



CITY OF GRAND HAVEN, MICHIGAN

FINANCIAL STATEMENTS

and

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2019



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF GRAND HAVEN

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INDEPENDENT AUDITORS' REPORT

November 11, 2019

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, 2019, 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, 2019, 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 9 and the required supplementary information on pages 53 through 57 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards 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 November 11, 2019, 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 the effectiveness of 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.

Uredereld 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, 2019. 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. The 2018 taxable value increased 3.2% from the prior tax year.
- The Harbor Drive project, between Franklin and Columbus, was completed during the fiscal year. The construction included water and sewer infrastructure, street resurfacing, and new lighting. This project was completed with the assistance of federal grant funding.
- There was a delay on the Northshore Drive project and construction is anticipated to be during the 2019-20 fiscal year.
- Repair & replacement of the Grand Haven pier catwalk was completed just after the 2018-19 fiscal year-end. A local fund drive sponsored through the Grand Haven Area Community Foundation provided the financial resources for completion of this project.
- Total General fund increased its fund balance by \$234,348.
- The Airport received Federal and State funding to rehabilitate the apron and taxi lane.
- Total Sewer fund increased its net position by \$237,213.
- Total Marina fund revenues decreased by \$10,503 from the prior fiscal year. This was due to a decrease in slip rental and decreased use of the boat launch.
- 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. The City Finance Department also provides, on a contract basis, 40 hours of weekly accounting and finance services to Spring Lake Township. Beginning in 2019-20 fiscal year, the City will also provide financial administrative support to the Northwest Ottawa Recreation Authority.

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 \$120,508,299 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$21,036,932	\$20,011,221	\$33,556,572	\$28,480,687	\$ 54,593,504	\$ 48,491,908
Capital assets	59,715,233	57,981,053	55,203,152	53,421,941	114,918,385	111,402,994
Total assets	80,752,165	77,992,274	88,759,724	81,902,628	169,511,889	159,894,902
Deferred outflows of resources	7,483,307	4,065,405	2,414,284	1,336,661	9,897,591	5,402,066
Current and other liabilities	1,528,851	1,355,590	2,477,294	1,713,064	4,006,145	3,068,654
Long-term liabilities	43,258,023	37,701,451	11,637,013	9,093,053	54,895,036	46,794,504
Total liabilities	44,786,874	39,057,041	14,114,307	10,806,117	58,901,181	49,863,158
Deferred inflows of resources	-	1,310,493	-	429,080	-	1,739,573
Net position						
Net investment in capital assets	44,390,380	41,617,698	53,716,603	52,410,634	98,106,983	94,028,332
Restricted	8,340,455	8,388,492	-	-	8,340,455	8,388,492
Unrestricted	(9,282,237)	(8,316,045)	23,343,098	19,593,458	14,060,861	11,277,413
Total net position	\$43,448,598	\$41,690,145	\$77,059,701	\$72,004,092	\$120,508,299	\$113,694,237

The total net position of the City increased by \$7,605,788. The business-type activities increase in net position of \$6,555,609 is primarily due to Board of Light and Power profitability.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue						
Program revenue						
Charges for services	\$1,874,335	\$1,897,512	\$43,408,833	\$40,977,209	\$45,283,168	\$42,874,721
Operating grants and contributions	2,521,554	2,246,057	625,511	585,598	3,147,065	2,831,655
Capital grants and Contributions	2,967,597	4,296,516	411,808	3,900	3,379,405	4,300,416
General revenue						
Property taxes	8,813,458	8,610,133	-	-	8,813,458	8,610,133
State revenues	1,058,212	1,018,592	-	-	1,058,212	1,018,592
Unrestricted investment earnings	573,124	233,951	-	-	573,124	233,951
Other	113,338	561,924	-	-	113,338	561,924
Total revenues	17,921,618	18,864,685	44,446,152	41,566,707	62,367,770	60,431,392
Expenses						
General government	4,636,496	4,819,986	-	-	4,636,496	4,819,986
Public safety	5,209,042	6,722,835	-	-	5,209,042	6,722,835
Public works	7,360,089	7,472,853	-	-	7,360,089	7,472,853
Culture and recreation	868,431	999,749	-	-	868,431	999,749
Interest	426,891	335,906	-	-	426,891	335,906
Board of Light & Power	-	-	30,415,828	29,851,004	30,415,828	29,851,004
Sewer	-	-	2,493,502	2,269,116	2,493,502	2,269,116
Water	-	-	2,213,001	2,195,442	2,213,001	2,195,442
Other business-type	-	-	1,138,702	1,134,842	1,138,702	1,134,842
Total expenses	18,500,949	20,351,329	36,261,033	35,450,404	54,761,982	55,801,733
Change in net position before transfers	(579,331)	(1,486,644)	8,185,119	6,116,303	7,605,788	4,629,659
Transfers	1,629,510	1,510,859	(1,629,510)	(1,510,859)	-	-
Change in net position	1,050,179	24,215	6,555,609	4,605,444	7,605,788	4,629,659
Net position-beginning of year, as restated	42,389,419	41,665,930	70,504,092	67,398,648	112,902,511	109,064,578
Net position-end of year	\$43,448,598	\$41,690,145	\$77,059,701	\$72,004,092	\$120,508,299	\$113,694,237

Governmental activities. During the year the City invested \$7,360,089 or 40% of governmental activities expenses in public works. Public safety was \$5,209,042 or 28% of governmental activities expenses while general government, culture and recreation, and interest on long-term debt made up the remaining 32% of governmental activities expenses. Net position of governmental activities was increased by \$708,274 at July 1, 2018 to reflect the reclassification of non-trust related funds of the retiree health care fund from a fiduciary fund to an internal service fund.

Business-type activities. Business-type activities increased the City's net position by \$6,555,609 for the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$4,605,444. GASB statement Number 83 "Certain Asset Retirement Obligations" was implemented during 2019 which resulted in a reduction in the business-type activities net position of \$1,500,000 at July 1, 2018 to reflect the Board's asset retirement obligation.

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 \$15,201,937, a decrease of \$586,239 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 \$1,922,020 while total fund balance was \$5,139,598. 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, 2019, total fund balance represents 45 percent of total prior year General fund expenditures.

The fund balance of the City's General fund increased by \$234,348 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 \$21,882,254, \$1,662,703 and \$137,544 respectively. The Board of Light and Power had an increase of \$6,302,934, the sewer fund had an increase of \$237,213, and the water fund had an increase of \$31,744 in net position for the year. 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:

- Building permit revenue in the current fiscal year was \$297,487, a decrease of \$62,554 from the prior fiscal year.
- State Shared revenue was \$39,198 more than the prior fiscal year, which is a 3.9% increase.
- Tax revenue was \$210,743 more than the prior fiscal year, which is a 3.1% increase.
- Public Safety amended budget for expenditures was \$5,077,410 and resulted in actual costs of \$4,830,313 for the year.
- Public Works expenditures were \$250,652 under the amended budget for the year.

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, 2019, amounted to \$114,918,385 (net of accumulated depreciation).

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

Capital Assets			
	Governmental Activities	Business-type Activities	Total
Land	\$ 8,746,444	\$ 531,603	\$ 9,278,047
Construction in progress	1,243,535	571,831	1,815,366
Structures & improvements	7,894,434	4,626,978	12,521,412
Machinery, equipment, vehicles & fixtures	3,328,634	181,560	3,510,194
Buildings	9,502,382	-	9,502,382
Parking facilities	4,700,837	-	4,700,837
Infrastructure	24,298,967	-	24,298,967
Production and treatment	-	2,887,630	2,887,630
Transmission and distribution	-	44,679,162	44,679,162
General plant	-	1,724,388	1,724,388
Total	\$59,715,233	\$55,203,152	\$114,918,385

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

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

Debt			
	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 8,153,451	\$1,486,549	\$ 9,640,000
Direct placements and direct borrowings	5,585,000	-	5,585,000
Capital lease obligations	976,590	-	976,590
Bond premiums	609,812	-	609,812
Accrued employee benefits	858,044	397,148	1,255,192
Total	\$16,182,897	\$1,883,697	\$18,066,594

Additional information on the City's long-term debt can be found in Note 7 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 2019-20 fiscal year:

- We conservatively estimate property values to increase 2% for the next tax year.
- The contract for the Police Officers Labor Council (Patrol) and the contract for the Police Officers Labor Council (Command) will both expire effective June 30, 2020. The SEIU contract was ratified effective July 1, 2019 with a wage study outstanding which will result in further negotiations to be implemented July 1, 2020.
- Health benefit costs continue to be reviewed with our provider and third-party administrator. Each year adjustments are made to maintain the best benefit with the lowest possible cost. We forecast an average 6% increase in health care costs.

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:

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City Manager
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BASIC FINANCIAL STATEMENTS

CITY OF GRAND HAVEN
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 18,527,196	\$ 20,044,545	\$ 38,571,741	\$ 482,969
Accounts receivable	699,434	4,785,454	5,484,888	309,750
Due from other governments	832,357	4,625,843	5,458,200	3,284
Taxes receivable	2,332	-	2,332	159
Special assessments receivable	239,573	87,190	326,763	125,380
Internal balances	562,075	(562,075)	-	-
Due from component unit	23,686	-	23,686	-
Capital lease receivable	-	-	-	1,348,493
Prepaid items	76,742	64,627	141,369	110
Inventory	73,537	4,510,988	4,584,525	-
Capital assets				
Land	8,746,444	531,603	9,278,047	-
Construction in progress	1,243,535	571,831	1,815,366	-
Depreciable capital assets, net	49,725,254	54,099,718	103,824,972	-
Total assets	80,752,165	88,759,724	169,511,889	2,270,145
Deferred outflows of resources				
Pension related	6,703,266	2,154,356	8,857,622	56,421
Other post-employment benefits related	614,859	259,928	874,787	-
Deferred charge on refunding	165,182	-	165,182	217,392
Total deferred outflows of resources	7,483,307	2,414,284	9,897,591	273,813
Liabilities				
Accounts payable	1,085,441	2,128,361	3,213,802	105,543
Accrued liabilities	328,313	334,068	662,381	723
Due to other governments	1,531	-	1,531	-
Due to primary government	-	-	-	23,686
Accrued interest payable	113,566	14,865	128,431	72,627
Noncurrent liabilities				
Accrued compensated absences	858,044	397,148	1,255,192	-
Asset retirement obligation	-	1,500,000	1,500,000	-
Other post-employment benefits obligation	3,890,201	1,452,271	5,342,472	-
Net pension liability	23,184,925	6,801,045	29,985,970	195,147
Bond premium	609,812	-	609,812	599,225
Due within one year	1,002,708	124,775	1,127,483	1,874,853
Due in more than one year	13,712,333	1,361,774	15,074,107	10,056,150
Total liabilities	44,786,874	14,114,307	58,901,181	12,927,954
Net position				
Net investment in capital assets	44,390,380	53,716,603	98,106,983	-
Restricted for				
Debt service	1,599,084	-	1,599,084	-
Streets	530,147	-	530,147	-
Capital projects	4,251,475	-	4,251,475	-
Permanent trust				
Cemetery - nonexpendable portion	1,959,749	-	1,959,749	-
Unrestricted (deficit)	(9,282,237)	23,343,098	14,060,861	(10,383,996)
Total net position	\$ 43,448,598	\$ 77,059,701	\$ 120,508,299	\$ (10,383,996)

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

CITY OF GRAND HAVEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 4,636,496	\$ 242,207	\$ 666,067	\$ 2,910,214	\$ (818,008)
Public safety	5,209,042	228,321	5,242	-	(4,975,479)
Public works	7,360,089	981,933	1,850,245	16,150	(4,511,761)
Culture and recreation	868,431	421,874	-	41,233	(405,324)
Interest on long-term debt	426,891	-	-	-	(426,891)
Total governmental activities	18,500,949	1,874,335	2,521,554	2,967,597	(11,137,463)
Business-type activities					
Board of Light and Power	30,415,828	38,334,758	288,189	-	8,207,119
Sewer	2,493,502	2,411,818	170,609	-	88,925
Water	2,213,001	2,074,236	44,122	-	(94,643)
Other business-type activities	1,138,702	588,021	122,591	411,808	(16,282)
Total business-type activities	36,261,033	43,408,833	625,511	411,808	8,185,119
Total primary government	\$ 54,761,982	\$ 45,283,168	\$ 3,147,065	\$ 3,379,405	\$ (2,952,344)
Component Units					
Economic Development Corporation	\$ 30,253	\$ -	\$ 20,555	\$ -	\$ (9,698)
Main Street Downtown Development Authority	477,970	-	22,137	56,830	(399,003)
Brownfield Redevelopment Authority	275,081	-	1,008,126	27,160	760,205
Total component units	\$ 783,304	\$ -	\$ 1,050,818	\$ 83,990	\$ 351,504

