><u>\$ 272,072</u></b>	<b><u>\$ 9,686</u></b>	<b><u>\$ 100,425</u></b>	<b><u>\$ 937,001</u></b>

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<b>Grand Haven- Spring Lake Sewer Authority</b>	<b>Northwest Ottawa Water Treatment Plant</b>	<b><u>Total</u></b>
\$ 2,216,163	\$ 980,634	\$ 4,446,485
<u>-</u>	<u>-</u>	<u>69,496</u>
<b><u>\$ 2,216,163</u></b>	<b><u>\$ 980,634</u></b>	<b><u>\$ 4,515,981</u></b>
\$ -	\$ -	\$ 212,572
-	-	69,158
-	-	28
<u>2,216,163</u>	<u>980,634</u>	<u>4,234,223</u>
<b><u>\$ 2,216,163</u></b>	<b><u>\$ 980,634</u></b>	<b><u>\$ 4,515,981</u></b>



# CITY OF GRAND HAVEN

## ***ECONOMIC DEVELOPMENT CORPORATION BALANCE SHEET/STATEMENT OF NET POSITION***

***JUNE 30, 2018***

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	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Adjustments</u>	
<b>Assets</b>			
Cash and pooled investments	\$ 301,507	\$ -	\$ 301,507
Accounts receivable	37,240	-	37,240
Prepaid items	<u>5,031</u>	<u>-</u>	<u>5,031</u>
<b>Total assets</b>	<u>\$ 343,778</u>	<u>-</u>	<u>343,778</u>
 <b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	<u>\$ 16</u>	<u>-</u>	<u>16</u>
 <b>Fund balances</b>			
Unassigned	<u>343,762</u>	<u>(343,762)</u>	
<b>Total liabilities and fund balances</b>	<u>\$ 343,778</u>		
 <b>Net position</b>			
Unrestricted		<u>\$ 343,762</u>	<u>\$ 343,762</u>
<b>Total net position</b>		<u>\$ 343,762</u>	<u>\$ 343,762</u>

# CITY OF GRAND HAVEN

## ***ECONOMIC DEVELOPMENT CORPORATION STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES***

***FOR THE YEAR ENDED JUNE 30, 2018***

---

	<b><u>General Fund</u></b>	<b><u>Adjustments</u></b>	<b><u>Statement of Activities</u></b>
<b>Revenues</b>			
Intergovernmental revenues			
Local	\$ 20,125	\$ -	\$ 20,125
Investment earnings	<u>3,332</u>	<u>-</u>	<u>3,332</u>
<b>Total revenues</b>	<u>23,457</u>	<u>-</u>	<u>23,457</u>
<b>Expenditures/expenses</b>			
Operations	<u>15,501</u>	<u>-</u>	<u>15,501</u>
Revenues over (under) expenditures/expenses	<u>7,956</u>	<u>-</u>	<u>7,956</u>
Net changes in fund balances	7,956	(7,956)	
Change in net position		7,956	7,956
<b>Fund balances/net position, beginning of year</b>	<u>335,806</u>		<u>335,806</u>
<b>Fund balances/net position, end of year</b>	<u>\$ 343,762</u>		<u>\$ 343,762</u>