(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, 2019

	Primary Government			Component Units
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Changes in net position				
Net (expense) revenue	\$ (11,137,463)	\$ 8,185,119	\$ (2,952,344)	\$ 351,504
General revenues				
Property taxes	8,813,458	-	8,813,458	1,168,803
State shared revenues	1,058,212	-	1,058,212	-
Unrestricted investment earnings	573,124	-	573,124	47,008
Other general revenues	113,338	-	113,338	71,977
Transfers - internal activities	1,629,510	(1,629,510)	-	-
Total general revenues and transfers	12,187,642	(1,629,510)	10,558,132	1,287,788
Change in net position	1,050,179	6,555,609	7,605,788	1,639,292
Net position, beginning of year, as restated	42,398,419	70,504,092	112,902,511	(12,023,288)
Net position, end of year	\$ 43,448,598	\$ 77,059,701	\$ 120,508,299	\$ (10,383,996)

(Concluded)

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

CITY OF GRAND HAVEN

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2019

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 4,661,165	\$ 9,739,455	\$ 14,400,620
Accounts receivable	261,572	437,157	698,729
Due from other governments	203,647	624,624	828,271
Taxes receivable	2,332	-	2,332
Special assessments receivable	227,994	11,579	239,573
Due from other funds	311,823	623,669	935,492
Due from component unit	23,686	-	23,686
Prepaid items	16,539	22,464	39,003
Inventory	21,942	-	21,942
Total assets	<u>\$ 5,730,700</u>	<u>\$ 11,458,948</u>	<u>\$ 17,189,648</u>
Liabilities, deferred inflows and fund balances			
Liabilities			
Accounts payable	\$ 155,627	\$ 901,577	\$ 1,057,204
Accrued liabilities	140,033	20,633	160,666
Due to other governments	1,531	-	1,531
Due to other funds	29,188	383,508	412,696
Total liabilities	<u>326,379</u>	<u>1,305,718</u>	<u>1,632,097</u>
Deferred inflows of resources			
Unavailable revenue	264,723	90,891	355,614
Fund balances			
Non-spendable			
Prepaid items	16,539	22,464	39,003
Permanent fund corpus	-	1,959,749	1,959,749
Inventory	21,942	-	21,942
Restricted			
Streets	-	527,557	527,557
Public works	-	1,915,190	1,915,190
Debt service funds	-	1,599,084	1,599,084
Committed			
Capital projects	-	4,232,760	4,232,760
Budget stabilization	2,612,813	-	2,612,813
Assigned			
Future years expenditures	566,284	-	566,284
Unassigned	1,922,020	(194,465)	1,727,555
Total fund balances	<u>5,139,598</u>	<u>10,062,339</u>	<u>15,201,937</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,730,700</u>	<u>\$ 11,458,948</u>	<u>\$ 17,189,648</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, 2019

Fund balances - total governmental funds	\$ 15,201,937
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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	1,243,535
Add - capital assets (net of accumulated depreciation)	47,144,008

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	355,614
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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	6,210,828
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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	(851,126)
Deduct - other post-employment benefits	(3,792,991)
Deduct - long-term debt	(14,715,041)
Deduct - bond premium	(609,812)
Deduct - net pension liability	(22,698,483)
Add - deferred charge on refunding	165,182
Add - deferred inflows and outflows related to pension	6,562,625
Add - deferred inflows and outflows related to OPEB	599,444
Deduct - accrued interest on long-term debt	(113,566)

Net position of governmental activities	<u>\$ 43,448,598</u>
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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, 2019

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues			
Taxes	\$ 7,136,832	\$ 1,676,506	\$ 8,813,338
Intergovernmental revenues			
Federal	387	1,235,830	1,236,217
State	1,063,454	1,560,925	2,624,379
Local	16,928	1,937,459	1,954,387
Special assessments	11,498	37,269	48,767
Licenses and permits	639,692	-	639,692
Charges for services	1,692,787	458	1,693,245
Fines	92,443	-	92,443
Investment earnings	325,361	247,763	573,124
Miscellaneous	<u>111,273</u>	<u>51,843</u>	<u>163,116</u>
Total revenues	<u>11,090,655</u>	<u>6,748,053</u>	<u>17,838,708</u>
Expenditures			
Current			
General government	2,876,473	680,660	3,557,133
Public safety	4,830,313	-	4,830,313
Public works	3,107,473	3,387,596	6,495,069
Culture and recreation	792,712	88,668	881,380
Debt service			
Principal	14,523	942,612	957,135
Interest	12,580	466,505	479,085
Capital outlay	<u>-</u>	<u>2,854,342</u>	<u>2,854,342</u>
Total expenditures	<u>11,634,074</u>	<u>8,420,383</u>	<u>20,054,457</u>
Revenues over (under) expenditures	<u>(543,419)</u>	<u>(1,672,330)</u>	<u>(2,215,749)</u>
Other financing sources (uses)			
Transfers in	2,216,384	6,237,035	8,453,419
Transfers out	<u>(1,438,617)</u>	<u>(5,385,292)</u>	<u>(6,823,909)</u>
Total other financing sources (uses)	<u>777,767</u>	<u>851,743</u>	<u>1,629,510</u>
Net changes in fund balances	234,348	(820,587)	(586,239)
Fund balances, beginning of year	<u>4,905,250</u>	<u>10,882,926</u>	<u>15,788,176</u>
Fund balances, end of year	<u>\$ 5,139,598</u>	<u>\$ 10,062,339</u>	<u>\$ 15,201,937</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, 2019

Net changes in fund balances - total governmental funds	\$ (586,239)
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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	4,867,013
Deduct - net book value of disposed assets	(68,224)
Deduct - depreciation expense	(3,061,474)

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.

Add - increase in unavailable revenues	82,910
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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	957,135
Deduct - amortization of deferred bond refunding costs	(35,055)
Add - bond premium amortization	81,367

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	391,833
Deduct - increase in net pension liability	(6,792,575)
Add - increase in deferred outflows	3,384,494
Add - decrease in deferred inflows	1,281,484
Deduct - increase in other post-employment benefit liability	(73,327)
Add - decrease in accrued interest	5,882

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>614,955</u>
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Change in net position of governmental activities	<u>\$ 1,050,179</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, 2019

	Enterprise Funds					Governmental Activities
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds	Enterprise Fund Total	Internal Service Funds
Assets						
Current assets						
Cash and pooled investments	\$ 16,970,706	\$ 2,021,017	\$ 849,320	\$ 203,502	\$ 20,044,545	\$ 4,126,576
Accounts receivable	4,252,910	238,700	215,911	77,933	4,785,454	705
Due from other governments	4,596,423	-	-	29,420	4,625,843	4,086
Special assessments receivable	-	87,190	-	-	87,190	-
Due from other funds	-	-	-	-	-	39,279
Prepaid items	27,647	19,666	15,604	1,710	64,627	37,739
Inventory	4,426,003	7,001	77,984	-	4,510,988	51,595
Total current assets	30,273,689	2,373,574	1,158,819	312,565	34,118,647	4,259,980
Noncurrent assets						
Capital assets						
Land	222,281	5,260	-	304,062	531,603	-
Construction in progress	536,242	31,839	-	3,750	571,831	-
Depreciable capital assets, net	27,249,769	8,525,671	13,662,622	4,661,656	54,099,718	2,581,246
Total noncurrent assets	28,008,292	8,562,770	13,662,622	4,969,468	55,203,152	2,581,246
Total assets	58,281,981	10,936,344	14,821,441	5,282,033	89,321,799	6,841,226
Deferred outflows of resources						
Pension related	1,616,611	166,535	309,146	62,064	2,154,356	140,641
Other post-employment benefits related	212,505	19,472	23,445	4,506	259,928	15,415
Total deferred outflows of resources	1,829,116	186,007	332,591	66,570	2,414,284	156,056
Liabilities						
Current liabilities						
Accounts payable	1,806,462	182,225	90,494	49,180	2,128,361	28,237
Accrued liabilities	313,613	2,772	8,197	9,486	334,068	167,647
Accrued interest payable	-	-	14,865	-	14,865	-
Due to other funds	147,988	1,415	1,224	411,448	562,075	-
Current portion of long-term debt	-	-	124,775	-	124,775	-
Total current liabilities	2,268,063	186,412	239,555	470,114	3,164,144	195,884
Long-term liabilities						
Accrued compensated absences	365,358	14,854	13,223	3,713	397,148	6,918
Asset retirement obligation	1,500,000	-	-	-	1,500,000	-
Net pension liability	4,941,117	576,005	1,069,258	214,665	6,801,045	486,442
Other post-employment benefits obligation	1,146,013	119,607	156,605	30,046	1,452,271	97,210
Bonds payable, net of current portion	-	-	1,361,774	-	1,361,774	-
Total long-term liabilities	7,952,488	710,466	2,600,860	248,424	11,512,238	590,570
Total liabilities	10,220,551	896,878	2,840,415	718,538	14,676,382	786,454
Net position						
Net investment in capital assets	28,008,292	8,562,770	12,176,073	4,969,468	53,716,603	2,581,246
Unrestricted	21,882,254	1,662,703	137,544	(339,403)	23,343,098	3,629,582
Total net position	\$ 49,890,546	\$ 10,225,473	\$ 12,313,617	\$ 4,630,065	\$ 77,059,701	\$ 6,210,828

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, 2019

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds		
Operating revenues						
Charges for services	\$ 38,334,758	\$ 2,411,818	\$ 2,074,236	\$ 586,567	\$ 43,407,379	\$ 5,900,524
Employer contributions	-	-	-	-	-	831,256
Total operating revenue	<u>38,334,758</u>	<u>2,411,818</u>	<u>2,074,236</u>	<u>586,567</u>	<u>43,407,379</u>	<u>6,731,780</u>
Operating expenses						
Operating costs and expenses	20,671,843	2,024,733	1,622,853	769,405	25,088,834	5,202,421
Insurance payments	-	-	-	-	-	627,395
Distribution	2,624,532	-	-	-	2,624,532	-
Customer accounts	1,204,342	-	-	-	1,204,342	-
Administrative and general	2,148,361	206,992	244,047	10,419	2,609,819	211,274
Depreciation	3,766,750	219,850	255,294	358,878	4,600,772	352,959
Total operating expenses	<u>30,415,828</u>	<u>2,451,575</u>	<u>2,122,194</u>	<u>1,138,702</u>	<u>36,128,299</u>	<u>6,394,049</u>
Operating income (loss)	<u>7,918,930</u>	<u>(39,757)</u>	<u>(47,958)</u>	<u>(552,135)</u>	<u>7,279,080</u>	<u>337,731</u>
Non-operating revenues (expenses)						
Gain (loss) on disposal of capital assets	-	-	-	-	-	(2,728)
Investment earnings	201,219	132,460	26,943	405	361,027	91,819
Other	86,970	38,149	17,179	123,640	265,938	188,133
Interest expense	-	(41,927)	(90,807)	-	(132,734)	-
Total non-operating revenues (expenses)	<u>288,189</u>	<u>128,682</u>	<u>(46,685)</u>	<u>124,045</u>	<u>494,231</u>	<u>277,224</u>
Income (loss) before other items	<u>8,207,119</u>	<u>88,925</u>	<u>(94,643)</u>	<u>(428,090)</u>	<u>7,773,311</u>	<u>614,955</u>
Transfers and other items						
Contribution in aid of construction	-	-	-	411,808	411,808	-
Transfers in	-	431,318	299,938	-	731,256	-
Transfers out	(1,904,185)	(283,030)	(173,551)	-	(2,360,766)	-
Total transfers and other items	<u>(1,904,185)</u>	<u>148,288</u>	<u>126,387</u>	<u>411,808</u>	<u>(1,217,702)</u>	<u>-</u>
Changes in net position	<u>6,302,934</u>	<u>237,213</u>	<u>31,744</u>	<u>(16,282)</u>	<u>6,555,609</u>	<u>614,955</u>
Net position, beginning of year, as restated	<u>43,587,612</u>	<u>9,988,260</u>	<u>12,281,873</u>	<u>4,646,347</u>	<u>70,504,092</u>	<u>5,595,873</u>
Net position, end of year	<u>\$ 49,890,546</u>	<u>\$ 10,225,473</u>	<u>\$ 12,313,617</u>	<u>\$ 4,630,065</u>	<u>\$ 77,059,701</u>	<u>\$ 6,210,828</u>

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, 2019

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds		
Cash flows from operating activities						
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,865,766
Receipts from customers and users	38,815,323	2,462,308	2,144,816	580,066	44,002,513	-
Payments to employees	(8,378,921)	(243,834)	(437,713)	(143,841)	(9,204,309)	(223,253)
Payments to suppliers	(17,472,825)	(1,913,720)	(1,209,395)	(477,932)	(21,073,872)	(1,775,508)
Claims paid	-	-	-	-	-	(3,748,828)
Net cash provided by (used in) operating activities	<u>12,963,577</u>	<u>304,754</u>	<u>497,708</u>	<u>(41,707)</u>	<u>13,724,332</u>	<u>1,118,177</u>
Cash flows from non-capital financing activities						
Transfers in	-	431,318	299,938	-	731,256	-
Transfers out	(2,172,091)	(283,030)	(173,551)	-	(2,628,672)	-
Net cash provided by (used in) non-capital financing activities	<u>(2,172,091)</u>	<u>148,288</u>	<u>126,387</u>	<u>-</u>	<u>(1,897,416)</u>	<u>-</u>
Cash flows from capital and related financing activities						
Interest paid on long-term debt	-	(41,927)	(75,942)	-	(117,869)	-
Contribution in aid of construction	-	-	-	411,808	411,808	-
Principal paid on long-term debt	-	-	(118,322)	-	(118,322)	-
Acquisitions of capital assets	(5,201,287)	(463,157)	(246,549)	(470,990)	(6,381,983)	(352,552)
Net cash provided by (used in) capital and related financing activities	<u>(5,201,287)</u>	<u>(505,084)</u>	<u>(440,813)</u>	<u>(59,182)</u>	<u>(6,206,366)</u>	<u>(352,552)</u>
Cash flows from investing activities						
Interest received	<u>201,219</u>	<u>132,460</u>	<u>26,944</u>	<u>405</u>	<u>361,028</u>	<u>91,819</u>
Net increase (decrease) in cash and pooled investments	<u>5,791,418</u>	<u>80,418</u>	<u>210,226</u>	<u>(100,484)</u>	<u>5,981,578</u>	<u>857,444</u>
Cash and pooled investments, beginning of year	<u>11,179,288</u>	<u>1,940,599</u>	<u>639,094</u>	<u>303,986</u>	<u>14,062,967</u>	<u>3,269,132</u>
Cash and pooled investments, end of year	<u>\$ 16,970,706</u>	<u>\$ 2,021,017</u>	<u>\$ 849,320</u>	<u>\$ 203,502</u>	<u>\$ 20,044,545</u>	<u>\$ 4,126,576</u>
Cash flows from operating activities						
Operating income (loss)	\$ 8,117,694	\$ (39,757)	\$ (47,958)	\$ (552,135)	\$ 7,477,844	\$ 337,731
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	3,766,750	219,850	255,294	358,878	4,600,772	352,959
Miscellaneous revenue	86,970	38,149	17,179	123,640	265,938	188,133
Deferred outflows of resources for pension	(810,477)	(81,516)	(198,707)	(41,400)	(1,132,100)	(71,500)
Deferred outflows of resources for OPEB	43,908	3,293	6,110	1,166	54,477	3,037
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	406,085	(9,528)	53,401	20,892	470,850	(141)
Special assessments receivable	-	21,869	-	-	21,869	-
Due from other funds	-	-	-	-	-	96,446
Due from other governmental units	-	-	-	(27,393)	(27,393)	(3,901)
Prepaid items	2,263	(920)	(191)	898	2,050	165,784
Inventory	2,083,597	2,048	10,810	-	2,096,455	(29,155)
Deposit with others	(1,563,266)	-	-	-	(1,563,266)	-
Accounts payable	724,993	69,713	(26,515)	18,890	787,081	(107,886)
Accrued liabilities	17,045	(1,175)	(1,447)	2,093	16,516	94,674
Other liabilities	(12,490)	-	-	-	(12,490)	-
Due to other funds	-	(7,731)	(13,196)	(46,545)	(67,472)	-
Compensated absences	(131,563)	(9,631)	(9,450)	54	(150,590)	(7,676)
Net pension liability	744,286	133,384	494,302	107,084	1,479,056	126,488
Net OPEB obligation	(173,818)	2,378	4,413	842	(166,185)	2,193
Net cash provided by (used in) operating activities	<u>\$ 12,963,577</u>	<u>\$ 304,754</u>	<u>\$ 497,708</u>	<u>\$ (41,707)</u>	<u>\$ 13,724,332</u>	<u>\$ 1,118,177</u>

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

CITY OF GRAND HAVEN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Retiree Health Care	Agency Funds
Assets		
Cash and pooled investments	\$ 2,152,424	\$ 3,625,832
Due from other governmental units	<u>-</u>	<u>74,291</u>
Total assets	<u><u>\$ 2,152,424</u></u>	<u><u>\$ 3,700,123</u></u>
Liabilities		
Accounts payable	-	323,761
Accrued liabilities	-	5,168
Due to other governmental units	-	3,970
Trust deposits	<u>-</u>	<u>3,367,224</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ 3,700,123</u></u>
Net Position		
Restricted for post-employment benefits	<u><u>\$ 2,152,424</u></u>	

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

CITY OF GRAND HAVEN
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Retiree Health Care
Additions	
Employer contributions	\$ -
Net appreciation in fair value of securities	<u>62,008</u>
Total additions	62,008
Deductions	
Administrative expenses	<u>4,396</u>
Changes in net position	57,612
Net position, beginning of year, as restated	<u>2,094,812</u>
Net position, end of year	<u>\$ 2,152,424</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, 2019

	<u>Economic Development Corporation</u>	<u>Main Street Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 195,516	\$ 114,766	\$ 172,687	\$ 482,969
Accounts receivable	140,700	122,391	46,659	309,750
Due from other governments	-	-	3,284	3,284
Taxes receivable	-	-	159	159
Special assessments receivable	-	125,380	-	125,380
Capital lease receivable	-	1,348,493	-	1,348,493
Prepaid items	-	110	-	110
Total assets	336,216	1,711,140	222,789	2,270,145
Deferred outflows of resources				
Pension related	-	56,421	-	56,421
Deferred charge on refunding	-	124,864	92,528	217,392
Total deferred outflows of resources	-	181,285	92,528	273,813
Liabilities				
Accounts payable	-	102,868	2,675	105,543
Accrued liabilities	-	723	-	723
Due to primary government	-	23,686	-	23,686
Accrued interest	-	42,799	29,828	72,627
Long-term debt				
Net pension liability	-	195,147	-	195,147
Bond premium	-	418,626	180,599	599,225
Due within one year	-	390,000	1,484,853	1,874,853
Due in more than one year	-	6,630,000	3,426,150	10,056,150
Total liabilities	-	7,803,849	5,124,105	12,927,954
Net position (deficit)				
Unrestricted	<u>\$ 336,216</u>	<u>\$ (5,911,424)</u>	<u>\$ (4,808,788)</u>	<u>\$ (10,383,996)</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, 2019

	<u>Economic Development Corporation</u>	<u>Main Street Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
Expenses				
Economic Development Corp	\$ 30,253	\$ -	\$ -	\$ 30,253
Main Street Downtown Development Authority	-	477,970	-	477,970
Brownfield Redevelopment Authority	-	-	275,081	275,081
Total expenses	<u>30,253</u>	<u>477,970</u>	<u>275,081</u>	<u>783,304</u>
Revenues				
Program revenues				
Operating grants and contributions	20,555	22,137	1,008,126	1,050,818
Capital grants	-	56,830	27,160	83,990
General revenues				
Property taxes	-	473,225	695,578	1,168,803
Unrestricted investment earnings	1,902	45,056	50	47,008
Miscellaneous	250	59,498	12,229	71,977
Total revenues	<u>22,707</u>	<u>656,746</u>	<u>1,743,143</u>	<u>2,422,596</u>
Change in net position	(7,546)	178,776	1,468,062	1,639,292
Net position (deficit), beginning of year	<u>343,762</u>	<u>(6,090,200)</u>	<u>(6,276,850)</u>	<u>(12,023,288)</u>
Net position (deficit), end of year	<u>\$ 336,216</u>	<u>\$ (5,911,424)</u>	<u>\$ (4,808,788)</u>	<u>\$ (10,383,996)</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, 2019

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.

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 Sequester has reduced the Federal portion of interest beginning in the Fall of 2013 and ended in 2019.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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.

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 \$1,437,317 to the Authority. 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 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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, the City distributed tax revenues of \$325,082 to HTMMTS. Complete financial statements for the Harbor Transit Multi-Modal Transportation System can be obtained from the administrative offices at 440 North Ferry Street, Grand Haven, Michigan 49417.

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 \$90,000,000 declines from a high of approximately \$5,200,000 in 2025 to zero in 2047.

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 21 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	\$4,536,203
Payments to MPPA for electricity transmission	1,319,846
Payments to MPPA for renewable energy	2,288,388
Payments to MPPA for other	410,547

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 \$779,605 to the Plant. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate and maintain a water production 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.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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.

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 fund:

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 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 *Retiree Health Care Trust Fund* is used to account for the operations of the other post-employment benefits plan which provides post-employment benefits to the City's employees.

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

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:

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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.
- 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.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

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 14. 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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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.

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 fund balance of the General fund 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 45 percent 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, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

2. DEFICIT NET POSITION/FUND BALANCE

At June 30, 2019, the City reported a deficit fund balance of \$194,726 in the local streets special revenue fund, and deficit unrestricted net position in the marina and Chinook Pier enterprise funds of \$471,701 and \$4,496, respectively. Governmental activities reports deficit unrestricted net position of \$9,282,237.

3. 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, 2019, 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>
General Fund			
City Attorney	\$ 85,000	\$ 121,289	\$ (36,289)
Major Streets Fund			
Construction	380,000	1,447,510	(1,067,510)
Local Streets Fund			
Traffic Services	8,000	12,328	(4,328)
2015 Infrastructure Bonds Fund			
Expenditures	2,198,900	2,326,069	(127,169)
Lighthouse Maintenance Fund			
Expenditures	88,410	88,668	(258)

4. 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	\$18,527,196	\$20,044,545	\$3,625,832	\$482,969	\$42,680,542
Funds on deposit with MERS	-	-	2,152,424	-	2,152,424
	<u>\$18,527,196</u>	<u>\$20,044,545</u>	<u>\$5,778,256</u>	<u>\$482,969</u>	<u>\$44,832,966</u>

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

Deposits	\$31,498,105
Investments	13,328,302
Petty cash	6,559
Total	<u>\$44,832,966</u>

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 money market funds	N/A	\$ 146,813	Unrated	
Funds on deposit with MERS	N/A	2,152,424	Unrated	
Michigan CLASS pool	N/A	1,025,242	AAAm	S&P
US Government and agency securities/pools				
FFCB bond 1.92%	4/19/22	499,915	Aaa	Moody's
FNMA bond 1.35%	10/28/19	997,490	Aaa	Moody's
FHLB bond 1.75%	8/24/21	499,970	Aaa	Moody's
FNMA bond 1.375%	12/27/19	498,190	Aaa	Moody's
FNMA bond 1.35%	10/28/19	249,373	Aaa	Moody's
FHLMC bond 1.5%	12/30/19	498,135	Aaa	Moody's
FNMA bond 1.375	12/27/19	498,190	Aaa	Moody's
GNMA pool 2.5%	1/20/47	104,193	Unrated	
GNMA pool 2.25%	3/20/47	630,230	Unrated	
GNMA pool 2.75%	3/20/49	631,494	Unrated	
FNMA pool 2%	6/25/39	196,257	Unrated	
FHLMC pool 3%	12/15/41	230,516	Unrated	
GNMA pool 2.5%	1/20/47	195,882	Unrated	
GNMA pool 2.5%	3/20/47	196,991	Unrated	
FHLMC pool 2.5%	7/15/19	118,001	Unrated	
FNMA pool 2.25%	11/25/47	328,840	Unrated	
GNMA pool 2.5%	12/20/48	293,738	Unrated	
GNMA pool 2.75%	3/20/49	224,607	Unrated	
FNMA pool 2.5%	3/25/28	168,575	Unrated	
FNMA pool 4%	6/25/41	212,165	Unrated	
FHLMC pool 2.5%	7/15/42	345,141	Unrated	
FNMA pool 2.25%	7/25/43	279,076	Unrated	
FNMA pool 3%	12/25/43	182,736	Unrated	
GNMA pool 2%	1/16/45	282,602	Unrated	
FHLMC pool 2%	10/15/46	148,602	Unrated	
GNMA pool 2.5%	1/20/47	158,373	Unrated	
GNMA pool 2.5%	3/20/47	307,798	Unrated	
FHLMC pool 2.5%	7/15/47	252,278	Unrated	
FNMA pool 2.5%	11/25/47	292,309	Unrated	
GNMA pool 2.75%	3/20/49	482,156	Unrated	
Total		<u>\$13,328,302</u>		

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, \$28,364,172 of the City's bank balance of \$31,613,913 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, 2019