# CITY OF GRAND HAVEN

## MAIN STREET DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and pooled investments	\$ 107,699	\$ -	\$ 107,699
Accounts receivable	96,708	-	96,708
Special assessments receivable	213,276	-	213,276
Capital lease receivable	1,397,453	-	1,397,453
Prepaid items	298	-	298
Bond discount	-	18,241	18,241
	<u>-</u>	<u>18,241</u>	<u>18,241</u>
<b>Total assets</b>	<u>\$ 1,815,434</u>	<u>18,241</u>	<u>1,833,675</u>
<b>Deferred outflows of resources</b>			
Pension related	-	30,232	30,232
Deferred charge on refunding	-	51,804	51,804
	<u>-</u>	<u>82,036</u>	<u>82,036</u>
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>82,036</u>	<u>82,036</u>
<b>Liabilities, deferred inflows and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 87,089	-	87,089
Accrued liabilities	4,570	-	4,570
Accrued interest	-	84,214	84,214
Long-term debt			
Due within one year	-	360,000	360,000
Due in more than one year	-	7,300,000	7,300,000
Net pension liability	-	157,388	157,388
	<u>-</u>	<u>157,388</u>	<u>157,388</u>
<b>Total liabilities</b>	<u>91,659</u>	<u>7,901,602</u>	<u>7,993,261</u>
<b>Deferred inflows of resources</b>			
Pension related	-	12,650	12,650
Unavailable revenue	1,610,855	(1,610,855)	-
	<u>1,610,855</u>	<u>(1,610,855)</u>	<u>-</u>
<b>Total deferred inflows of resources</b>	<u>1,610,855</u>	<u>(1,598,205)</u>	<u>12,650</u>
<b>Fund balances</b>			
Unassigned	112,920	(112,920)	
	<u>112,920</u>	<u>(112,920)</u>	
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 1,815,434</u>		
<b>Net position (deficit)</b>			
Unrestricted		\$ (7,770,441)	\$ (6,090,200)

### Reconciliation of Fund Balance on the Balance Sheet for the General Fund to Net Position on the Statement of Net Position

<b>Fund balance - general fund</b>	\$ 112,920
Add bond discount	18,241
Add deferred outflows of resources	82,036
Deduct accrued interest	(84,214)
Deduct long-term debt	(7,660,000)
Deduct net pension liability	(157,388)
Deduct deferred inflows of resources	(12,650)
Add long-term deferred assessment receivables	1,610,855
<b>Net position (deficit)</b>	<u>\$ (6,090,200)</u>

# CITY OF GRAND HAVEN

## MAIN STREET DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Taxes	\$ 441,668	\$ -	\$ 441,668
Intergovernmental revenues			
Local	128,498	-	128,498
Operating grants and contributions	20,891	-	20,891
Special assessments	86,073	(130,753)	(44,680)
Investment earnings	45,627	-	45,627
Miscellaneous	74,690	-	74,690
<b>Total revenues</b>	<u>797,447</u>	<u>(130,753)</u>	<u>666,694</u>
<b>Expenditures/expenses</b>			
Salaries	117,772	35,900	153,672
Administration	28,313	-	28,313
Operations	74,711	-	74,711
Debt service			
Principal	320,000	(320,000)	-
Interest	228,410	9,521	237,931
<b>Total expenditures/expenses</b>	<u>769,206</u>	<u>(274,579)</u>	<u>494,627</u>
Revenues over (under) expenditures/expenses	<u>28,241</u>	<u>143,826</u>	<u>172,067</u>
Other financing sources (uses)			
Transfers in	548,410	(548,410)	-
Transfers out	(548,410)	548,410	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	28,241	(28,241)	
Change in net position		172,067	172,067
<b>Fund balances/net position (deficit), beginning of year</b>	<u>84,679</u>		<u>(6,262,267)</u>
<b>Fund balances/net position (deficit), end of year</b>	<u>\$ 112,920</u>		<u>\$ (6,090,200)</u>
<b>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the General Fund to the Change in Net Position on the Statement of Activities</b>			
<b>Net change in fund balance - general fund</b>			\$ 28,241
Add principal payments on debt			320,000
Deduct increase in unavailable revenues			(130,753)
Add decrease in accrued interest			2,759
Deduct amortization of bond discount			(1,845)
Deduct amortization of refunding charges			(10,435)
Deduct increase in net pension liability			(25,597)
Add increase in deferred outflows			2,347
Deduct increase in deferred inflows			(12,650)
<b>Change in net position</b>			<u>\$ 172,067</u>