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 \$13,328,302 of investments, the City has custodial credit risk of \$10,003,823 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, \$3,324,479 is invested in money market funds and external investment pools for which the City's custodial credit risk exposure cannot be determined because the money market funds and external investment pools 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, 2019

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 8,746,444	\$ -	\$ -	\$ 8,746,444
Construction in progress	3,308,105	3,836,209	5,900,779	1,243,535
Total capital assets, not being depreciated	12,054,549	3,836,209	5,900,779	9,989,979
Capital assets, being depreciated				
Structures and improvements	10,654,395	3,990,194	184,818	14,459,771
Machinery, equipment, vehicles and fixtures	6,393,984	1,018,619	291,750	7,120,853
Buildings	14,420,073	371,811	-	14,791,884
Parking facilities	9,722,504	35,839	-	9,758,343
Infrastructure	33,682,265	1,867,672	-	35,549,937
Total capital assets, being depreciated	74,873,221	7,284,135	476,568	81,680,788
Less accumulated depreciation:				
Structures and improvements	6,182,403	499,528	116,594	6,565,337
Machinery, equipment, vehicles and fixtures	3,583,088	498,153	289,022	3,792,219
Buildings	4,891,445	398,057	-	5,289,502
Parking facilities	4,764,540	292,966	-	5,057,506
Infrastructure	9,525,241	1,725,729	-	11,250,970
Total accumulated depreciation	28,946,717	3,414,433	405,616	31,955,534
Net capital assets, being depreciated	45,926,504	3,869,702	70,952	49,725,254
Governmental activities capital assets, net	\$57,981,053	\$7,705,911	\$5,971,731	\$59,715,233
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 531,603	\$ -	\$ -	\$ 531,603
Construction in progress	407,890	5,658,641	5,494,700	571,831
Total capital assets, not being depreciated	939,493	5,658,641	5,494,700	1,103,434
Capital assets being depreciated				
Structures and improvements	9,909,294	512,424	-	10,421,718
Machinery, equipment, vehicles and fixtures	501,399	-	11,698	489,701
Production and treatment	104,739,819	-	89,888	104,649,931
Transmission and distribution	70,918,854	5,545,508	137,623	76,326,739
General plant	2,478,353	176,682	-	2,655,035
Total capital assets, being depreciated	188,547,719	6,234,614	239,209	194,543,124

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Balance July 1, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2019</u>
Less accumulated depreciation for:				
Structures and improvements	\$ 5,450,085	\$ 344,655	\$ -	\$ 5,794,740
Machinery, equipment, vehicles and fixtures	291,441	28,398	11,698	308,141
Production and treatment	98,597,176	3,243,014	77,889	101,762,301
Transmission and distribution	30,888,722	891,905	133,050	31,647,577
General plant	837,847	92,800	-	930,647
Total accumulated depreciation	136,065,271	4,600,772	222,637	140,443,406
Net capital assets, being depreciated	52,482,448	1,633,842	16,572	54,099,718
Business-type activities capital assets, net	\$53,421,941	\$7,292,483	\$5,511,272	\$55,203,152

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

Governmental activities

General government	\$ 570,267
Public safety	80,891
Public works	1,843,235
Culture and recreation	567,081
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	352,959

Total depreciation expense - governmental activities **\$3,414,433**

Business-type activities

Board of Light and Power	\$3,766,750
Sewer	219,850
Water	255,294
Other business-type	358,878

Total depreciation expense – business- type activities **\$4,600,772**

6. INTERFUND TRANSACTIONS

Internal balances for the year ended June 30, 2019 are as follows:

	<u>Due to</u>					
<u>Due from</u>	<u>General Fund</u>	<u>Board of Light and Power</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
General fund	\$ -	\$147,988	\$ -	\$ -	\$163,835	\$311,823
Non-major funds	29,188	-	1,415	1,224	631,121	662,948
	\$29,188	\$147,988	\$1,415	\$1,224	\$794,956	\$974,771

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Transfers in and out for the year ended June 30, 2019 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>					<u>Total</u>
	<u>General Fund</u>	<u>Board of Light and Power</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Non-major Funds</u>	
General fund	\$ -	\$1,904,185	\$117,363	\$ 98,551	\$ 96,285	\$2,216,384
Sewer fund	-	-	-	-	431,318	431,318
Water fund	-	-	90,667	-	209,271	299,938
Non-major funds	1,438,617	-	75,000	75,000	4,648,418	6,237,035
Totals	\$1,438,617	\$1,904,185	\$283,030	\$175,551	\$5,385,292	\$9,184,675

Transfers are used to allocate various costs and move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them. The amount transferred from the Board of Light and Power, sewer fund, and water fund, to the general fund consists of payments in lieu of tax.

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2019.

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities					
Public offering bonds					
\$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%	\$2,125,130	\$ -	\$156,679	\$1,968,451	\$165,225
\$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%	6,700,000	-	515,000	6,185,000	540,000
Total bonds	8,825,130	-	671,679	8,153,451	705,225
Direct placements and direct borrowings					
\$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%	5,835,000	-	250,000	5,585,000	260,000

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Other debt					
\$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%	\$ 1,012,046	\$ -	\$ 35,456	\$ 976,590	\$ 37,483
Bond premiums	691,179	-	81,367	609,812	77,840
Accrued employee benefits	1,257,553	186,768	586,277	858,044	-
Total Governmental Activities	<u>\$17,620,908</u>	<u>\$ 186,768</u>	<u>\$1,624,779</u>	<u>\$16,182,897</u>	<u>\$1,080,548</u>
Business-type Activities					
Public offering bonds					
\$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%	\$1,604,870	\$ -	\$118,321	\$1,486,549	\$124,775
Other debt					
Accrued employee benefits	547,738	30,613	181,203	397,148	-
Total Business-type Activities	<u>\$2,152,608</u>	<u>\$ 30,613</u>	<u>\$299,524</u>	<u>\$1,883,697</u>	<u>\$124,775</u>
Component Units					
Bonds					
\$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%	\$4,995,000	\$ -	\$4,995,000	\$ -	\$ -
\$1,000,000 2011 Brownfield Redevelopment Bonds due in annual installments of \$67,473 through May 2021; interest at 2.0%	256,919	-	125,916	131,003	64,853
\$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%	6,115,000	-	1,335,000	4,780,000	1,420,000
\$4,540,000 2019 General Obligation Refunding Bonds due in annual installments of \$175,000 to \$440,000 through April 2034; interest at 3.0% to 4.0%	-	4,540,000	-	4,540,000	180,000
Total bonds	<u>11,366,919</u>	<u>4,540,000</u>	<u>6,455,916</u>	<u>9,451,003</u>	<u>1,664,853</u>

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Direct placements and direct borrowings					
\$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%	\$ 2,665,000	\$ -	\$ 185,000	\$ 2,480,000	\$ 210,000
Other debt					
Issuance discounts	(18,241)	-	(18,241)	-	-
Issuance premiums	302,083	418,626	121,484	599,225	135,903
Total Component Units	<u>\$14,315,761</u>	<u>\$4,958,626</u>	<u>\$6,744,159</u>	<u>\$12,530,228</u>	<u>\$2,010,756</u>

The annual requirements to amortize all public offering bonds and leases outstanding as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 742,708	\$ 233,462	\$ 124,775	\$ 59,462	\$1,664,853	\$ 299,673
2021	787,457	181,940	129,078	54,470	1,851,150	264,823
2022	834,043	195,346	135,532	49,308	1,940,000	189,300
2023	877,779	174,620	139,835	43,886	210,000	146,700
2024	927,529	152,841	144,137	38,294	230,000	138,300
2025-2029	4,525,921	395,385	813,191	100,161	1,475,000	537,100
2030-2034	434,604	43,167	-	-	2,080,000	204,000
Total	<u>\$9,130,041</u>	<u>\$1,376,761</u>	<u>\$1,486,548</u>	<u>\$345,581</u>	<u>\$9,451,003</u>	<u>\$1,779,896</u>

The annual requirements to amortize all direct placements and direct borrowings outstanding as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 260,000	\$ 220,800	\$ 210,000	\$ 54,577
2021	265,000	213,000	235,000	49,464
2022	275,000	202,400	270,000	43,662
2023	285,000	191,400	300,000	37,113
2024	300,000	180,000	330,000	29,874
2025-2029	1,685,000	710,600	1,135,000	39,353
2030-2034	2,055,000	345,000	-	-
2035-2039	460,000	18,400	-	-
Total	<u>\$5,585,000</u>	<u>\$2,081,600</u>	<u>\$2,480,000</u>	<u>\$254,043</u>

During fiscal year 2019, the City issued \$4,540,000 of refunding bonds to pay off outstanding bonds. This advanced refunding was undertaken to reduce total debt service payments by \$236,016, which resulted in an economic gain of \$190,061.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

In the event of default, the City will be required to use money from its General fund or levy an ad-valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory and charter limitations.

8. 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:

Year Ending June 30	Principal	Interest
2020	\$ 51,758	\$ 41,130
2021	57,353	39,743
2022	61,549	38,165
2023	65,746	36,473
2024	71,341	34,620
2025-2029	440,638	138,419
2030-2034	600,108	59,607
Total	<u>\$1,348,493</u>	<u>\$388,157</u>

9. 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.

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, 2018):

	Total City
Active plan members	176
Inactive employees or beneficiaries currently receiving benefits	206
Inactive employees entitled but not yet receiving benefits	<u>92</u>
Total	<u>474</u>

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was from 14.7 to 20.41% of annual covered payroll depending on position and classification. Participating employees are

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

required to contribute from 0 to 17.0% 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, 2018, 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, 2018 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 retiree 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%

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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, 2017	\$106,978,445	\$85,233,206	\$21,745,239
Changes for the Year:			
Service cost	1,876,313	-	1,876,313
Interest	8,390,678	-	8,390,678
Change in benefits	2,423	-	2,423
Differences between expected and actual experience	(948,030)	-	(948,030)
Change in assumptions	-	-	-
Contributions: employer	-	2,803,011	(2,803,011)
Contributions: employee	-	1,583,711	(1,583,711)
Net investment Income	-	(3,336,775)	3,336,775
Benefit payments, including refunds	(6,066,289)	(6,066,289)	-
Administrative expense	-	(164,445)	164,445
Other changes	(4)	-	(4)
Net changes	3,255,091	(5,180,787)	8,435,878
Balance at December 31, 2018	\$110,233,536	\$80,052,419	\$30,181,117

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	\$123,114,492	\$110,233,536	\$99,462,728
Fiduciary Net Position	80,052,419	80,052,419	80,052,419
Net Pension Liability	\$ 43,062,073	\$ 30,181,117	\$19,410,309

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2019 the City recognized pension expense of \$5,634,855. The City 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	\$ 8,998	\$ -
Differences in assumptions	890,277	-
Deficit investment returns	6,264,289	-
Contributions subsequent to the measurement date*	1,750,479	-
Total	\$8,914,043	\$ -

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

* 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 2020.

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:

2020	\$3,274,022
2021	831,153
2022	1,042,054
2023	2,016,335
2024	-
Thereafter	-
Total	<u>\$7,163,564</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. During fiscal 2019, employees who were hired prior to March 1, 2019 and previously opted out of the plan had a one-time opportunity to participate to obtain the employer match if the employee agrees to contribute 2% of covered wages into the IRS Section 457 plan with the employer match being contributed to the IRS Section 401a plan. City contributions were \$63,715 and participant contributions were \$62,480 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 4% and the Board contributes 8% 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 \$54,250 and the Board contributed \$108,501 to the plan.

10. 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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 actuarially determined contribution (ADC) was \$848,167 while actual contributions were \$779,102.

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><u>188</u></u>

The plan is closed to new participants.

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%

Mortality: 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.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 2.86%. 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%.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at June 30, 2018	\$7,527,950	\$2,094,812	\$5,433,138
Changes for the Year:			
Service cost	49,554	-	49,554
Interest	542,204	-	542,204
Change in benefits	-	-	-
Differences between expected and actual experience	154,290	-	154,290
Change in assumptions	-	-	-
Contributions: employer	-	779,102	(779,102)
Net investment Income	-	62,008	(62,008)
Benefit payments, including refunds	(779,102)	(779,102)	-
Administrative expense	-	(4,396)	4,396
Other changes	-	-	-
Net changes	(33,054)	57,612	(90,666)
Balance at June 30, 2019	\$7,494,896	\$2,152,424	\$5,342,472

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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	\$8,003,853	\$7,494,896	\$7,038,017
Fiduciary net position	2,152,424	2,152,424	2,152,424
Net OPEB liability	\$5,851,429	\$5,342,472	\$4,885,593
Plan fiduciary position as a percentage of the total OPEB liability	26.89%	28.72%	30.58%

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	\$6,995,608	\$7,494,896	\$8,052,893
Fiduciary net position	2,152,424	2,152,424	2,152,424
Net OBEB liability	\$4,843,184	\$5,342,472	\$5,900,469

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

For the year ended June 30, 2019 the employer recognized OPEB expense of \$710,136. 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	\$622,834	\$ -
Differences in assumptions	179,316	-
Excess (deficit) investment returns	72,637	-
Total	\$874,787	\$ -

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

2020	\$270,929
2021	270,929
2022	270,926
2023	62,003
Thereafter	-
Total	\$874,787

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 \$145,933 and participant contributions were \$338,268 to the plan during the year. The plan provisions and contribution amounts were established and may be amended by MERS.

11. 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 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 \$163,004 reported at June 30, 2019 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.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

The changes in the claims liability for the years ended June 30, 2018 and 2019 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>
2018	\$205,429	\$3,642,666	\$3,779,591	\$68,504
2019	68,504	3,730,679	3,636,179	163,004

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.

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

	<u>Deductible/Retention</u>	
	<u>2019</u>	<u>2018</u>
Property and equipment	\$50,000 – 500,000	\$50,000 - 500,000
General liability	50,000	50,000
Public officials liability	50,000	50,000
Employee benefits liability	50,000	100,000
Crime	25,000	25,000
Cyber security	25,000	None
Open cargo	None	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 \$3,908,752 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, 2019 and 2018 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, 2019 and 2018 were \$0 and \$2,452 respectively.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

12. DEFERRED SPECIAL ASSESSMENTS RECIEVABLE

The Brownfield Redevelopment Authority component unit has outstanding deferred special assessments receivable totaling \$5,900,912 at June 30, 2019. 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, 2019.

13. 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, 2019 the City abated property tax revenues of approximately \$171,000.

14. 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.

15. COMMITMENTS

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.

16. 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.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

17. 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, 2018	\$(531,023)
Current year building permit revenues	297,487
Related expenses	
Direct costs	(327,798)
Estimated indirect costs	<u>(43,213)</u>
Cumulative shortfall – June 30, 2019	<u><u>\$(604,547)</u></u>

18. ASSET RETIREMENT

The Board of Light and Power has announced plans for the closure of the Sims III 70 megawatt coal fired power plant in fiscal year 2020. The Board of Light and Power has contracted for the sale of any remaining coal at the time of closure.

The Board of Light and Power's operation of electricity generating facilities required use of fuel and ash management facilities that will require environmental remediation under various state and federal laws upon plant closure. The Board of Light and Power has estimated the cost of remediating fuel and ash management facilities at \$1,500,000 based on known costs of similar plant closures and engineering estimates. The Board of Light and Power's fuel and ash management facilities have an insignificant estimated remaining useful life.

19. RECLASSIFICATION

Beginning net position of governmental activities was increased by \$708,274 to reflect the reclassification of non-trust related funds of the Retiree Health Care fund from a fiduciary fund to an internal service fund.

20. PRIOR PERIOD ADJUSTMENT

Beginning net position of business-type activities and the Board of Light and Power enterprise fund was decreased by \$1,500,000 to reflect the Board of Light and Power's asset retirement obligation as a result of implementing Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*.

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, 2019

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes				
Property taxes	\$ 7,278,771	\$ 7,086,810	\$ 7,136,832	\$ 50,022
Intergovernmental revenues				
Federal	-	380	387	7
State	1,034,650	1,045,640	1,063,454	17,814
Local	40,500	25,060	16,928	(8,132)
Special assessments	18,000	18,000	11,498	(6,502)
Licenses and permits	664,100	586,700	639,692	52,992
Charges for services	1,692,110	1,721,325	1,692,787	(28,538)
Fines	111,500	99,500	92,443	(7,057)
Investment earnings	210,000	270,000	325,361	55,361
Miscellaneous	403,500	112,330	111,273	(1,057)
Total revenues	11,453,131	10,965,745	11,090,655	124,910
Expenditures				
Current				
General government	3,060,258	3,065,231	2,876,473	188,758
Public safety	5,015,692	5,077,410	4,830,313	247,097
Public works	3,117,700	3,358,125	3,107,473	250,652
Culture and recreation	845,510	904,160	792,712	111,448
Debt service				
Principal	-	-	14,523	(14,523)
Interest and fiscal charges	13,400	13,400	12,580	820
Total expenditures	12,052,560	12,418,326	11,634,074	784,252
Revenues over (under) expenditures	(599,429)	(1,452,581)	(543,419)	909,162
Other financing sources (uses)				
Transfers in	2,247,400	2,226,445	2,216,384	(10,061)
Transfers out	(1,867,440)	(1,706,560)	(1,438,617)	267,943
Total other financing sources (uses)	379,960	519,885	777,767	257,882
Net changes in fund balance	(219,469)	(932,696)	234,348	1,167,044
Fund balance, beginning of year	4,905,250	4,905,250	4,905,250	-
Fund balance, end of year	\$ 4,685,781	\$ 3,972,554	\$ 5,139,598	\$ 1,167,044

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, 2019

	2014	2015	2016	2017	2018
Total pension liability					
Service cost	\$ 1,714,380	\$ 1,784,375	\$ 1,938,291	\$ 1,896,453	\$ 1,876,313
Interest	6,872,845	6,970,006	7,719,273	7,931,391	8,390,678
Changes in benefit terms	-	(8,167)	(27,927)	(54,797)	2,423
Difference between expected and actual experience	-	1,069,871	(1,279,520)	2,035,707	(948,030)
Changes in assumptions	-	4,451,385	-	-	-
Benefit payments including employee refunds	(4,522,352)	(5,086,362)	(5,306,454)	(6,048,965)	(6,066,289)
Other	-	217,812	-	-	(4)
Net change in total pension liability	<u>4,064,873</u>	<u>9,398,920</u>	<u>3,043,663</u>	<u>5,759,789</u>	<u>3,255,091</u>
Total pension liability, beginning of year	<u>84,711,200</u>	<u>88,776,073</u>	<u>98,174,993</u>	<u>101,218,656</u>	<u>106,978,445</u>
Total pension liability, end of year	<u>\$ 88,776,073</u>	<u>\$ 98,174,993</u>	<u>\$ 101,218,656</u>	<u>\$ 106,978,445</u>	<u>\$ 110,233,536</u>
Plan Fiduciary Net Position					
Contributions-employer	\$ 1,230,140	\$ 1,351,197	\$ 1,528,835	\$ 6,969,429	\$ 2,803,011
Contributions-employee	1,017,387	1,188,014	1,399,568	1,649,872	1,583,711
Net investment income	4,384,730	(1,056,807)	7,662,061	9,637,326	(3,336,775)
Benefit payments including employee refunds	(4,522,352)	(5,086,362)	(5,306,454)	(6,048,965)	(6,066,289)
Administrative expense	(160,769)	(155,709)	(151,314)	(152,492)	(164,445)
Net change in plan fiduciary net position	<u>1,949,136</u>	<u>(3,759,667)</u>	<u>5,132,696</u>	<u>12,055,170</u>	<u>(5,180,787)</u>
Plan fiduciary net position, beginning of year	<u>69,855,871</u>	<u>71,805,007</u>	<u>68,045,340</u>	<u>73,178,036</u>	<u>85,233,206</u>
Plan fiduciary net position, end of year	<u>\$ 71,805,007</u>	<u>\$ 68,045,340</u>	<u>\$ 73,178,036</u>	<u>\$ 85,233,206</u>	<u>\$ 80,052,419</u>
Total net pension liability	<u>\$ 16,971,066</u>	<u>\$ 30,129,653</u>	<u>\$ 28,040,620</u>	<u>\$ 21,745,239</u>	<u>\$ 30,181,117</u>
Plan fiduciary net position as a percentage of the total pension liability	81%	69%	72%	80%	73%
Covered employee payroll	\$ 11,071,127	\$ 11,535,426	\$ 12,103,488	\$ 11,544,999	\$ 11,230,904
Employer's net pension liability as a percentage of covered employee payroll	65%	38%	43%	53%	37%

CITY OF GRAND HAVEN
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2015	2016	2017	2018	2019
Actuarially determined contributions	\$ 1,285,986	\$ 1,533,911	\$ 1,528,835	\$ 1,976,799	\$ 1,832,196
Contributions in relation to the actuarially determined contribution	1,285,986	1,533,911	1,528,835	6,976,799	2,832,196
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (5,000,000)	\$ (1,000,000)
Covered employee payroll	\$ 11,071,127	\$ 11,535,426	\$ 12,103,488	\$ 11,544,999	\$ 11,230,904
Contributions as a percentage of covered employee payroll	11.6%	13.3%	12.6%	60.4%	25.2%

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, 2019

	2017	2018	2019
Total OPEB liability			
Service cost	\$ 52,122	\$ 49,554	\$ 49,554
Interest	456,376	456,247	542,204
Changes in benefit terms	-	-	-
Difference between expected and actual experience	79,952	1,015,790	154,290
Changes in assumptions	-	292,450	-
Benefit payments including employee refunds	(535,595)	(639,638)	(779,102)
Other	-	-	-
Net change in total OPEB liability	<u>52,855</u>	<u>1,174,403</u>	<u>(33,054)</u>
Total OPEB liability, beginning of year	<u>6,300,692</u>	<u>6,353,547</u>	<u>7,527,950</u>
Total OPEB liability, end of year	<u><u>\$ 6,353,547</u></u>	<u><u>\$ 7,527,950</u></u>	<u><u>\$ 7,494,896</u></u>
Plan Fiduciary Net Position			
Contributions-employer	\$ 500,000	\$ -	\$ -
Contributions/benefit payments made from general operating funds	535,595	639,638	779,102
Net investment income	198,865	151,458	62,008
Benefit payments including employee refunds	(535,595)	(639,638)	(779,102)
Administrative expense	(4,014)	(4,916)	(4,396)
Other	-	-	-
Net change in plan fiduciary net position	<u>694,851</u>	<u>146,542</u>	<u>57,612</u>
Plan fiduciary net position, beginning of year	<u>1,253,419</u>	<u>1,948,270</u>	<u>2,094,812</u>
Plan fiduciary net position, end of year	<u><u>\$ 1,948,270</u></u>	<u><u>\$ 2,094,812</u></u>	<u><u>\$ 2,152,424</u></u>
Employer net OPEB liability	<u><u>\$ 4,405,277</u></u>	<u><u>\$ 5,433,138</u></u>	<u><u>\$ 5,342,472</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	31%	28%	29%
Covered employee payroll	\$ 11,180,895	\$ 5,713,567	\$ 5,833,306
Employer's net OPEB liability as a percentage of covered employee payroll	39%	95%	92%

SCHEDULE OF INVESTMENT RETURNS

FOR THE YEAR ENDED JUNE 30, 2019

	2017	2018	2019
Annual money-weighted rate of return net of investment expense	12.2%	7.7%	2.9%

CITY OF GRAND HAVEN
DEFINED BENEFIT OPEB PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2017	2018	2019
Actuarially determined contributions	\$ 859,095	\$ 646,318	\$ 848,167
Contributions in relation to the actuarially determined contribution	1,035,595	639,638	779,102
Contribution deficiency (excess)	<u>\$ (176,500)</u>	<u>\$ 6,680</u>	<u>\$ 69,065</u>
Covered employee payroll	\$ 11,180,895	\$ 5,713,567	\$ 5,833,306
Contributions as a percentage of covered employee payroll	9%	11%	13%

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

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with State PA 202	\$ 906,928
Minimum required contribution under PA 202	779,102
Actual contribution	779,102
Contribution for employees hired after June 30, 2018	n/a

State of Michigan PA 202 assumptions, if different from GASB:

- Mortality - PRH 2014 at 2006 with improvement scale MP-2018
- Expected asset return - 7.0%
- Expected salary increase - 3.5%
- Effective discount rate - 7.0%
- Medical trend - Pre-medicare: 8.5% graded down to 4.25% by .25% per year, Post-medicare 7.0% graded to 4.5% by .25% per year

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

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

Pension and OPEB data

The data presented on the schedule of changes in employers net pension liability schedule is based on a December 31 measurement date.
The data presented on the schedule of changes in employers net OPEB liability schedule is based on a June 30 measurement date.
The pension and OPEB schedules are being accumulated prospectively until 10 years of information is presented.