**CITY OF GRAND HAVEN**  
**BROWNFIELD REDEVELOPMENT AUTHORITY**  
**BALANCE SHEET/STATEMENT OF NET POSITION**

**JUNE 30, 2018**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and pooled investments	\$ 242,940	\$ -	\$ 242,940
Accounts receivable	41,742	-	41,742
Taxes receivable	61	-	61
Prepaid items	333	-	333
<b>Total assets</b>	<u>\$ 285,076</u>	<u>-</u>	<u>285,076</u>
<b>Deferred outflows of resources</b>			
Deferred charge on refunding	-	154,768	154,768
<b>Liabilities, deferred inflows and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 893	\$ -	893
Accrued interest	-	41,799	41,799
Long-term debt			
Due within one year	-	1,460,916	1,460,916
Due in more than one year	-	4,911,003	4,911,003
Bond premium	-	302,083	302,083
<b>Total liabilities</b>	<u>893</u>	<u>6,715,801</u>	<u>6,716,694</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue	61	(61)	-
<b>Fund balances</b>			
Unassigned	<u>284,122</u>	<u>(284,122)</u>	
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 285,076</u>		
<b>Net position (deficit)</b>			
Unrestricted		<u>\$ (6,431,679)</u>	<u>\$ (6,276,850)</u>
<b>Reconciliation of Fund Balance on the Balance Sheet for the General Fund to Net Position on the Statement of Net Position</b>			
<b>Fund balance - general fund</b>			\$ 284,122
Add deferred outflows of resources			154,768
Deduct accrued interest			(41,799)
Deduct long-term debt			(6,371,919)
Deduct bond premium			(302,083)
Add long-term deferred assessment receivables			61
<b>Net position (deficit)</b>			<u>\$ (6,276,850)</u>

# CITY OF GRAND HAVEN

## **BROWNFIELD REDEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Taxes	\$ 578,681	\$ -	\$ 578,681
Intergovernmental revenues			
State	12,819	-	12,819
Local	1,072,269	-	1,072,269
Special assessments	31,559	-	31,559
Investment earnings	269	-	269
Miscellaneous	1,679	(170)	1,509
<b>Total revenues</b>	<u>1,697,276</u>	<u>(170)</u>	<u>1,697,106</u>
<b>Expenditures/expenses</b>			
Operations	37,640	-	37,640
Debt Service			
Principal	1,310,000	(1,310,000)	-
Interest	236,961	72,578	309,539
Bond premium amortization	-	(145,300)	(145,300)
<b>Total expenditures/expenses</b>	<u>1,584,601</u>	<u>(1,382,722)</u>	<u>201,879</u>
Revenues over (under) expenditures/expenses	<u>112,675</u>	<u>1,382,552</u>	<u>1,495,227</u>
Other financing sources (uses)			
Transfers in	1,547,053	(1,547,053)	-
Transfers out	(1,547,053)	1,547,053	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	112,675	(112,675)	
Change in net position		1,495,227	1,495,227
<b>Fund balances/net position (deficit), beginning of year</b>	<u>171,447</u>		<u>(7,772,077)</u>
<b>Fund balances/net position (deficit), end of year</b>	<u>\$ 284,122</u>		<u>\$ (6,276,850)</u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
the General Fund to the Change in Net Position on the Statement of Activities**

<b>Net change in fund balance - general fund</b>	\$ 112,675
Add principal payments on debt	1,310,000
Add increase in unavailable revenues	(170)
Add decrease in accrued interest	1,864
Deduct amortization of refunding charges	(74,442)
Add amortization of bond premium	145,300
<b>Change in net position</b>	<u>\$ 1,495,227</u>

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## **INTERNAL CONTROL AND COMPLIANCE**





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

October 29, 2018

Honorable Mayor and Members of the City Council  
City of Grand Haven, 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 City of Grand Haven, Michigan (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2018.

#### **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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vredendael Haefner LLC*