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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, 2019

	Special Revenue						
	Major Streets	Local Streets	Housing	2014 Capital Improvement Bonds	2008 UTGO Bonds	2015 Infrastructure Bonds	Lighthouse Maintenance
Assets							
Cash and pooled investments	\$ 446,792	\$ 106,590	\$ 20,459	\$ 72,697	\$ 801,789	\$ 1,110,726	\$ -
Accounts receivable	13,101	-	39,943	-	416	-	261
Due from other governments	198,517	53,859	93,962	-	-	163,910	-
Special assessments receivable	11,158	421	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Prepaid items	2,590	1,070	89	-	-	-	-
Total assets	\$ 672,158	\$ 161,940	\$ 154,453	\$ 72,697	\$ 802,205	\$ 1,274,636	\$ 261
Liabilities, deferred inflows and fund balances							
Liabilities							
Accounts payable	\$ 101,195	\$ 343,790	\$ 11,342	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	12,556	8,077	-	-	-	-	-
Due to other funds	2,825	3,729	134,805	500	-	241,649	-
Total liabilities	116,576	355,596	146,147	500	-	241,649	-
Deferred inflows of resources							
Unavailable revenue	25,435	-	-	-	416	-	-
Fund balances (deficit)							
Non-spendable							
Prepaid items	2,590	1,070	89	-	-	-	-
Permanent fund corpus	-	-	-	-	-	-	-
Restricted							
Streets	527,557	-	-	-	-	-	-
Public works	-	-	8,217	72,197	801,789	1,032,987	-
Debt service funds	-	-	-	-	-	-	-
Committed							
Capital projects	-	-	-	-	-	-	-
Unassigned (deficit)	-	(194,726)	-	-	-	-	261
Total fund balances	530,147	(193,656)	8,306	72,197	801,789	1,032,987	261
Total liabilities, deferred inflows and fund balances	\$ 672,158	\$ 161,940	\$ 154,453	\$ 72,697	\$ 802,205	\$ 1,274,636	\$ 261

<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>Public Improvement</u>	<u>Fire Truck</u>	<u>2015 Infrastructure Bonds</u>	<u>Cemetery Perpetual Care</u>	
\$ -	\$ -	\$ 1,599,084	\$ -	\$ 2,936,455	\$ 684,904	\$ -	\$ 1,959,959	\$ 9,739,455
-	-	-	-	383,146	-	-	290	437,157
-	-	-	-	114,376	-	-	-	624,624
-	-	-	-	-	-	-	-	11,579
500	-	-	-	381,520	-	241,649	-	623,669
-	-	-	-	18,715	-	-	-	22,464
<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 1,599,084</u>	<u>\$ -</u>	<u>\$ 3,834,212</u>	<u>\$ 684,904</u>	<u>\$ 241,649</u>	<u>\$ 1,960,249</u>	<u>\$ 11,458,948</u>
\$ 500	\$ -	\$ -	\$ -	\$ 436,294	\$ -	\$ 7,956	\$ 500	\$ 901,577
-	-	-	-	-	-	-	-	20,633
-	-	-	-	-	-	-	-	383,508
<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,294</u>	<u>-</u>	<u>7,956</u>	<u>500</u>	<u>1,305,718</u>
-	-	-	-	65,040	-	-	-	90,891
-	-	-	-	18,715	-	-	-	22,464
-	-	-	-	-	-	-	1,959,749	1,959,749
-	-	-	-	-	-	-	-	527,557
-	-	-	-	-	-	-	-	1,915,190
-	-	1,599,084	-	-	-	-	-	1,599,084
-	-	-	-	3,314,163	684,904	233,693	-	4,232,760
-	-	-	-	-	-	-	-	(194,465)
<u>-</u>	<u>-</u>	<u>1,599,084</u>	<u>-</u>	<u>3,332,878</u>	<u>684,904</u>	<u>233,693</u>	<u>1,959,749</u>	<u>10,062,339</u>
<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 1,599,084</u>	<u>\$ -</u>	<u>\$ 3,834,212</u>	<u>\$ 684,904</u>	<u>\$ 241,649</u>	<u>\$ 1,960,249</u>	<u>\$ 11,458,948</u>

CITY OF GRAND HAVEN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	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>
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ 72,650	\$ 682,140	\$ 519,415	\$ -
Intergovernmental revenues							
Federal	-	-	119,649	-	-	1,066,845	-
State	1,135,151	335,250	35,518	-	-	-	47,435
Local	126,778	-	50,203	-	-	-	41,494
Special assessments	458	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Investment earnings	8,638	22	27	347	32,593	15,947	-
Miscellaneous	-	11,044	5,904	-	-	-	-
Total revenues	<u>1,271,025</u>	<u>346,316</u>	<u>211,301</u>	<u>72,997</u>	<u>714,733</u>	<u>1,602,207</u>	<u>88,929</u>
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Public works	2,591,979	655,645	139,972	-	-	-	-
Culture and recreation	-	-	-	-	-	-	88,668
Debt service							
Principal	-	20,934	-	-	-	-	-
Interest	-	18,136	-	-	-	-	-
Capital outlay	-	414,804	-	-	-	-	-
Total expenditures	<u>2,591,979</u>	<u>1,109,519</u>	<u>139,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,668</u>
Revenues over (under) expenditures	<u>(1,320,954)</u>	<u>(763,203)</u>	<u>71,329</u>	<u>72,997</u>	<u>714,733</u>	<u>1,602,207</u>	<u>261</u>
Other financing sources (uses)							
Transfers in	1,846,155	451,810	16,550	240,117	-	-	-
Transfers out	(100,000)	-	(79,805)	(240,917)	(650,297)	(2,326,069)	-
Total other financing sources (uses)	<u>1,746,155</u>	<u>451,810</u>	<u>(63,255)</u>	<u>(800)</u>	<u>(650,297)</u>	<u>(2,326,069)</u>	<u>-</u>
Net changes in fund balances	425,201	(311,393)	8,074	72,197	64,436	(723,862)	261
Fund balances, beginning of year	<u>104,946</u>	<u>117,737</u>	<u>232</u>	<u>-</u>	<u>737,353</u>	<u>1,756,849</u>	<u>-</u>
Fund balances, end of year	<u>\$ 530,147</u>	<u>\$ (193,656)</u>	<u>\$ 8,306</u>	<u>\$ 72,197</u>	<u>\$ 801,789</u>	<u>\$ 1,032,987</u>	<u>\$ 261</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>Public Improvement</u>	<u>Fire Truck</u>	<u>2015 Infrastructure Bonds</u>	<u>Cemetery Perpetual Care</u>	
\$ -	\$ -	\$ 402,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,676,506
-	-	-	-	49,336	-	-	-	1,235,830
-	-	-	-	7,571	-	-	-	1,560,925
-	-	-	-	1,718,984	-	-	-	1,937,459
-	-	-	-	-	-	-	-	458
-	-	-	-	-	-	-	37,269	37,269
-	-	41,300	-	97,970	17,959	-	32,960	247,763
-	-	-	-	34,895	-	-	-	51,843
-	-	443,601	-	1,908,756	17,959	-	70,229	6,748,053
-	-	680,660	-	-	-	-	-	680,660
-	-	-	-	-	-	-	-	3,387,596
-	-	-	-	-	-	-	-	88,668
156,678	250,000	-	515,000	-	-	-	-	942,612
84,314	228,758	-	135,297	-	-	-	-	466,505
-	-	-	-	2,514,852	-	(75,314)	-	2,854,342
240,992	478,758	680,660	650,297	2,514,852	-	(75,314)	-	8,420,383
(240,992)	(478,758)	(237,059)	(650,297)	(606,096)	17,959	75,314	70,229	(1,672,330)
240,917	478,300	-	650,297	415,120	50,000	1,847,769	-	6,237,035
-	-	-	-	(50,000)	-	(1,921,724)	(16,480)	(5,385,292)
240,917	478,300	-	650,297	365,120	50,000	(73,955)	(16,480)	851,743
(75)	(458)	(237,059)	-	(240,976)	67,959	1,359	53,749	(820,587)
75	458	1,836,143	-	3,573,854	616,945	232,334	1,906,000	10,882,926
\$ -	\$ -	\$ 1,599,084	\$ -	\$ 3,332,878	\$ 684,904	\$ 233,693	\$ 1,959,749	\$ 10,062,339

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2019

	<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>
Revenues				
Intergovernmental revenues				
State	\$ 1,993,080	\$ 1,079,275	\$ 1,135,151	\$ 55,876
Local	85,000	85,000	126,778	41,778
Special assessments	500	500	458	(42)
Investment earnings	<u>200</u>	<u>3,700</u>	<u>8,638</u>	<u>4,938</u>
Total revenues	2,078,780	1,168,475	1,271,025	102,550
Expenditures				
Current				
Public works	<u>2,714,920</u>	<u>1,690,885</u>	<u>2,591,979</u>	<u>(901,094)</u>
Revenues over (under) expenditures	<u>(636,140)</u>	<u>(522,410)</u>	<u>(1,320,954)</u>	<u>(798,544)</u>
Other financing sources (uses)				
Transfers in	763,310	565,020	1,846,155	1,281,135
Transfers out	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>763,310</u>	<u>465,020</u>	<u>1,746,155</u>	<u>1,281,135</u>
Net changes in fund balance	127,170	(57,390)	425,201	482,591
Fund balance, beginning of year	<u>104,946</u>	<u>104,946</u>	<u>104,946</u>	<u>-</u>
Fund balance, end of year	<u>\$ 232,116</u>	<u>\$ 47,556</u>	<u>\$ 530,147</u>	<u>\$ 482,591</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, 2019

	<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>
Revenues				
Intergovernmental revenues				
State	\$ 569,000	\$ 511,000	\$ 335,250	\$ (175,750)
Special assessments	2,000	1,500	-	(1,500)
Investment earnings	100	50	22	(28)
Miscellaneous	500	11,600	11,044	(556)
Total revenues	<u>571,600</u>	<u>524,150</u>	<u>346,316</u>	<u>(177,834)</u>
Expenditures				
Current				
Public works	841,340	734,720	655,645	79,075
Debt service				
Principal	-	-	20,934	(20,934)
Interest	57,070	39,070	18,136	20,934
Capital outlay	1,381,075	1,720,000	414,804	1,305,196
Total expenditures	<u>2,279,485</u>	<u>2,493,790</u>	<u>1,109,519</u>	<u>1,384,271</u>
Revenues over (under) expenditures	(1,707,885)	(1,969,640)	(763,203)	1,206,437
Other financing sources (uses)				
Transfers in	1,318,085	2,171,810	451,810	(1,720,000)
Net changes in fund balance	(389,800)	202,170	(311,393)	(513,563)
Fund balance, beginning of year	<u>117,737</u>	<u>117,737</u>	<u>117,737</u>	<u>-</u>
Fund balance, end of year	<u>\$ (272,063)</u>	<u>\$ 319,907</u>	<u>\$ (193,656)</u>	<u>\$ (513,563)</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
Federal	\$ 15,000	\$ 15,000	\$ 119,649	\$ 104,649
State	29,500	158,900	35,518	(123,382)
Local	63,000	52,880	50,203	(2,677)
Investment earnings	-	-	27	27
Miscellaneous	<u>5,000</u>	<u>5,500</u>	<u>5,904</u>	<u>404</u>
Total revenues	112,500	232,280	211,301	(20,979)
Expenditures				
Current				
Public works	<u>26,650</u>	<u>152,450</u>	<u>139,972</u>	<u>12,478</u>
Revenues over (under) expenditures	85,850	79,830	71,329	(8,501)
Other financing sources (uses)				
Transfers in	16,550	16,550	16,550	-
Transfers out	<u>(102,400)</u>	<u>(81,445)</u>	<u>(79,805)</u>	<u>1,640</u>
Total other financing sources (uses)	<u>(85,850)</u>	<u>(64,895)</u>	<u>(63,255)</u>	<u>1,640</u>
Net changes in fund balance	-	14,935	8,074	(6,861)
Fund balance, beginning of year	<u>232</u>	<u>232</u>	<u>232</u>	<u>-</u>
Fund balance, end of year	<u>\$ 232</u>	<u>\$ 15,167</u>	<u>\$ 8,306</u>	<u>\$ (6,861)</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, 2019

	<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>
Revenues				
Taxes	\$ -	\$ 72,600	\$ 72,650	\$ 50
Investment earnings	-	-	347	347
Total revenues	-	72,600	72,997	397
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	-	72,600	72,997	397
Other financing sources (uses)				
Transfers in	422,050	421,455	240,117	
Transfers out	(422,050)	(422,050)	(240,917)	181,133
Total other financing sources (uses)	-	(595)	(800)	181,133
Net changes in fund balance	-	72,005	72,197	181,530
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 72,005	\$ 72,197	\$ 181,530

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, 2019

	<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>
Revenues				
Taxes	\$ 607,875	\$ 620,115	\$ 682,140	\$ 62,025
Investment earnings	<u>1,500</u>	<u>15,000</u>	<u>32,593</u>	<u>17,593</u>
Total revenues	609,375	635,115	714,733	79,618
Expenditures				
Current				
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	609,375	635,115	714,733	79,618
Other financing sources (uses)				
Transfers out	<u>(651,090)</u>	<u>(651,090)</u>	<u>(650,297)</u>	<u>793</u>
Net changes in fund balance	(41,715)	(15,975)	64,436	80,411
Fund balance, beginning of year	<u>737,353</u>	<u>737,353</u>	<u>737,353</u>	<u>-</u>
Fund balance, end of year	<u>\$ 695,638</u>	<u>\$ 721,378</u>	<u>\$ 801,789</u>	<u>\$ 80,411</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, 2019

	<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>
Revenues				
Taxes	\$ 475,000	\$ 516,170	\$ 519,415	\$ 3,245
Intergovernmental revenues				
Federal	-	350,000	1,066,845	716,845
Investment earnings	<u>5,000</u>	<u>14,000</u>	<u>15,947</u>	<u>1,947</u>
Total revenues	480,000	880,170	1,602,207	722,037
Expenditures				
Current				
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	480,000	880,170	1,602,207	722,037
Other financing sources (uses)				
Transfers out	<u>(1,513,675)</u>	<u>(2,198,900)</u>	<u>(2,326,069)</u>	<u>(127,169)</u>
Net changes in fund balance	(1,033,675)	(1,318,730)	(723,862)	594,868
Fund balance, beginning of year	<u>1,756,849</u>	<u>1,756,849</u>	<u>1,756,849</u>	<u>-</u>
Fund balance, end of year	<u>\$ 723,174</u>	<u>\$ 438,119</u>	<u>\$ 1,032,987</u>	<u>\$ 594,868</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, 2019

	<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>
Revenues				
Intergovernmental revenues				
State	\$ -	\$ 47,435	\$ 47,435	\$ -
Local	-	40,975	41,494	519
	<u>-</u>	<u>88,410</u>	<u>88,929</u>	<u>519</u>
Total revenues	<u>-</u>	<u>88,410</u>	<u>88,929</u>	<u>519</u>
Expenditures				
Current				
Culture and recreation	-	88,410	88,668	(258)
	<u>-</u>	<u>88,410</u>	<u>88,668</u>	<u>(258)</u>
Net changes in fund balance	-	-	261	261
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261</u>	<u>\$ 261</u>

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

JUNE 30, 2019

	<u>Marina</u>	<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
Assets				
Current assets				
Cash and pooled investments	\$ 39,247	\$ 140,259	\$ 23,996	\$ 203,502
Accounts receivable	54,600	1,876	21,457	77,933
Due from other governments	18,320	11,100	-	29,420
Prepaid items	33	1,677	-	1,710
	<u>112,200</u>	<u>154,912</u>	<u>45,453</u>	<u>312,565</u>
Total current assets				
Non-current assets				
Capital assets				
Land	94,000	181,762	28,300	304,062
Construction in progress	-	3,750	-	3,750
Depreciable capital assets, net	2,092,102	1,706,360	863,194	4,661,656
	<u>2,186,102</u>	<u>1,891,872</u>	<u>891,494</u>	<u>4,969,468</u>
Total non-current assets				
Total assets	<u>2,298,302</u>	<u>2,046,784</u>	<u>936,947</u>	<u>5,282,033</u>
Deferred outflows of resources				
Pension related	62,064	-	-	62,064
Other post-employment benefits related	4,506	-	-	4,506
	<u>66,570</u>	<u>-</u>	<u>-</u>	<u>66,570</u>
Total deferred outflows of resources				
Liabilities				
Current liabilities				
Accounts payable	12,014	16,247	20,919	49,180
Accrued liabilities	7,615	1,871	-	9,486
Due to other funds	382,418	-	29,030	411,448
	<u>402,047</u>	<u>18,118</u>	<u>49,949</u>	<u>470,114</u>
Total current liabilities				
Long-term liabilities				
Accrued compensated absences	3,713	-	-	3,713
Other post-employment benefits	30,046	-	-	30,046
Net pension liability	214,665	-	-	214,665
	<u>248,424</u>	<u>-</u>	<u>-</u>	<u>248,424</u>
Total long-term liabilities				
Total liabilities	<u>650,471</u>	<u>18,118</u>	<u>49,949</u>	<u>718,538</u>
Net position				
Net investment in capital assets	2,186,102	1,891,872	891,494	4,969,468
Unrestricted	(471,701)	136,794	(4,496)	(339,403)
	<u>\$ 1,714,401</u>	<u>\$ 2,028,666</u>	<u>\$ 886,998</u>	<u>\$ 4,630,065</u>
Total net position				

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Marina</u>	<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 256,324	\$ 202,017	\$ 128,226	\$ 586,567
Operating expense				
Operating	369,245	218,535	181,625	769,405
Administrative and general	-	10,419	-	10,419
Depreciation	122,342	182,319	54,217	358,878
Total operating expense	491,587	411,273	235,842	1,138,702
Operating income (loss)	(235,263)	(209,256)	(107,616)	(552,135)
Non-operating revenue (expense)				
Investment earnings	69	248	88	405
Other	1,454	15,810	106,376	123,640
Total non-operating revenue (expense)	1,523	16,058	106,464	124,045
Income (loss) before other items	(233,740)	(193,198)	(1,152)	(428,090)
Transfers and other items				
Contribution in aid of construction	17,500	394,308	-	411,808
Changes in net position	(216,240)	201,110	(1,152)	(16,282)
Net position, beginning of year	1,930,641	1,827,556	888,150	4,646,347
Net position, end of year	<u>\$ 1,714,401</u>	<u>\$ 2,028,666</u>	<u>\$ 886,998</u>	<u>\$ 4,630,065</u>

CITY OF GRAND HAVEN
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Marina</u>	<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 242,283	\$ 212,561	\$ 125,222	\$ 580,066
Payments to employees	(143,841)	-	-	(143,841)
Payments to suppliers	(128,874)	(198,694)	(150,364)	(477,932)
Net cash provided by (used in) operating activities	<u>(30,432)</u>	<u>13,867</u>	<u>(25,142)</u>	<u>(41,707)</u>
Cash flows from capital and related financing activities				
Contribution in aid of construction	17,500	394,308	-	411,808
Acquisitions of capital assets	(14,087)	(456,903)	-	(470,990)
Net cash provided by (used in) capital and related financing activities	<u>3,413</u>	<u>(62,595)</u>	<u>-</u>	<u>(59,182)</u>
Cash flows from investing activities				
Interest income	<u>69</u>	<u>247</u>	<u>89</u>	<u>405</u>
Net increase (decrease) in cash and pooled investments	(26,950)	(48,481)	(25,053)	(100,484)
Cash and pooled investments, beginning of year	<u>66,197</u>	<u>188,740</u>	<u>49,049</u>	<u>303,986</u>
Cash and pooled investments, end of year	<u>\$ 39,247</u>	<u>\$ 140,259</u>	<u>\$ 23,996</u>	<u>\$ 203,502</u>
Cash flows from operating activities				
Operating income (loss)	\$ (235,263)	\$ (209,256)	\$ (107,616)	\$ (552,135)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	122,342	182,319	54,217	358,878
Miscellaneous revenue	1,454	15,810	106,376	123,640
Deferred outflows of resources for pension	(41,400)	-	-	(41,400)
Deferred outflows of resources for OPEB	1,166	-	-	1,166
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	2,252	21,644	(3,004)	20,892
Due from other governmental units	(16,293)	(11,100)	-	(27,393)
Prepaid expenses	(33)	931	-	898
Accounts payable	677	13,328	4,885	18,890
Accrued liabilities	1,902	191	-	2,093
Due to other funds	33,455	-	(80,000)	(46,545)
Compensated absences	54	-	-	54
Net pension liability	107,084	-	-	107,084
Net OPEB obligation	<u>842</u>	<u>-</u>	<u>-</u>	<u>842</u>
Net cash provided by (used in) operating activities	<u>\$ (30,432)</u>	<u>\$ 13,867</u>	<u>\$ (25,142)</u>	<u>\$ (41,707)</u>

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CITY OF GRAND HAVEN
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	Motor Pool	Insurance	Health Benefits	Retiree Health Care	Total
Assets					
Current assets					
Cash and pooled investments	\$ 1,175,009	\$ 1,162,515	\$ 846,102	\$ 942,950	\$ 4,126,576
Accounts receivable	-	-	705	-	705
Due from other governments	120	3,966	-	-	4,086
Due from other funds	38,782	-	497	-	39,279
Prepaid items	281	-	37,458	-	37,739
Inventory	51,595	-	-	-	51,595
Total current assets	1,265,787	1,166,481	884,762	942,950	4,259,980
Non-current assets					
Capital assets					
Depreciable capital assets, net	2,581,246	-	-	-	2,581,246
Total assets	3,847,033	1,166,481	884,762	942,950	6,841,226
Deferred outflows of resources					
Pension related	140,641	-	-	-	140,641
Other post-employment benefits related	15,415	-	-	-	15,415
Total deferred outflows of resources	156,056	-	-	-	156,056
Liabilities					
Current liabilities					
Accounts payable	27,725	-	512	-	28,237
Accrued liabilities	4,643	-	163,004	-	167,647
Total current liabilities	32,368	-	163,516	-	195,884
Long-term liabilities					
Accrued compensated absences	6,918	-	-	-	6,918
Other post-employment benefits	97,210	-	-	-	97,210
Net pension liability	486,442	-	-	-	486,442
Total long-term liabilities	590,570	-	-	-	590,570
Total liabilities	622,938	-	163,516	-	786,454
Net position					
Net investment in capital assets	2,581,246	-	-	-	2,581,246
Unrestricted	798,905	1,166,481	721,246	942,950	3,629,582
Total net position	\$ 3,380,151	\$ 1,166,481	\$ 721,246	\$ 942,950	\$ 6,210,828

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Motor Pool</u>	<u>Insurance</u>	<u>Health Benefits</u>	<u>Retiree Health Care</u>	<u>Total</u>
Operating revenue					
Charges for services	\$ 1,460,773	\$ 505,783	\$ 3,933,968	\$ -	\$ 5,900,524
Employer contributions	-	-	-	831,256	831,256
Total operating revenue	<u>1,460,773</u>	<u>505,783</u>	<u>3,933,968</u>	<u>831,256</u>	<u>6,731,780</u>
Operating expense					
Operating	791,187	421,355	3,989,879	-	5,202,421
Insurance payments	-	-	-	627,395	627,395
Administrative and general	-	-	211,274	-	211,274
Depreciation	<u>352,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,959</u>
Total operating expense	<u>1,144,146</u>	<u>421,355</u>	<u>4,201,153</u>	<u>627,395</u>	<u>6,394,049</u>
Operating income (loss)	<u>316,627</u>	<u>84,428</u>	<u>(267,185)</u>	<u>203,861</u>	<u>337,731</u>
Non-operating revenue (expense)					
Gain (loss) on disposal of capital assets	(2,728)	-	-	-	(2,728)
Investment earnings	34,037	14,599	12,368	30,815	91,819
Other	<u>41,582</u>	<u>-</u>	<u>146,551</u>	<u>-</u>	<u>188,133</u>
Total non-operating revenue (expense)	<u>72,891</u>	<u>14,599</u>	<u>158,919</u>	<u>30,815</u>	<u>277,224</u>
Changes in net position	389,518	99,027	(108,266)	234,676	614,955
Net position, beginning of year, as restated	<u>2,990,633</u>	<u>1,067,454</u>	<u>829,512</u>	<u>708,274</u>	<u>5,595,873</u>
Net position, end of year	<u>\$ 3,380,151</u>	<u>\$ 1,166,481</u>	<u>\$ 721,246</u>	<u>\$ 942,950</u>	<u>\$ 6,210,828</u>

CITY OF GRAND HAVEN
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Motor Pool</u>	<u>Insurance</u>	<u>Health Benefits</u>	<u>Retiree Health Care</u>	<u>Total</u>
Cash flows from operating activities					
Receipts from internal services provided	\$ 1,584,283	\$ 501,817	\$ 3,933,330	\$ 846,336	\$ 6,865,766
Payments to employees	(223,253)	-	-	-	(223,253)
Payments to suppliers	(677,621)	(214,488)	(256,004)	(627,395)	(1,775,508)
Claims paid	-	-	(3,748,828)	-	(3,748,828)
Net cash provided by (used in) operating activities	683,409	287,329	(71,502)	218,941	1,118,177
Cash flows from capital and related financing activities					
Acquisitions of capital assets	(352,552)	-	-	-	(352,552)
Cash flows from investing activities					
Interest income	34,037	14,599	12,368	30,815	91,819
Net increase (decrease) in cash and pooled investments	364,894	301,928	(59,134)	249,756	857,444
Cash and pooled investments, beginning of year	810,115	860,587	905,236	693,194	3,269,132
Cash and pooled investments, end of year	\$ 1,175,009	\$ 1,162,515	\$ 846,102	\$ 942,950	\$ 4,126,576
Cash flows from operating activities					
Operating income (loss)	\$ 316,627	\$ 84,428	\$ (267,185)	\$ 203,861	\$ 337,731
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	352,959	-	-	-	352,959
Miscellaneous revenue	41,582	-	146,551	-	188,133
Deferred outflows of resources for pension	(71,500)	-	-	-	(71,500)
Deferred outflows of resources for OPEB	3,037	-	-	-	3,037
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	-	-	(141)	-	(141)
Due from other funds	81,863	-	(497)	15,080	96,446
Due from other governmental units	65	(3,966)	-	-	(3,901)
Prepaid expenses	(211)	210,907	(44,912)	-	165,784
Inventory	(29,155)	-	-	-	(29,155)
Accounts payable	(104,028)	(4,040)	182	-	(107,886)
Accrued liabilities	174	-	94,500	-	94,674
Compensated absences	(7,676)	-	-	-	(7,676)
Net pension liability	126,488	-	-	-	126,488
Net OPEB obligation	2,193	-	-	-	2,193
Net cash provided by (used in) operating activities	\$ 683,409	\$ 287,329	\$ (71,502)	\$ 218,941	\$ 1,118,177

CITY OF GRAND HAVEN

AGENCY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2019

	<u>Payroll Tax Collection</u>	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Harbor Transit Multi-Modal Transportation System</u>
Assets				
Cash and pooled investments	\$ 227,445	\$ 31,163	\$ 105,530	\$ 1,062,757
Due from other governmental units	<u>74,291</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 301,736</u>	<u>\$ 31,163</u>	<u>\$ 105,530</u>	<u>\$ 1,062,757</u>
Liabilities				
Accounts payable	\$ 292,602	\$ 31,159	\$ -	\$ -
Accrued liabilities	5,168	-	-	-
Due to other governmental units	3,966	4	-	-
Trust deposits	<u>-</u>	<u>-</u>	<u>105,530</u>	<u>1,062,757</u>
Total liabilities	<u>\$ 301,736</u>	<u>\$ 31,163</u>	<u>\$ 105,530</u>	<u>\$ 1,062,757</u>

Grand Haven- Spring Lake Sewer Authority	Northwest Ottawa Water Treatment Plant	<u>Total</u>
\$ 1,297,173	\$ 901,764	\$ 3,625,832
<u>-</u>	<u>-</u>	<u>74,291</u>
<u>\$ 1,297,173</u>	<u>\$ 901,764</u>	<u>\$ 3,700,123</u>
\$ -	\$ -	\$ 323,761
-	-	5,168
-	-	3,970
<u>1,297,173</u>	<u>901,764</u>	<u>3,367,224</u>
<u>\$ 1,297,173</u>	<u>\$ 901,764</u>	<u>\$ 3,700,123</u>

CITY OF GRAND HAVEN

ECONOMIC DEVELOPMENT CORPORATION BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Assets			
Cash and pooled investments	\$ 195,516	\$ -	\$ 195,516
Accounts receivable	<u>140,700</u>	<u>-</u>	<u>140,700</u>
Total assets	<u>\$ 336,216</u>	<u>-</u>	<u>336,216</u>
 Liabilities and fund balances			
Liabilities			
Accounts payable	\$ -	-	-
 Fund balances			
Unassigned	<u>336,216</u>	<u>(336,216)</u>	
Total liabilities and fund balances	<u>\$ 336,216</u>		
 Net position			
Unrestricted		<u>\$ 336,216</u>	<u>\$ 336,216</u>
Total net position		<u>\$ 336,216</u>	<u>\$ 336,216</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, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Intergovernmental revenues			
Local	\$ 20,555	\$ -	\$ 20,555
Investment earnings	1,902	-	1,902
Miscellaneous	<u>250</u>	<u>-</u>	<u>250</u>
Total revenues	<u>22,707</u>	<u>-</u>	<u>22,707</u>
Expenditures/expenses			
Operations	<u>30,253</u>	<u>-</u>	<u>30,253</u>
Net changes in fund balances	(7,546)	7,546	
Change in net position		(7,546)	(7,546)
Fund balances/net position, beginning of year	<u>343,762</u>		<u>343,762</u>
Fund balances/net position, end of year	<u>\$ 336,216</u>		<u>\$ 336,216</u>

CITY OF GRAND HAVEN

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

JUNE 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 114,766	\$ -	\$ 114,766
Accounts receivable	122,391	-	122,391
Special assessments receivable	125,380	-	125,380
Capital lease receivable	1,348,493	-	1,348,493
Prepaid items	110	-	110
Total assets	<u>\$ 1,711,140</u>	<u>-</u>	<u>1,711,140</u>
Deferred outflows of resources			
Pension related	-	56,421	56,421
Deferred charge on refunding	-	124,864	124,864
Total deferred outflows of resources	<u>-</u>	<u>181,285</u>	<u>181,285</u>
Liabilities, deferred inflows and fund balances			
Liabilities			
Accounts payable	\$ 102,868	-	102,868
Accrued liabilities	723	-	723
Accrued interest	-	42,799	42,799
Due to primary government	23,686	-	23,686
Long-term debt			
Due within one year	-	390,000	390,000
Due in more than one year	-	6,630,000	6,630,000
Net pension liability	-	195,147	195,147
Bond premium	-	418,626	418,626
Total liabilities	<u>127,277</u>	<u>7,676,572</u>	<u>7,803,849</u>
Deferred inflows of resources			
Unavailable revenue	<u>1,473,993</u>	<u>(1,473,993)</u>	<u>-</u>
Fund balances			
Unassigned	<u>109,870</u>	<u>(109,870)</u>	
Total liabilities, deferred inflows and fund balances	<u>\$ 1,711,140</u>		
Net position (deficit)			
Unrestricted		<u>\$ (7,566,702)</u>	<u>\$ (5,911,424)</u>

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

Fund balance - general fund	\$ 109,870
Add deferred outflows of resources	181,285
Deduct accrued interest	(42,799)
Deduct long-term debt	(7,020,000)
Deduct net pension liability	(195,147)
Deduct bond premium	(418,626)
Add long-term deferred receivables	1,473,993
Net position (deficit)	<u>\$ (5,911,424)</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, 2019

	General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 473,225	\$ -	\$ 473,225
Intergovernmental revenues			
Local	105,796	-	105,796
Operating grants and contributions	22,137	-	22,137
Special assessments	87,896	(136,862)	(48,966)
Investment earnings	45,056	-	45,056
Miscellaneous	59,498	-	59,498
Total revenues	<u>793,608</u>	<u>(136,862)</u>	<u>656,746</u>
Expenditures/expenses			
Salaries	90,683	(1,080)	89,603
Administration	20,975	-	20,975
Operations	178,512	-	178,512
Debt service			
Principal	335,000	(360,000)	(25,000)
Interest	245,516	(31,636)	213,880
Total expenditures/expenses	<u>870,686</u>	<u>(392,716)</u>	<u>477,970</u>
Revenues over (under) expenditures/expenses	<u>(77,078)</u>	<u>255,854</u>	<u>178,776</u>
Other financing sources (uses)			
Issuance of bonds	4,540,000	(4,540,000)	-
Premium on bonds	418,626	(418,626)	-
Payments to escrow agent	(4,884,598)	4,884,598	-
Total other financing sources (uses)	<u>74,028</u>	<u>(74,028)</u>	<u>-</u>
Net changes in fund balances	(3,050)	3,050	
Change in net position		252,804	178,776
Fund balances/net position (deficit), beginning of year	<u>112,920</u>		<u>(6,090,200)</u>
Fund balances/net position (deficit), end of year	<u>\$ 109,870</u>		<u>\$ (5,911,424)</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			
Net change in fund balance - general fund			\$ (3,050)
Add principal payments on debt			360,000
Deduct increase in unavailable revenues			(136,862)
Add decrease in accrued interest			41,415
Add payment to escrow			4,884,598
Deduct bonds issued			(4,540,000)
Deduct bonds premium			(418,626)
Deduct amortization of refunding charges			(9,779)
Deduct increase in net pension liability			(37,759)
Add increase in deferred outflows			26,189
Add decrease in deferred inflows			12,650
Change in net position			<u>\$ 178,776</u>

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

JUNE 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 172,687	\$ -	\$ 172,687
Accounts receivable	46,659	-	46,659
Due from other governments	3,284	-	3,284
Taxes receivable	<u>159</u>	<u>-</u>	<u>159</u>
Total assets	<u>\$ 222,789</u>	<u>-</u>	<u>222,789</u>
Deferred outflows of resources			
Deferred charge on refunding	<u>-</u>	<u>92,528</u>	<u>92,528</u>
Liabilities, deferred inflows and fund balances			
Liabilities			
Accounts payable	\$ 2,675	\$ -	2,675
Accrued interest	-	29,828	29,828
Long-term debt			
Due within one year	-	1,484,853	1,484,853
Due in more than one year	-	3,426,150	3,426,150
Bond premium	<u>-</u>	<u>180,599</u>	<u>180,599</u>
Total liabilities	<u>2,675</u>	<u>5,121,430</u>	<u>5,124,105</u>
Deferred inflows of resources			
Unavailable revenue	<u>159</u>	<u>(159)</u>	<u>-</u>
Fund balances			
Unassigned	<u>219,955</u>	<u>(219,955)</u>	
Total liabilities, deferred inflows and fund balances	<u>\$ 222,789</u>		
Net position (deficit)			
Unrestricted		<u>\$ (4,901,475)</u>	<u>\$ (4,808,788)</u>
Reconciliation of Fund Balance on the Balance Sheet for the General Fund to Net Position on the Statement of Net Position			
Fund balance - general fund			\$ 219,955
Add deferred outflows of resources			92,528
Deduct accrued interest			(29,828)
Deduct long-term debt			(4,911,003)
Deduct bond premium			(180,599)
Add long-term deferred assessment receivables			<u>159</u>
Net position (deficit)			<u>\$ (4,808,788)</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, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 695,578	\$ -	\$ 695,578
Intergovernmental revenues			
State	28,604	-	28,604
Local	979,424	-	979,424
Special assessments	27,160	-	27,160
Investment earnings	50	-	50
Miscellaneous	<u>12,229</u>	<u>98</u>	<u>12,327</u>
Total revenues	<u>1,743,045</u>	<u>98</u>	<u>1,743,143</u>
Expenditures/expenses			
Operations	139,408	-	139,408
Debt Service			
Principal	1,460,916	(1,460,916)	-
Interest	206,888	50,269	257,157
Bond premium amortization	<u>-</u>	<u>(121,484)</u>	<u>(121,484)</u>
Total expenditures/expenses	<u>1,807,212</u>	<u>(1,532,131)</u>	<u>275,081</u>
Net changes in fund balances	(64,167)	64,167	
Change in net position		1,468,062	1,468,062
Fund balances/net position (deficit), beginning of year	<u>284,122</u>		<u>(6,276,850)</u>
Fund balances/net position (deficit), end of year	<u>\$ 219,955</u>		<u>\$ (4,808,788)</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			
Net change in fund balance - general fund			\$ (64,167)
Add principal payments on debt			1,460,916
Add increase in unavailable revenues			98
Add decrease in accrued interest			11,971
Deduct amortization of refunding charges			(62,240)
Add amortization of bond premium			<u>121,484</u>
Change in net position			<u>\$ 1,468,062</u>

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SINGLE AUDIT SECTION



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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

November 11, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 11, 2019.

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



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 11, 2019

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

Report on Compliance for Each Major Federal Program

We have audited the City of Grand Haven, Michigan's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Uredereld Haefner LLC

CITY OF GRAND HAVEN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass-through Grantor Program Title	Grant Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through Michigan Strategic Fund			
Community Development Block Grant	MSC 216029-ICE	14.228	\$ 1,066,844
Community Development Block Grant	MSC 218014-CPF	14.228	49,336
Total passed through Michigan Strategic Fund			1,116,180
Passed through Michigan State Housing Development Authority			
HOME Housing Grant	M-2017-837	14.239	105,104
HUD Housing Grant	18-05	14.169	14,545
Total passed through Michigan State Housing Development Authority			119,649
Total Federal Financial Assistance			\$ 1,235,829

See notes to schedule of expenditures of federal awards.

CITY OF GRAND HAVEN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the modified accrual basis of accounting.

2. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per the Schedule of Expenditures of Federal Awards.

Revenues from federal sources per governmental funds financial statements	\$ 1,236,217
Federal revenues not included on the Schedule of Expenditures of Federal Awards as the City is a vendor not a subrecipient of the pass through entity	<u>(388)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,235,829</u>

3. The City did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance section 2 CFR 200.414 indirect costs.

CITY OF GRAND HAVEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Type of auditors' report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?	<u> </u> yes	<u> X </u> no	

Identification of major programs:

CFDA Number(s)

14.228

Name of Federal Program or Cluster

Community Development Block Grant

Dollar threshold used to distinguish between Type A and B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted