

City of Grand Ledge

FINANCIAL STATEMENTS
(With Required Supplementary Information)

June 30, 2018

City of Grand Ledge

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Grand Ledge, 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 Ledge, Michigan (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Ledge, Michigan, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note L to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, during the year. Our opinions are not modified with respect to this matter.

Also, as discussed in Note L to the financial statements, the City implemented GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, during the year. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of changes in net pension liability and contributions, and schedules of changes in net OPEB asset and contributions, as identified in the table of contents, 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 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary information is 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 accompanying other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

September 28, 2018

City of Grand Ledge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Our discussion and analysis of the City of Grand Ledge's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's financial statements.

Financial Highlights

- At the close of the fiscal year, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$32,420,224 (net position). Of this amount, \$1,869,551 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,463,327.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,557,272, a decrease of \$1,260,550 from the prior year, of which \$1,286,925 is available for unrestricted spending (unassigned fund balance). The decrease of \$1,260,550 was invested in capital assets (e.g., land, buildings, vehicles, equipment, systems, and infrastructure) and included capital projects financed by 2016 bond proceeds.
- Fund balance of the General Fund increased by \$31,422 during the current fiscal year (non-GAAP basis), which was \$193,447 more than anticipated in the final budget. The Grants Fund, when appropriately combined into the General Fund under GASB 54, caused the change in combined General Fund fund balance to be \$168,432. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,286,925 or 43.2% of total General Fund expenditures and other financing uses.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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, deferred outflows, liabilities and deferred inflows. 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 government'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 vacation leave).

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

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate entities for which the City is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The component units are the Downtown Development Authority and the Local Development Finance Authority.

City of Grand Ledge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Fund Financial Statements

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

Governmental Funds

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

The City maintains 11 individual governmental funds. 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, major streets, local streets, municipal streets, and capital improvements funds, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein 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 an enterprise fund to account for its water and sewer 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 equipment maintenance and employee benefits services. Because these services predominantly benefit governmental rather than business-type functions, they have been largely 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 information for the water and sewer enterprise fund, which is considered to be a major fund of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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 statements 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.

City of Grand Ledge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules for the City's pension and other post-employment benefits plans.

The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position was \$32,420,224 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (91.0 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City as a Whole

The following table shows, in a condensed format, the current year's net position for the years ended June 30, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 4,319,565	\$ 5,383,000	\$ 1,811,288	\$ 1,701,504	\$ 6,130,853	\$ 7,084,504
Capital assets, net	20,683,831	19,073,985	19,549,402	19,702,718	40,233,233	38,776,703
Total assets	25,003,396	24,456,985	21,360,690	21,404,222	46,364,086	45,861,207
Deferred Outflows of Resources	135,502	210,455	133,587	155,852	269,089	366,307
Liabilities						
Current	1,247,790	2,027,302	1,040,013	6,734,058	2,287,803	8,761,360
Noncurrent	6,539,567	6,630,874	5,335,090	339,119	11,874,657	6,969,993
Total liabilities	7,787,357	8,658,176	6,375,103	7,073,177	14,162,460	15,731,353
Deferred Inflows of Resources	48,820	-	1,671	-	50,491	-0-
Net Position						
Net invested in capital assets	15,834,711	15,302,936	13,680,487	13,197,237	29,515,198	28,500,173
Restricted	1,228,498	840,242	-	-	1,228,498	840,242
Unrestricted (deficit)	239,512	(133,914)	1,437,016	1,289,660	1,676,528	1,155,746
Total net position	\$ 17,302,721	\$ 16,009,264	\$ 15,117,503	\$ 14,486,897	\$ 32,420,224	\$ 30,496,161

City of Grand Ledge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Approximately 91.5 percent of the City's net position of governmental activities reflects its investment in capital less any related debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position of governmental activities of \$239,512 represents the amount that may be used to meet the City's ongoing obligations.

Net position of the City's governmental activities increased approximately 6.1 percent to \$17.30 million. This increase demonstrates an ongoing continued commitment to asset management, maintaining streets, enhancing parks, delivering municipal services and providing public safety.

The net position of the City's business-type activities increased approximately 3.2 percent to \$15.12 million during the fiscal year. This increase is due to continued investment in infrastructure, maintenance of water and sanitary sewer mains, as well as improvements to the water and wastewater treatment plants.

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended June 30, 2018 and 2017.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenue						
Charges for services	\$ 725,964	\$ 649,346	\$ 3,681,229	\$ 4,052,507	\$ 4,407,193	\$ 4,701,853
Operating grants and contributions	1,297,099	810,761	49,691	-	1,346,790	810,761
Capital grants and contributions	-	463,157	11,610	13,149	11,610	476,306
General revenues						
Property taxes	2,384,970	2,436,257	-	-	2,384,970	2,436,257
State Revenue Sharing	751,210	724,213	-	-	751,210	724,213
Investment earnings	43,297	42,190	10,445	30,363	53,742	72,553
Miscellaneous	74,905	163,649	19,650	-	94,555	163,649
Total revenues	5,277,445	5,289,573	3,772,625	4,096,019	9,050,070	9,385,592
Expenses						
General government	870,050	889,639	-	-	870,050	889,639
Public safety	1,638,652	1,575,482	-	-	1,638,652	1,575,482
Public works	1,073,585	1,223,204	-	-	1,073,585	1,223,204
Community and economic development	210,718	181,031	-	-	210,718	181,031
Recreation and culture	349,391	247,701	-	-	349,391	247,701
Interest on long-term debt	141,772	179,012	-	-	141,772	179,012
Water and Sewer	-	-	3,302,575	2,851,347	3,302,575	2,851,347
Total expenses	4,284,168	4,296,069	3,302,575	2,851,347	7,586,743	7,147,416
Change in net position	\$ 993,277	\$ 993,504	\$ 470,050	\$ 1,244,672	\$ 1,463,327	\$ 2,238,176

Governmental Activities

Governmental activities increased the City's net position by \$993,277. This represents a 6.1 percent increase in governmental activities net position and is partially the result of asset management, conservative spending, recognizing operational grants, and capital contributions for park improvements.

City of Grand Ledge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Business-type Activities

Business-type activities increased the City's net position by \$470,050. This increase is primarily due to asset management, conservative spending, and the annual application of a professional utility rate study.

Financial Analysis of the City's Funds

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 the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,557,272, a decrease of \$1,260,550 from the prior year. Of the total fund balance, 36.2% or \$1,286,925 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is divided into categories based on the relative strength of the constraints that control how amounts can be spent. Restricted fund balance of \$2,145,732 consists of items that can only be spent for specific purposes based on external resource providers or legislation. Funds included in this category are the major, local, and municipal street funds, other special revenue funds, debt service funds, and capital projects fund financed by bond proceeds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was \$1,503,458, of which \$11,079 was classified as nonspendable, \$137,908 was restricted for city parks, \$67,546 was assigned for the subsequent year's expenditures, and the remaining \$1,286,925 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures and other financing uses. Unassigned fund balance represents 43.2 percent of total General Fund expenditures and other financing uses. Total fund balance increased by \$168,432 during the current fiscal year.

The Major Streets Fund had total restricted fund balance of \$384,014, an increase of \$111,503. The primary revenue source for this fund is State Act 51 revenue. Any unspent amounts at year-end are restricted for future street projects.

The Local Streets Fund had total restricted fund balance of \$266,733, an increase of \$123,603. The primary revenue source for this fund is State Act 51 revenue. Any unspent amounts at year-end are restricted for future street projects.

The Municipal Streets Fund had total restricted fund balance of \$186,645, a decrease of \$50,711. The primary revenue source for this fund is a dedicated property tax millage. Any unspent amounts at year-end are restricted for future street projects.

The Capital Improvements Fund had restricted fund balance of \$999,510, which represents unexpended bond proceeds. The 2016 capital improvement bonds, issued in July 2016, are being used for street improvements and Downtown parking lots.

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 water and sewer enterprise fund at the end of the year amounted to \$1,369,197. The fund had an increase in net position for the year of \$467,577. Factors related to this fund are addressed in the analysis for business-type activities.

City of Grand Ledge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

General Fund Budgetary Highlights (Non-GAAP Basis)

Differences between the original and final amended budgets for expenditures were relatively minor. Changes between original and final budget balances result from the carryover of certain budget appropriations under the City's budgetary policies, taking advantage of grant opportunities, and several complementary appropriations.

In total, the General Fund had a positive variance in the net change in fund balance of \$193,447. The most significant fluctuation with the final amended expenditure budget relates to general government activities that were approximately \$85,000 under budget due to strong control over expenditures. On the revenue side, revenues come in approximately \$65,000 higher than expected mainly in other revenue that was over budget by \$45,000.

Capital Asset and Debt Administration

At the end of the 2018 fiscal year, the City had invested approximately \$40.2 million in a broad range of capital assets, including buildings and improvements, public safety (police) equipment, parks and recreational facilities, roads, a water well, and water and sewer lines, net of accumulated depreciation. More detailed information about the City's capital assets is presented in Note D to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,775,118	\$ 546,764	\$ 2,321,882
Construction in progress	409,024	43,110	452,134
Land improvements	1,627,791	65,212	1,693,003
Buildings and improvements	3,104,711	18,529,180	21,633,891
Equipment	654,979	365,136	1,020,115
Infrastructure	13,112,208	-	13,112,208
Capital assets, net	<u>\$ 20,683,831</u>	<u>\$ 19,549,402</u>	<u>\$ 40,233,233</u>

At year end, the City had approximately \$12.0 million in bonds and other obligations outstanding. This represents a decrease of \$1.2 million from the previous fiscal year. More detailed information about the City's long-term liabilities is presented in Note E to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 5,805,000	\$ 2,259,062	\$ 8,064,062
Contractual obligation with Eaton County	-	3,605,000	3,605,000
Accrued compensated absences	233,977	65,068	299,045
Total outstanding debt	<u>\$ 6,038,977</u>	<u>\$ 5,929,130</u>	<u>\$ 11,968,107</u>

The City also had \$182,070 in net unamortized bond items at June 30, 2018. The City of Grand Ledge has been given a bond rating of "AA-" by Standard and Poor's.

City of Grand Ledge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Economic Factors and Next Year's Budgets and Rates

- Stagnant property tax revenue and state revenue sharing
- Annual increase in water/sewer utility rates effective July 1, 2018 to reflect consumer price index
- Contribution of \$150,000 to the trust established to advance-fund the City's retiree healthcare plan
- Exclusion of Retiree Health Care for all employees hired on or after July 1, 2018
- Exclusion of Define Benefits for Police Command employees hired on or after July 1, 2018

Contacting the City of Grand Ledge Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the City Finance Director at 310 Greenwood, Grand Ledge, Michigan 48837.

BASIC FINANCIAL STATEMENTS

City of Grand Ledge

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,874,389	\$ 1,176,712	\$ 5,051,101	\$ 772,231
Receivables	57,748	489,176	546,924	-
Internal balances	(67,819)	67,819	-0-	-
Due from other governmental units	296,765	-	296,765	-
Prepays	103,367	-	103,367	-
Total current assets	4,264,450	1,733,707	5,998,157	772,231
Noncurrent assets				
Receivables	-	57,566	57,566	-
Capital assets not being depreciated	2,184,142	589,874	2,774,016	2,902,902
Capital assets, net of accumulated depreciation	18,499,689	18,959,528	37,459,217	2,041,857
Net other post-employment benefits asset	55,115	20,015	75,130	-
Total noncurrent assets	20,738,946	19,626,983	40,365,929	4,944,759
TOTAL ASSETS	25,003,396	21,360,690	46,364,086	5,716,990
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	133,587	133,587	17,238
Deferred outflows of resources related to pensions	135,502	-	135,502	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	135,502	133,587	269,089	17,238
LIABILITIES				
Current liabilities				
Accounts payable	353,631	232,567	586,198	2,807
Accrued liabilities	80,618	41,846	122,464	1,060
Accrued interest payable	21,998	33,120	55,118	8,426
Current portion of compensated absences	233,977	63,649	297,626	-
Current portion of long-term debt	557,566	668,831	1,226,397	258,845
Total current liabilities	1,247,790	1,040,013	2,287,803	271,138
Noncurrent liabilities				
Noncurrent portion of compensated absences	-	1,419	1,419	-
Noncurrent portion of long-term debt	5,291,064	5,333,671	10,624,735	1,261,437
Net pension liability	1,248,503	-	1,248,503	-
Total noncurrent liabilities	6,539,567	5,335,090	11,874,657	1,261,437
TOTAL LIABILITIES	7,787,357	6,375,103	14,162,460	1,532,575
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	44,219	-	44,219	-
Deferred inflows of resources related to OPEB	4,601	1,671	6,272	-
TOTAL DEFERRED INFLOWS OF RESOURCES	48,820	1,671	50,491	-0-
NET POSITION				
Net investment in capital assets	15,834,711	13,680,487	29,515,198	3,441,715
Restricted	1,228,498	-	1,228,498	759,938
Unrestricted	239,512	1,437,016	1,676,528	-
TOTAL NET POSITION	\$ 17,302,721	\$ 15,117,503	\$ 32,420,224	\$ 4,201,653

See accompanying notes to financial statements.

City of Grand Ledge
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 870,050	\$ 410,112	\$ 98,819	\$ -	\$ (361,119)	\$ -	\$ (361,119)	\$ -
Public safety	1,638,652	220,811	2,865	-	(1,414,976)	-	(1,414,976)	-
Public works	1,073,585	91,871	782,811	-	(198,903)	-	(198,903)	-
Community and economic development	210,718	-	284,071	-	73,353	-	73,353	-
Recreation and culture	349,391	3,170	128,533	-	(217,688)	-	(217,688)	-
Interest on long-term debt	141,772	-	-	-	(141,772)	-	(141,772)	-
Total governmental activities	4,284,168	725,964	1,297,099	-0-	(2,261,105)	-0-	(2,261,105)	-0-
Business-type activities								
Water and Sewer	3,302,575	3,681,229	49,691	11,610	-	439,955	439,955	-
Total primary government	<u>\$ 7,586,743</u>	<u>\$ 4,407,193</u>	<u>\$ 1,346,790</u>	<u>\$ 11,610</u>	(2,261,105)	439,955	(1,821,150)	-0-
Component units								
Downtown Development Authority	\$ 610,306	\$ 20,941	\$ 52,914	\$ -	-	-	-0-	(536,451)
Local Development Finance Authority	132,229	-	100,000	-	-	-	-0-	(32,229)
Total component units	<u>\$ 742,535</u>	<u>\$ 20,941</u>	<u>\$ 152,914</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(568,680)
General revenues								
Property taxes					2,384,970	-	2,384,970	696,552
State shared revenue					751,210	-	751,210	-
Investment earnings					43,297	10,445	53,742	4,240
Miscellaneous					74,905	19,650	94,555	1,788
Total general revenues					<u>3,254,382</u>	<u>30,095</u>	<u>3,284,477</u>	<u>702,580</u>
Change in net position					993,277	470,050	1,463,327	133,900
Restated net position, beginning of year					<u>16,309,444</u>	<u>14,647,453</u>	<u>30,956,897</u>	<u>4,067,753</u>
Net position, end of year					<u>\$ 17,302,721</u>	<u>\$ 15,117,503</u>	<u>\$ 32,420,224</u>	<u>\$ 4,201,653</u>

See accompanying notes to financial statements.

City of Grand Ledge

Governmental Funds

BALANCE SHEET

June 30, 2018

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>
ASSETS			
Cash and cash equivalents	\$ 1,430,391	\$ 318,262	\$ 244,113
Receivables			
Accounts	37,671	246	246
Taxes	5,485	-	-
Special assessments	100	-	-
Due from other governmental units	180,164	83,043	33,558
Prepays	11,079	-	-
	<u>1,664,890</u>	<u>401,551</u>	<u>277,917</u>
TOTAL ASSETS	\$ 1,664,890	\$ 401,551	\$ 277,917
LIABILITIES			
Accounts payable	\$ 94,368	\$ 16,321	\$ 7,615
Accrued liabilities	61,579	1,216	3,569
	<u>155,947</u>	<u>17,537</u>	<u>11,184</u>
TOTAL LIABILITIES	155,947	17,537	11,184
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	5,485	-	-
FUND BALANCES			
Nonspendable	11,079	-	-
Restricted	137,908	384,014	266,733
Assigned	67,546	-	-
Unassigned	1,286,925	-	-
	<u>1,503,458</u>	<u>384,014</u>	<u>266,733</u>
TOTAL FUND BALANCES	1,503,458	384,014	266,733
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,664,890	\$ 401,551	\$ 277,917

See accompanying notes to financial statements.

<u>Municipal Streets</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 159,290	\$ 1,202,144	\$ 218,777	\$ 3,572,977
-	-	-	38,163
1,646	-	548	7,679
8,672	-	-	8,772
-	-	-	296,765
29,990	-	16,000	57,069
<u>\$ 199,598</u>	<u>\$ 1,202,144</u>	<u>\$ 235,325</u>	<u>\$ 3,981,425</u>
\$ 1,202	\$ 202,634	\$ 12,840	\$ 334,980
1,433	-	5,025	72,822
2,635	202,634	17,865	407,802
10,318	-	548	16,351
29,990	-	16,000	57,069
156,655	999,510	200,912	2,145,732
-	-	-	67,546
-	-	-	1,286,925
<u>186,645</u>	<u>999,510</u>	<u>216,912</u>	<u>3,557,272</u>
<u>\$ 199,598</u>	<u>\$ 1,202,144</u>	<u>\$ 235,325</u>	<u>\$ 3,981,425</u>

City of Grand Ledge

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION

June 30, 2018

Total fund balances - governmental funds \$ 3,557,272

Amounts reported for the governmental activities in the statement of net position are different because:

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

The cost of capital assets is	\$ 27,445,533	
Accumulated depreciation is	<u>(7,132,614)</u>	
Capital assets, net		20,312,919

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities and business-type activities in the Government-wide Statement of Net Position.

Net position of governmental activities accounted for in the Internal Service Funds		621,442
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Long-term receivables are not available to pay for current period expenditures and, therefore, are considered unavailable in the funds. These consist of:

Unavailable revenue		16,351
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Some assets are not a current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Noncurrent assets at year-end consist of:

Net other post-employment benefits asset		55,115
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Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, net differences between projected and actual plan investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	135,502	
Deferred inflows of resources related to pensions	(44,219)	
Deferred inflows of resources related to OPEB	<u>(4,601)</u>	
		86,682

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct City obligations	(5,805,000)	
Capitalized bond premiums/discounts	(43,630)	
Accrued interest payable	(21,998)	
Compensated absences	(227,929)	
Net pension liability	<u>(1,248,503)</u>	
		<u>(7,347,060)</u>

Net position of governmental activities \$ 17,302,721

City of Grand Ledge

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	Major Streets	Local Streets
REVENUES			
Taxes	\$ 1,602,476	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	167,952	-	-
Intergovernmental	937,667	561,686	221,125
Charges for services	211,304	-	-
Fines and forfeits	26,246	-	-
Interest and rents	40,784	753	301
Other	163,855	7,916	7,922
TOTAL REVENUES	3,150,284	570,355	229,348
EXPENDITURES			
Current			
General government	763,225	-	-
Public safety	1,643,853	-	-
Public works	115,490	293,852	666,245
Community and economic development	151,211	-	-
Recreation and culture	24,369	-	-
Capital outlay	12,154	-	-
Debt service	143,725	-	-
TOTAL EXPENDITURES	2,854,027	293,852	666,245
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	296,257	276,503	(436,897)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	560,500
Transfers out	(127,825)	(165,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(127,825)	(165,000)	560,500
NET CHANGE IN FUND BALANCES	168,432	111,503	123,603
Fund balance, beginning of year	1,335,026	272,511	143,130
Fund balances, end of year	<u>\$ 1,503,458</u>	<u>\$ 384,014</u>	<u>\$ 266,733</u>

See accompanying notes to financial statements.

<u>Municipal Streets</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 736,095	\$ -	\$ 150,842	\$ 2,489,413
4,779	-	-	4,779
-	-	-	167,952
-	100,000	186,936	2,007,414
-	-	-	211,304
-	-	-	26,246
7,727	-	97,421	146,986
39,945	-	7,366	227,004
<u>788,546</u>	<u>100,000</u>	<u>442,565</u>	<u>5,281,098</u>
-	-	53,218	816,443
-	-	2,350	1,646,203
190,255	-	-	1,265,842
-	-	-	151,211
-	-	186,309	210,678
-	1,740,637	-	1,752,791
-	-	554,755	698,480
<u>190,255</u>	<u>1,740,637</u>	<u>796,632</u>	<u>6,541,648</u>
598,291	(1,640,637)	(354,067)	(1,260,550)
80,000	-	409,377	1,049,877
(729,002)	-	(28,050)	(1,049,877)
<u>(649,002)</u>	<u>-0-</u>	<u>381,327</u>	<u>-0-</u>
(50,711)	(1,640,637)	27,260	(1,260,550)
<u>237,356</u>	<u>2,640,147</u>	<u>189,652</u>	<u>4,817,822</u>
<u>\$ 186,645</u>	<u>\$ 999,510</u>	<u>\$ 216,912</u>	<u>\$ 3,557,272</u>

City of Grand Ledge

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

Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ (1,260,550)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,190,867	
Depreciation expense	<u>(579,436)</u>	
Excess of capital outlay over depreciation expense		1,611,431

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the Internal Service Funds is allocated to the governmental activities and business-type activities in the Government-wide Statement of Activities.

Change in net position of governmental activities accounted for in the Internal Service Funds		(24,306)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Decrease) in unavailable revenue	(3,653)	
Increase in net other post-employment benefits asset	<u>126,357</u>	
		122,704

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Payments on long-term debt	555,000	
Decrease in capitalized bond premiums/discounts	<u>7,566</u>	
		562,566

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,708	
(Increase) in compensated absences	(15,292)	
Decrease in net pension liability	118,789	
(Decrease) in deferred outflows of resources related to pensions	(74,953)	
(Increase) in deferred inflows of resources related to pensions	(44,219)	
(Increase) in deferred inflows of resources related to OPEB	<u>(4,601)</u>	
		<u>(18,568)</u>

Change in net position of governmental activities \$ 993,277

See accompanying notes to financial statements.

City of Grand Ledge
Proprietary Funds
STATEMENT OF NET POSITION
June 30, 2018

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,176,712	\$ 301,412
Accounts receivable	488,341	3,134
Special assessments receivable	835	-
Prepays	-	46,298
	1,665,888	350,844
Total current assets		
Noncurrent assets		
Special assessments receivable	57,566	-
Capital assets not being depreciated	589,874	16,227
Capital assets, net of accumulated depreciation	18,959,528	354,685
Net other post-employment benefits asset	20,015	-
	19,626,983	370,912
Total noncurrent assets		
TOTAL ASSETS	21,292,871	721,756
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding	133,587	-
LIABILITIES		
Current liabilities		
Accounts payable	232,567	18,651
Accrued liabilities	41,846	7,796
Accrued interest payable	33,120	-
Current portion of compensated absences	63,649	6,048
Current portion of long-term debt	668,831	-
	1,040,013	32,495
Total current liabilities		
Noncurrent liabilities		
Noncurrent portion of compensated absences	1,419	-
Noncurrent portion of long-term debt	5,333,671	-
	5,335,090	-0-
Total noncurrent liabilities		
TOTAL LIABILITIES	6,375,103	32,495
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to net other post-employment benefits	1,671	-
NET POSITION		
Net investment in capital assets	13,680,487	370,912
Unrestricted	1,369,197	318,349
	\$ 15,049,684	\$ 689,261
TOTAL NET POSITION	\$ 15,049,684	\$ 689,261

See accompanying notes to financial statements.

City of Grand Ledge

RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET POSITION TO THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS STATEMENT OF NET POSITION

June 30, 2018

Total net position - enterprise fund \$ 15,049,684

Amounts reported for the business-type activities in the statement of net position are different because:

Internal Service Funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the Internal Service Funds are allocated to the governmental and the business-type activities in the Government-wide Statement of Net Position.

Net position of business-type activities
accounted for in the Internal Service Funds

67,819

Net position of business-type activities

\$ 15,117,503

City of Grand Ledge

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2018

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service
OPERATING REVENUES		
Water operations	\$ 1,706,143	\$ -
Sewer operations	1,892,655	-
Internal operations	-	1,188,472
Interest and penalty charges	48,972	-
Rent	33,459	-
Other	-	1,381
TOTAL OPERATING REVENUES	3,681,229	1,189,853
OPERATING EXPENSES		
Personnel	922,398	1,031,862
Repair and maintenance	1,387,259	88,387
Utilities	234,906	4,483
Other	21,100	35,402
Depreciation	593,019	55,888
TOTAL OPERATING EXPENSES	3,158,682	1,216,022
OPERATING INCOME (LOSS)	522,547	(26,169)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	61,301	-
Investment earned	10,445	467
Other	19,650	3,869
Amortization, net	(3,434)	-
Interest expense and fees	(142,932)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(54,970)	4,336
CHANGE IN NET POSITION	467,577	(21,833)
Restated net position, beginning of year	14,582,107	711,094
Net position, end of year	\$ 15,049,684	\$ 689,261

See accompanying notes to financial statements.

City of Grand Ledge

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION OF THE PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net change in net position - enterprise fund \$ 467,577

Amounts reported for business-type activities in the statement of activities are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is allocated to governmental and business-type activities in the Government-wide Statement of Activities.

Change in net position of business-type activities
accounted for in the Internal Service Funds 2,473

Change in net position of governmental activities \$ 470,050

City of Grand Ledge
Proprietary Funds
STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 4,008,166	\$ 1,187,009
Cash paid to suppliers/claimants	(1,803,299)	(1,112,529)
Cash paid to employees	(655,994)	(89,354)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,548,873	(14,874)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of insurance dividends	19,650	3,869
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Intergovernmental	61,301	-
Payments on borrowing	(640,000)	-
Purchase of capital assets	(439,703)	(54,303)
Interest expense and fees	(146,333)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,164,735)	(54,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	10,445	467
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	414,233	(64,841)
Cash and cash equivalents, beginning of year	762,479	366,253
Cash and cash equivalents, end of year	\$ 1,176,712	\$ 301,412

See accompanying notes to financial statements.

City of Grand Ledge

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2018

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 522,547	\$ (26,169)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	593,019	55,888
(Increase) decrease in:		
Accounts receivable	326,103	(2,844)
Special assessments receivable	834	-
Prepays	-	(1,352)
Net OPEB asset	(45,886)	-
Increase (decrease) in:		
Accounts payable	156,459	(36,531)
Accrued liabilities	1,783	(2,873)
Compensated absences	(7,657)	(993)
Deferred inflows of resources related to net OPEB asset	1,671	-
	<u>\$ 1,548,873</u>	<u>\$ (14,874)</u>

See accompanying notes to financial statements.

City of Grand Ledge

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2018

	<u>Payroll Clearing</u>
ASSETS	
Cash	<u>\$ 565</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 565</u>

City of Grand Ledge

Component Units

COMBINING STATEMENT OF NET POSITION

June 30, 2018

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ 528,590	\$ 243,641	\$ 772,231
Noncurrent assets			
Capital assets not being depreciated	480,331	2,422,571	2,902,902
Capital assets, net of accumulated depreciation	<u>2,041,857</u>	<u>-</u>	<u>2,041,857</u>
Total noncurrent assets	<u>2,522,188</u>	<u>2,422,571</u>	<u>4,944,759</u>
TOTAL ASSETS	3,050,778	2,666,212	5,716,990
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	13,237	4,001	17,238
LIABILITIES			
Current liabilities			
Accounts payable	2,735	72	2,807
Accrued liabilities	992	68	1,060
Accrued interest payable	7,809	617	8,426
Current portion of long-term debt	<u>217,943</u>	<u>40,902</u>	<u>258,845</u>
Total current liabilities	229,479	41,659	271,138
Noncurrent liabilities			
Noncurrent portion of long-term debt	<u>1,112,829</u>	<u>148,608</u>	<u>1,261,437</u>
TOTAL LIABILITIES	1,342,308	190,267	1,532,575
NET POSITION			
Net investment in capital assets	1,204,653	2,237,062	3,441,715
Restricted	<u>517,054</u>	<u>242,884</u>	<u>759,938</u>
TOTAL NET POSITION	<u>\$ 1,721,707</u>	<u>\$ 2,479,946</u>	<u>\$ 4,201,653</u>

See accompanying notes to financial statements.

City of Grand Ledge

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Total Component Units
Governmental activities						
Downtown Development Authority	\$ 610,306	\$ 20,941	\$ 52,914	\$ (536,451)	\$ -	\$ (536,451)
Local Development Finance Authority	132,229	-	100,000	-	(32,229)	(32,229)
Total component units	<u>\$ 742,535</u>	<u>\$ 20,941</u>	<u>\$ 152,914</u>	(536,451)	(32,229)	(568,680)
General revenues						
Property taxes				655,852	40,700	696,552
Investment earnings				3,012	1,228	4,240
Other				1,722	66	1,788
Total general revenues				<u>660,586</u>	<u>41,994</u>	<u>702,580</u>
Change in net position				124,135	9,765	133,900
Net position, beginning of year				<u>1,597,572</u>	<u>2,470,181</u>	<u>4,067,753</u>
Net position, end of year				<u>\$ 1,721,707</u>	<u>\$ 2,479,946</u>	<u>\$ 4,201,653</u>

See accompanying notes to financial statements.

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Ledge (the City) is located in Eaton County, Michigan and has a population of approximately 7,800. The City is a municipal corporation governed by a City Administrator/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. All component units are included in the City's financial statements and are not audited separately.

2. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for this entity or the nature and significance of the relationship between the entity and the City is such that exclusion of the entity would render the financial statements misleading or incomplete. The financial statements contain the following discretely presented component units:

Downtown Development Authority - The City of Grand Ledge Downtown Development Authority (DDA) was established under Public Act 197 of 1975 to revitalize and plan for controlled development of the downtown business district. The City's Council appoints the members of the DDA's governing board. The DDA is also fiscally dependent upon the City because the City Council approves the DDA's budget and any debt issuances.

Local Development Finance Authority - The City of Grand Ledge Local Development Finance Authority (LDFA) was established under Public Act 281 of 1986 to preserve and promote the continued growth of the City and the LDFA district. The City's Council appoints the members of the LDFA's governing board. The LDFA is also fiscally dependent upon the City because the City's Council approves the LDFA's budget and any debt issuances.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. 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. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Streets Fund is a Special Revenue Fund used to account for restricted financial resources (primarily Act 51 revenues) that are used for repairs and maintenance of the City's major streets.
- c. The Local Streets Fund is a Special Revenue Fund used to account for restricted financial resources (primarily Act 51 revenues) that are used for repairs and maintenance of the City's local streets.
- d. The Municipal Streets Fund is a Special Revenue Fund used to account for the restricted financial resources (primarily property taxes) that are used for street and sidewalk related repairs, maintenance, and construction.

The City reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for utility operations, both water and sewer services to the general public, that are financed primarily by user charges.

Additionally, the City reports internal service funds to account for the management of motor vehicle pool services and employee benefits provided to other departments on a cost reimbursement basis and the residual balance is allocated between governmental activities and business-type activities at the government-wide financial statement level.

The City also reports an agency fund to account for assets held by the City as the trustee or as the agent for others. Agency funds are, by nature, custodial; therefore, operational results are not measured. The City's agency fund is the Payroll Clearing Fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for fiduciary agency funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary (i.e., enterprise and internal service) funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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 funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to the first regular Council meeting in April, the budget officer submits to the Council a proposed budget for the fiscal year beginning the following July 1.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting - continued

- b. A public hearing is then conducted to obtain citizen comments.
- c. No later than the first Council meeting in June, the budget is required to be legally enacted through passage of a resolution.
- d. The budget is legally adopted at the department level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

7. Cash and Cash Equivalents

Cash and cash equivalents consists of checking and savings accounts and uncategorized pooled investments held by Michigan CLASS with a maturity from the date of purchase of 90 days or less. The cash equivalents are recorded at fair value.

8. Receivables

Receivables consist of amounts due related to charges for services, interest receivable, special assessments, and other amounts owed to the City at year-end.

9. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for various payments and grants and receivables for charges for services provided to local governmental units.

10. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of fund balance.

11. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements and proprietary fund types. Capital assets are those with an initial individual cost of \$10,000 or more and an estimated useful life of more than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10 - 40 years
Buildings and improvements	10 - 40 years
Equipment	5 - 20 years
Infrastructure	33 - 40 years

12. Net Other Post-Employment Benefits Asset

The net other post-employment benefit asset is deemed to be a noncurrent asset and is recognized in the Government-Wide and Water and Sewer Fund financial statements.

13. Accrued Interest Payable

Accrued interest payable is presented for long-term obligations in the applicable financial statements.

14. Compensated Absences

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate an unlimited amount of sick leave, which is paid only upon illness while in the employ of the City or upon retirement. Payment for sick leave upon retirement is capped at \$2,500 to \$7,500. Earned vacation time may be accumulated for up to two years. Employees are only paid for unused vacation at the time of termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements. All employees with accumulated compensated absences at June 30, 2018, that had amounts due to them, along with the related payroll taxes, are recorded in the Government-Wide and Water and Sewer Fund financial statements, where applicable.

15. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized in the government-wide financial statements.

17. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position, the governmental funds, or proprietary funds balance sheet/statement of net position.

The City reports deferred outflows of resources for the deferred charge on refunding which 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 reports deferred outflows of resources and deferred inflows of resources which correspond to the City's net pension liability and net OPEB liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

The City also reports deferred inflows of resources which arise only under a modified accrual basis of accounting and qualify 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 revenues collected subsequent to sixty (60) days after year end and from long-term property tax receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

19. Property Tax

The City bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied on August 1 and December 1 and are payable without penalty through October 1 and February 14, respectively. The August 1 levy is composed of the City's millage, special assessments, and school taxes. The December 1 levy is composed of county and school taxes. All real property taxes not paid to the City by March 1 are turned over to the Eaton County Treasurer for collection. The County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 10 mills (\$10 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenses, 3.0 mills (\$3.00 per \$1,000 of taxable valuation) for streets, and 1.0 mill (\$1.00 per \$1,000 of taxable valuation) for recreation. For the year ended June 30, 2018, the City levied 8.0617 mills per \$1,000 of assessed valuation for general governmental services, 2.4183 mills for streets, and 0.8058 mills for recreation. The total ad valorem taxable value for the 2017 levy for property within the City was \$211,848,457.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Balances for transfers that have not yet cleared as of the balance sheet date are considered interfund receivables and payables.

The Internal Service Funds (Equipment Operating and Employee Benefit Funds) record charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

21. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from their use for unrestricted purposes.

22. Fund Balance Classifications

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For assigned fund balances, the City Council is authorized to assign amounts to a specific purpose. Currently, assigned fund balance is determined through the budget and any residual amounts of fund balance in governmental funds other than the General Fund.

The City has adopted an unassigned fund balance policy with the desire to maintain an unassigned fund balance level of 25% of annual budgeted General Fund expenditures less non-recurring capital expenditures.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

22. Fund Balance Classifications - continued

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purpose for which amounts in any of those unrestricted fund balance classifications could be used.

23. Tax Abatements

The City's tax revenue has been reduced by tax abatements throughout the City. Management has determined these amounts to be immaterial to the financial statements.

24. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: DEPOSITS

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations 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 State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2018, the carrying amount of the deposits was \$3,783,398 and the bank balance was \$3,884,898.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2018, the City accounts were federally insured for \$500,000 and the amount of \$3,384,898 was uninsured and uncollateralized. The City had \$550 of imprest cash on hand.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B: DEPOSITS - CONTINUED

Deposits - continued

Due to significant high cash flow at certain periods during the year, the amount the City held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at the peak periods than at year-end.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Cash Equivalents

The City participates in the Michigan Cooperative Liquid Assets Securities System (Michigan CLASS). Michigan CLASS are uncategorized pooled investment funds that invest in high quality, short-term, fixed-income instruments selected to provide for program safety, liquidity and competitive rates of return. Michigan CLASS is not registered with the U.S. Securities and Exchange Commission (SEC). Michigan CLASS's annual report may be obtained at www.michiganclass.org. The fair value of the Michigan CLASS investments are the same as the value of the pooled shares. As of June 30, 2018, the City has \$2,039,949 deposited with Michigan CLASS and held in investments categorized as Level 2.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2018, the Michigan CLASS investments were rated AAAM by Standard and Poor's and had a weighted average maturity (WAM) of 67 days.

Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B: DEPOSITS - CONTINUED

Custodial Credit Risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Council approved policy.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents captions on the basic financial statements, based upon criteria disclosed in Note A.

The following summarizes the categorization of these amounts as of June 30, 2018:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	<u>\$ 5,051,101</u>	<u>\$ 565</u>	<u>\$ 772,231</u>	<u>\$ 5,823,897</u>

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to Local Streets Fund from:	
Major Streets Fund	\$ 165,000
Municipal Streets Fund	<u>395,500</u>
	<u>\$ 560,500</u>
Transfers to Municipal Streets Fund from:	
General Fund	<u>\$ 80,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 47,825
Municipal Streets Fund	333,502
Nonmajor governmental funds	<u>28,050</u>
	<u>\$ 409,377</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary Government

	<u>Balance July 1, 2017</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassification</u>	<u>Balance June 30, 2018</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,714,194	\$ 60,924	\$ -	\$ 1,775,118
Construction in progress	181,923	409,024	(181,923)	409,024
Total nondepreciable assets	1,896,117	469,948	(181,923)	2,184,142
Capital assets being depreciated				
Land improvements	2,671,977	-	-	2,671,977
Buildings and improvements	4,665,494	-	-	4,665,494
Equipment	1,817,357	54,303	(40,574)	1,831,086
Infrastructure	15,372,071	1,902,842	-	17,274,913
Total depreciable assets	24,526,899	1,957,145	(40,574)	26,443,470
Less accumulated depreciation for:				
Land improvements	(962,322)	(81,864)	-	(1,044,186)
Buildings and improvements	(1,426,723)	(134,060)	-	(1,560,783)
Equipment	(1,111,930)	(104,751)	40,574	(1,176,107)
Infrastructure	(3,848,056)	(314,649)	-	(4,162,705)
Total accumulated depreciation	(7,349,031)	(635,324)	40,574	(7,943,781)
Net depreciable assets	17,177,868	1,321,821	-0-	18,499,689
Capital assets, net	<u>\$ 19,073,985</u>	<u>\$ 1,791,769</u>	<u>\$ (181,923)</u>	<u>\$ 20,683,831</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 156,784
Public safety	25,364
Public works	390,643
Recreation and culture	62,533
Total depreciation expense	<u>\$ 635,324</u>

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities				
Capital assets not being depreciated				
Land	\$ 546,764	\$ -	\$ -	\$ 546,764
Construction in progress	43,110	-	-	43,110
Total nondepreciable assets	589,874	-0-	-0-	589,874
Capital assets being depreciated				
Land Improvements	143,213	-	-	143,213
Buildings and improvements	29,736,339	412,565	-	30,148,904
Equipment	827,464	27,138	-	854,602
Total depreciable assets	30,707,016	439,703	-0-	31,146,719
Less accumulated depreciation for:				
Land improvements	(72,272)	(5,729)	-	(78,001)
Buildings and improvements	(11,077,577)	(542,147)	-	(11,619,724)
Equipment	(444,323)	(45,143)	-	(489,466)
Total accumulated depreciation	(11,594,172)	(593,019)	-0-	(12,187,191)
Net capital assets being depreciated	19,112,844	(153,316)	-0-	18,959,528
Capital assets, net	<u>\$ 19,702,718</u>	<u>\$ (153,316)</u>	<u>\$ -0-</u>	<u>\$ 19,549,402</u>

Component Units

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 480,331	\$ -	\$ -	\$ 480,331
Capital assets being depreciated				
Land improvements	3,512,062	-	-	3,512,062
Buildings and improvements	38,678	-	(10,800)	27,878
Equipment	56,193	-	(23,949)	32,244
Total depreciable assets	3,606,933	-0-	(34,749)	3,572,184
Less accumulated depreciation for:				
Land improvements	(1,370,850)	(140,482)	-	(1,511,332)
Buildings and improvements	(15,472)	(1,394)	4,320	(12,546)
Equipment	(9,949)	(1,290)	4,790	(6,449)
Total accumulated depreciation	(1,396,271)	(143,166)	9,110	(1,530,327)
Net capital assets being depreciated	2,210,662	(143,166)	(25,639)	2,041,857
Capital assets, net	<u>\$ 2,690,993</u>	<u>\$ (143,166)</u>	<u>\$ (25,639)</u>	<u>\$ 2,522,188</u>

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D: CAPITAL ASSETS - CONTINUED

Component Units - Continued

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Local Development Finance Authority				
Land	\$ 2,422,571	\$ -	\$ -	\$ 2,422,571

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2018.

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
Primary Government					
Governmental activities					
2013 Capital Improvement Bonds	\$ 2,030,000	\$ -	\$ (90,000)	\$ 1,940,000	\$ 90,000
2016 Capital Improvement Refunding Bonds	140,000	-	(25,000)	115,000	25,000
2016 Capital Improvement Bonds	4,190,000	-	(440,000)	3,750,000	435,000
Bond discounts	(24,197)	-	1,423	(22,774)	(1,423)
Bond premiums	75,393	-	(8,989)	66,404	8,989
Compensated absences	219,678	236,704	(222,405)	233,977	233,977
Total governmental activities	6,630,874	236,704	(784,971)	6,082,607	791,543
Business-type activities					
Revenue Bonds	2,419,062	-	(160,000)	2,259,062	165,000
Contractual obligation with Eaton County	4,085,000	-	(480,000)	3,605,000	485,000
Bond premiums	157,271	-	(18,831)	138,440	18,831
Compensated absences	72,725	63,482	(71,139)	65,068	63,649
Total business-type activities	6,734,058	63,482	(729,970)	6,067,570	732,480
Total Primary Government	13,364,932	300,186	(1,514,941)	12,150,177	1,524,023
Component Units					
Downtown Development Authority					
2010 General Obligation Bonds	1,225,000	-	(130,000)	1,095,000	135,000
2011 General Obligation Refunding Bonds	330,000	-	(80,000)	250,000	85,000
Bond discounts	(16,285)	-	2,057	(14,228)	(2,057)
Total Downtown Development Authority	1,538,715	-0-	(207,943)	1,330,772	217,943
Local Development Finance Authority					
2016 Capital Improvement Refunding Bonds	220,000	-	(35,000)	185,000	40,000
Bond premiums	5,412	-	(902)	4,510	902
Total Local Development Finance Authority	225,412	-0-	(35,902)	189,510	40,902
Total Component Units	1,764,127	-0-	(243,845)	1,520,282	258,845
Total Reporting Entity	\$ 15,129,059	\$ 300,186	\$ (1,758,786)	\$ 13,670,459	\$ 1,782,868

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Primary Government

Governmental Activities

Bonds

\$2,280,000 2013 Capital Improvement Bonds dated May 1, 2013, due in annual installments ranging from \$90,000 to \$155,000 through May 1, 2034, with interest ranging from 1.250 to 3.250 percent, payable semi-annually. \$ 1,940,000

\$5,000,000 2016 Capital Improvement Refunding Bonds dated July 7, 2016, due in annual installments ranging from \$25,000 to \$30,000 through May 1, 2032, with interest of 2.000 percent, payable semi-annually. 115,000

\$5,000,000 2016 Capital Improvement Bonds dated July 7, 2016, due in annual installments ranging from \$125,000 to \$450,000 through May 1, 2032, with interest ranging from 2.000 to 2.350 percent, payable semi-annually. 3,750,000

\$ 5,805,000

Business-type Activities

Bonds

\$5,785,000 2009 Water Supply and Sewage Disposal System Revenue (Drinking Water Revolving Fund) Bonds dated September 28, 2009, due in annual installments ranging from \$165,000 to \$214,062 through April 1, 2030, with interest of 2.500 percent, payable semi-annually. \$ 2,259,062

Contractual obligation with Eaton County

\$4,960,000 2014 Water Supply and Sewage Disposal System Refunding Bonds dated April 9, 2014, due in annual installments ranging from \$485,000 to \$545,000 through April 1, 2025, with interest ranging from 2.000 of 2.375 percent, payable semi-annually. 3,605,000

\$ 5,864,062

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick pay. The dollar amounts of these vested rights including related payroll taxes, which have been accrued on the government-wide financial statements. The total liability amounted to approximately \$299,045 at June 30, 2018. Of this amount, \$233,977 and \$65,068 are shown as accrued liabilities within the government-wide financial statements' governmental and business-type activities, respectively, in accordance with criteria disclosed in Note A.

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E: LONG-TERM DEBT - CONTINUED

Component Units

Downtown Development Authority

\$2,000,000 2010 Downtown Development Bonds dated August 17, 2010, due in annual installments ranging from \$135,000 to \$175,000 through May 1, 2025, with interest ranging from 3.125 to 4.000 percent, payable semi-annually. \$ 1,095,000

\$1,890,000 2011 Downtown Development Refunding Bonds dated September 1, 2011, due in annual installments ranging from \$80,000 to \$85,000 through May 1, 2021, with interest of 2.720 percent, payable semi-annually. 250,000

\$ 1,345,000

Local Development Finance Authority

\$225,000 2016 Capital Improvement Refunding Bonds dated July 7, 2016, due in annual installments ranging from \$35,000 to \$40,000 through May 1, 2023, with interest of 2.000 percent, payable semi-annually. \$ 185,000

The annual requirements to pay the debt principal and interest outstanding for the Bonds and Loans are as follows:

Primary Government

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 550,000	\$ 131,986	\$ 650,000	\$ 132,482
2020	560,000	121,661	665,000	118,658
2021	545,000	110,936	680,000	104,508
2022	340,000	100,386	695,000	90,032
2023	315,000	93,743	710,000	75,232
2024-2028	1,730,000	361,566	2,045,000	163,310
2029-2033	1,610,000	142,618	419,062	15,828
2034	155,000	5,038	-	-
	<u>\$ 5,805,000</u>	<u>\$ 1,067,934</u>	<u>\$ 5,864,062</u>	<u>\$ 700,050</u>

Component Units

	Downtown Development Authority		Local Development Finance Authority	
	Principal	Interest	Principal	Interest
2019	\$ 220,000	\$ 46,852	\$ 40,000	\$ 3,700
2020	225,000	40,320	35,000	2,900
2021	235,000	33,250	35,000	2,200
2022	155,000	25,688	40,000	1,500
2023	165,000	20,070	35,000	700
2024-2025	345,000	20,800	-	-
	<u>\$ 1,345,000</u>	<u>\$ 186,980</u>	<u>\$ 185,000</u>	<u>\$ 11,000</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F: RETIREMENT PLAN

DEFINED BENEFIT PLAN

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer 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's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

For the 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.

Benefits Provided

Benefits provided include plans with multipliers ranging from 1.50% to 2.50%.

Vesting period of 10 years.

Normal retirement age is 60. Unreduced early retirement is available at 55 with 25 years of service. Reduced early retirement is available at 50 with 25 years of service or 55 with 15 years of services.

Final average compensation is calculated based on 5 years. Member contributions range from 0.00% to 9.24%.

At the December 31, 2017, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	4
Active employees	11
	<hr/>
	20
	<hr/> <hr/>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Total employer contributions for the year ended June 30, 2018, were \$174,276.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F: RETIREMENT PLAN - CONTINUED

DEFINED BENEFIT PLAN - CONTINUED

Actuarial Assumptions

The total pension liability in the December 31, 2017, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.75%, net of investment expenses, including inflation.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the valuation were based on the results of the 2009-2013 Five-Year 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>
Global Equity	55.50%	8.65%
Global Fixed Income	18.50%	3.76%
Real Assets	13.50%	9.72%
Diversifying Strategies	12.50%	7.50%

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F: RETIREMENT PLAN - CONTINUED

DEFINED BENEFIT PLAN - CONTINUED

Changes in Net Pension Liability

	Calculating the Net Pension Liability		
	Total Pension Liability (a)	Increase (Decrease)	
		Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2016	\$ 3,225,633	\$ 1,858,341	\$ 1,367,292
Changes for the year			
Service cost	41,618	-	41,618
Interest on total pension liability	252,280	-	252,280
Difference between expected and actual experience	34,819	-	34,819
Employer contributions	-	181,202	(181,202)
Employee contributions	-	21,189	(21,189)
Net investment income	-	249,037	(249,037)
Benefit payments, including employee refunds	(185,899)	(185,899)	-0-
Administrative expense	-	(3,922)	3,922
Net changes	142,818	261,607	(118,789)
Balances as of December 31, 2017	<u>\$ 3,368,451</u>	<u>\$ 2,119,948</u>	<u>\$ 1,248,503</u>

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 rates of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 1,633,890</u>	<u>\$ 1,248,503</u>	<u>\$ 928,057</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the employer recognized pension expenses of \$172,511. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 64,956	\$ -
Changes in assumptions	70,546	-
Net difference between projected and actual earnings on pension plan investments	-	44,219
Total	<u>\$ 135,502</u>	<u>\$ 44,219</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F: RETIREMENT PLAN - CONTINUED

DEFINED BENEFIT PLAN - CONTINUED

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

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

<u>Fiscal Year Ending</u>	<u>Pension Expense</u>
2019	\$ 45,050
2020	38,919
2021	6,001
2022	(11,818)
2023	8,156
2024	4,975

DEFINED CONTRIBUTION PLAN

The City of Grand Ledge Group Pension Plan is a defined contribution pension plan established by the City and administered by an insurance company to provide retirement benefits to all participating full-time employees of the City. Plan provisions and contribution requirements are established and may be amended by the City Council. Employees may contribute up to 15% of their gross earnings to the plan. The City is required to contribute 5% of employee gross earnings and to match 100% of the first 5% and 50% of the next 10% of employee contributions. The City's maximum contribution does not exceed 15% for employees hired before July 1, 2012 and 10% for employees hired after June 30, 2012. Employee contributions vest immediately, whereas employer contributions vest at a rate of 20% per year.

Employer contributions to the plan for the year ended June 30, 2018, were \$157,987.

NOTE G: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Grand Ledge Retiree Healthcare Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of Grand Ledge using MERS' retiree health funding vehicle (RHFV). The Plan provides certain healthcare benefits, in accordance with union agreements and/or personnel policies to employees who have retired. Benefit provisions are established and the plan is managed at the direction of City Council. The Plan does not issue a separate stand-alone financial statement.

Benefits Provided

In accordance with City policy, eligible retirees and certain beneficiaries receive healthcare benefits at 50 percent coverage of premiums. Benefits continue until the age of 65. The City has no obligations to make contributions in advance of when the premiums are due for payments (i.e., may be financed on a "pay-as-you-go" basis). The current contributions being made are to fund the trust for future obligations. The City is currently paying premiums of retirees from current, available financial resources. The City has the ability to amend the benefits offered in accordance with City policy and union agreements, when applicable.

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Summary of Plan Participants

At the June 30, 2018, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>34</u>
	<u>40</u>

Contributions

For the year ended June 30, 2018, the City contributed \$150,000 in addition to its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined through a valuation using the alternative measurement method as of that date.

Actuarial Assumption

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

Discount rate	6.20%
Long-term expected rate of return	7.75%
Salary growth rate	2.50%
Healthcare cost trend rate	8.00%
AA 20-year municipal bond rate	3.87%
Probability of accepting benefits	66.67%

Mortality rates were based on the RP-2014 Healthy Annuitant Table for males and females.

The assumptions used in the June 30, 2018 valuation were determined by the City's management as of June 30, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense 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>
Global equity	55.50%	8.65%
Global fixed income	18.50%	3.76%
Real assets	13.50%	9.72%
Diversifying strategies	12.50%	7.50%

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Discount Rate

The discount rate used to measure the total OPEB liability was 6.20 percent. The projection of cash flows used to determine the discount rate assumed that City will not contribute to the Plan. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for 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.

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2018, is as follows:

	Calculating the Net OPEB Liability (Asset)		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at June 30, 2017	\$ 262,911	\$ 165,798	\$ 97,113
Changes for the year			
Service cost	15,974	-	15,974
Interest on total OPEB liability	15,329	-	15,329
Employer contributions	-	181,563	(181,563)
Net investment income	-	22,745	(22,745)
Benefit payments	(31,563)	(31,563)	-0-
Administrative expense	-	(762)	762
Net changes	(260)	171,983	(172,243)
Balances as of June 30, 2018	\$ 262,651	\$ 337,781	\$ (75,130)

Sensitivity of the net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.20 percent) or 1-percentage-point higher (7.20 percent) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	\$ (42,616)	\$ (75,130)	\$ (102,226)

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using healthcare cost trends rates that are 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	<u>\$ (109,726)</u>	<u>\$ (75,130)</u>	<u>\$ (36,028)</u>

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$15,592. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	<u>\$ -</u>	<u>\$ 6,272</u>

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

<u>Year Ending June 30,</u>	<u>OPEB Expense</u>
2019	\$ (1,568)
2020	(1,568)
2021	(1,568)
2022	(1,568)

NOTE H: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, crime, data breach, and auto losses. The pool is organized under Public Act 138 of 1982, as amended. State pool members' limits of coverage (per occurrence) are detailed in their policy agreements with the Authority. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I: CODE ENFORCEMENT FINANCIAL INFORMATION

The City has elected to report the financial activities of the building department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2018:

Shortfall at July 1, 2017	\$ (25,406)
REVENUES	
Licenses and permits	
Permits	155,899
EXPENDITURES	
Building Department	<u>(162,044)</u>
Cumulative shortfall at June 30, 2018	<u><u>\$ (31,551)</u></u>

NOTE J: RESTATEMENT OF BEGINNING NET POSITION/FUND BALANCE

Beginning net position has been restated for governmental activities, business-type activities, and the Water and Sewer Fund due to a change in accounting principles.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water and Sewer Fund</u>
Beginning net position	\$ 16,009,264	\$ 14,486,897	\$ 14,421,551
Net OPEB obligation (GASB 45)	371,422	186,427	186,427
Net OPEB liability (GASB 75)	<u>(71,242)</u>	<u>(25,871)</u>	<u>(25,871)</u>
Restated beginning net position	<u><u>\$ 16,309,444</u></u>	<u><u>\$ 14,647,453</u></u>	<u><u>\$ 14,582,107</u></u>

Beginning fund balance has been corrected in the Local Development Finance Authority to properly reflect certain equity related items as noted below. The adjustments were due to the fact that this fund was previously incorrectly treated as an enterprise fund.

Beginning net position	\$ 2,470,180
Prior period adjustments	
Capital assets removal from fund statements	(2,422,571)
Deferred outflows of resources related to charge on bond, refunding, net	(4,802)
Accrued interest payable removal from fund statements	733
Long-term debt removal from fund statements	<u>225,412</u>
Total prior period adjustments	<u>(2,201,228)</u>
Restated beginning fund balance	<u><u>\$ 268,952</u></u>

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE K: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions in net position as of June 30, 2018:

PRIMARY GOVERNMENT	
Highways and streets	\$ 837,392
City parks	180,980
Police/drug enforcement	12,155
Airport development	142,856
OPEB	<u>55,115</u>
	<u>\$ 1,228,498</u>

NOTE L: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during the year. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, was also implemented during the year. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practices for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS

Fund balance classifications shown in the governmental fund financial statements indicate constraints imposed on the fund balance, if any. The following are the various constraints on fund balance as of June 30, 2018.

	General Fund	Major Streets	Local Streets	Municipal Streets	Nonmajor Governmental Funds	Total
Fund Balances						
Nonspendable						
Prepays	\$ 11,079	\$ -	\$ -	\$ 29,990	\$ 16,000	\$ 57,069
Restricted						
Highways and streets	-	384,014	266,733	156,655	-	807,402
City parks	137,908	-	-	-	27,072	164,980
Police/drug enforcement	-	-	-	-	12,155	12,155
Airport development	-	-	-	-	142,856	142,856
Debt service	-	-	-	-	18,829	18,829
Capital projects	-	-	-	-	999,510	999,510
Assigned						
Subsequent year's expenditures	67,546	-	-	-	-	67,546
Unassigned	1,286,925	-	-	-	-	1,286,925
TOTAL FUND BALANCES	<u>\$ 1,503,458</u>	<u>\$ 384,014</u>	<u>\$ 266,733</u>	<u>\$ 186,645</u>	<u>\$ 1,216,422</u>	<u>\$ 3,557,272</u>

City of Grand Ledge

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In April 2018, the GASB issued Statements No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

NOTE O: CONTRACTUAL COMMITMENTS

The City has entered into contracts related to parking lot reconstruction that was not completed at June 30, 2018. The total contractual commitments outstanding at June 30, 2018, totaled \$210,982. Current fund balance and future revenue is expected to be sufficient to cover these commitments.

NOTE P: SUBSEQUENT EVENTS

Subsequent to the June 30, 2018, the City amended the policy on compensated absences. The effects of this policy change has yet to be determined.

REQUIRED SUPPLEMENTARY INFORMATION

City of Grand Ledge

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property taxes	\$ 1,475,318	\$ 1,475,318	\$ 1,482,333	\$ 7,015
Penalties and interest	18,605	18,605	15,699	(2,906)
Administration fees	100,167	100,167	104,444	4,277
Total taxes	1,594,090	1,594,090	1,602,476	8,386
Licenses and permits	129,725	163,821	167,952	4,131
Intergovernmental				
State	712,562	838,562	850,351	11,789
Local	37,153	37,153	20,650	(16,503)
Total intergovernmental	749,715	875,715	871,001	(4,714)
Charges for services				
Refuse collection	18,150	18,150	17,975	(175)
Cable franchise fee	116,000	116,000	123,007	7,007
Other	77,786	77,786	70,322	(7,464)
Total charges for services	211,936	211,936	211,304	(632)
Fines and forfeits	17,500	17,500	26,246	8,746
Interest and rents	37,500	37,500	40,784	3,284
Other	61,683	61,683	106,988	45,305
TOTAL REVENUES	2,802,149	2,962,245	3,026,751	64,506
EXPENDITURES				
Current				
General government				
City council	19,769	19,769	17,943	1,826
Administrator	219,372	221,763	221,819	(56)
Clerk	96,995	96,995	99,187	(2,192)
Treasurer	222,622	225,822	226,355	(533)
Assessor	65,369	65,369	57,430	7,939
Election	23,000	23,000	5,193	17,807
City hall	144,855	144,855	140,981	3,874
Attorney	25,000	38,700	31,802	6,898
Recycling	30,607	30,607	27,412	3,195
Composting	31,457	43,757	43,226	531
Special projects	16,000	16,000	14,880	1,120

City of Grand Ledge

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP) - CONTINUED

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
General government - continued				
Other	\$ 235,484	\$ 437,599	\$ 381,117	\$ 56,482
Less: reimbursements from other funds	(516,252)	(516,252)	(504,120)	(12,132)
Total general government	614,278	847,984	763,225	84,759
Public safety				
Police administration	1,498,223	1,498,223	1,481,399	16,824
Building inspection	120,593	154,689	162,454	(7,765)
Total public safety	1,618,816	1,652,912	1,643,853	9,059
Public works				
Cemetery	106,913	116,913	115,490	1,423
Community and economic development				
Planning and zoning	153,979	153,979	151,211	2,768
Debt service				
Principal	90,000	90,000	90,000	-0-
Interest and fiscal charges	53,725	53,725	53,725	-0-
Total debt service	143,725	143,725	143,725	-0-
TOTAL EXPENDITURES	2,637,711	2,915,513	2,817,504	98,009
EXCESS OF REVENUES OVER EXPENDITURES	164,438	46,732	209,247	162,515
OTHER FINANCING (USES)				
Transfers out	(213,757)	(208,757)	(177,825)	30,932
Net change in fund balance (budgetary basis)	<u>\$ (49,319)</u>	<u>\$ (162,025)</u>	31,422	<u>\$ 193,447</u>
Budgetary perspective difference			137,010	
Net change in fund balance (GAAP basis)			<u>\$ 168,432</u>	

City of Grand Ledge

Major Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 528,026	\$ 528,026	\$ 561,686	\$ 33,660
Interest	150	150	753	603
Other	3,410	3,410	7,916	4,506
TOTAL REVENUES	531,586	531,586	570,355	38,769
EXPENDITURES				
Current				
Public works	366,884	366,884	293,852	73,032
EXCESS OF REVENUES OVER EXPENDITURES	164,702	164,702	276,503	111,801
OTHER FINANCING (USES)				
Transfers out	(165,000)	(165,000)	(165,000)	-0-
NET CHANGE IN FUND BALANCE	(298)	(298)	111,503	111,801
Fund balance, beginning of year	272,511	272,511	272,511	-0-
Fund balance, end of year	<u>\$ 272,213</u>	<u>\$ 272,213</u>	<u>\$ 384,014</u>	<u>\$ 111,801</u>

City of Grand Ledge

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 196,084	\$ 196,084	\$ 221,125	\$ 25,041
Interest	350	350	301	(49)
Other	3,102	3,102	7,922	4,820
TOTAL REVENUES	199,536	199,536	229,348	29,812
EXPENDITURES				
Current				
Public works	750,119	750,119	666,245	83,874
EXCESS OF REVENUES (UNDER) EXPENDITURES	(550,583)	(550,583)	(436,897)	113,686
OTHER FINANCING SOURCES				
Transfers in	560,500	560,500	560,500	-0-
NET CHANGE IN FUND BALANCE	9,917	9,917	123,603	113,686
Fund balance, beginning of year	143,130	143,130	143,130	-0-
Fund balance, end of year	<u>\$ 153,047</u>	<u>\$ 153,047</u>	<u>\$ 266,733</u>	<u>\$ 113,686</u>

City of Grand Ledge

Municipal Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 705,675	\$ 705,675	\$ 736,095	\$ 30,420
Special assessments	3,500	3,500	4,779	1,279
Interest	2,000	2,000	7,727	5,727
Other	905	905	39,945	39,040
TOTAL REVENUES	712,080	712,080	788,546	76,466
EXPENDITURES				
Current				
Public works	685,322	685,322	190,255	495,067
Debt service	30,456	30,456	-	30,456
TOTAL EXPENDITURES	715,778	715,778	190,255	525,523
EXCESS OF REVENUES OVER EXPENDITURES	26,758	26,758	598,291	571,533
OTHER FINANCING SOURCES (USES)				
Debt proceeds	500,000	500,000	-	(500,000)
Transfers in	110,000	110,000	80,000	(30,000)
Transfers out	(729,002)	(729,002)	(729,002)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	(119,002)	(119,002)	(649,002)	(530,000)
NET CHANGE IN FUND BALANCE	(92,244)	(92,244)	(50,711)	41,533
Fund balance, beginning of year	237,356	237,356	237,356	-0-
Fund balance, end of year	<u>\$ 145,112</u>	<u>\$ 145,112</u>	<u>\$ 186,645</u>	<u>\$ 41,533</u>

City of Grand Ledge

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last Four Measurement Dates (ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 12/31 of each fiscal year)

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 41,618	\$ 40,439	\$ 43,614	\$ 46,794
Interest on total pension liability	252,280	242,190	227,146	218,700
Difference between expected and actual experience	34,819	22,281	38,397	-
Changes of assumptions	-	-	141,091	-
Benefit payments, including employee refunds	(185,899)	(172,872)	(176,252)	(146,817)
Net change in total pension liability	142,818	132,038	273,996	118,677
Total pension liability, beginning	3,225,633	3,093,595	2,819,599	2,700,922
Total pension liability, ending	<u>\$ 3,368,451</u>	<u>\$ 3,225,633</u>	<u>\$ 3,093,599</u>	<u>\$ 2,819,599</u>
Plan fiduciary net position				
Contributions-employer	\$ 181,202	\$ 183,631	\$ 75,653	\$ 69,726
Contributions-employee	21,189	26,800	34,472	36,699
Net Investment income	249,037	192,400	(24,979)	104,984
Benefit payments including employee refunds	(185,899)	(172,872)	(176,252)	(146,817)
Administrative expense	(3,922)	(3,776)	(3,725)	(3,854)
Net change in plan fiduciary net position	261,607	226,183	(94,831)	60,738
Plan fiduciary net position, beginning	1,858,341	1,632,158	1,726,989	1,666,251
Plan fiduciary net position, ending	<u>\$ 2,119,948</u>	<u>\$ 1,858,341</u>	<u>\$ 1,632,158</u>	<u>\$ 1,726,989</u>
City's net pension liability	<u>\$ 1,248,503</u>	<u>\$ 1,367,292</u>	<u>\$ 1,461,437</u>	<u>\$ 1,092,610</u>
Plan fiduciary net position as a percentage of the total pension liability	63%	58%	53%	61%
Covered employee payroll	\$ 548,326	\$ 513,565	\$ 477,402	\$ 461,142
City's net pension liability as a percentage of covered employee payroll	228%	266%	306%	237%

City of Grand Ledge

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Last Four Fiscal Years (ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 6/30 of each fiscal year)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 174,276	\$ 90,446	\$ 75,653	\$ 69,726
Contributions in relation to the actuarially determined contribution	<u>174,276</u>	<u>148,898</u>	<u>75,653</u>	<u>69,726</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ (58,452)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 566,013	\$ 512,333	\$ 543,715	\$ 461,142
Contributions as a percentage of covered employee payroll	31%	29%	14%	15%

City of Grand Ledge

SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB ASSET AND RELATED RATIOS

Last Measurement Date (ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 6/30 of each fiscal year)

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 15,974
Interest on total OPEB liability	15,329
Benefit payments	<u>(31,563)</u>
Net change in total pension liability	(260)
Total OPEB liability, beginning	<u>262,911</u>
Total OPEB liability, ending	<u>\$ 262,651</u>
Plan fiduciary net position	
Contributions-employer	\$ 181,563
Net Investment income	22,745
Benefit payments	(31,563)
Administrative expense	<u>(762)</u>
Net change in plan fiduciary net position	171,983
Plan fiduciary net position, beginning	<u>165,798</u>
Plan fiduciary net position, ending	<u>\$ 337,781</u>
City's net OPEB liability (asset)	<u>\$ (75,130)</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	129%
Covered employee payroll	\$ 2,211,123
City's net OPEB liability (asset) as a percentage of covered employee payroll	(3%)

City of Grand Ledge

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	<u>2018</u>
Annually determined contributions	\$ 15,592
Contributions in relation to the annually determined contribution	<u>150,000</u>
Contribution deficiency (excess)	<u>\$ (134,408)</u>
Covered employee payroll	\$ 2,211,123
Contributions as a percentage of covered employee payroll	7%

City of Grand Ledge

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

NOTE A: PENSION PLAN

Changes of benefits terms: There were no changes of benefit terms in plan year 2017.

Changes in assumptions: There were no changes in assumptions in plan year 2017.

NOTE B: OTHER POST-EMPLOYMENT BENEFITS PLAN

Changes of benefits terms: There were no changes of benefit terms in plan year 2018.

Changes in assumptions: There were no changes in assumptions in plan year 2018.

NOTE C: BUDGET/GAAP RECONCILIATION

The City budgets the activities of the Grants Fund separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, this fund is combined with the General Fund as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the Budgetary Comparison Schedule (Non-GAAP budgetary basis) reconciles the change in fund balance to the GAAP-basis basic financial statements and the detail related to these amounts are as follows:

Net change in fund balance (budgetary basis)	\$	31,422
To adjust for revenues related to various activities accounted for in a separate fund		123,533
To adjust for expenditures related to various activities accounted for in a separate fund		(36,523)
To remove the transfers from the budgetary basis schedule		<u>50,000</u>
Net change in fund balance (GAAP basis)	\$	<u>168,432</u>

NOTE D: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The approved budgets of the City have been adopted at the department level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2018, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General government			
Administrator	\$ 221,763	\$ 221,819	\$ 56
Clerk	96,995	99,187	2,192
Treasurer	225,822	226,355	533
Building inspection	154,689	162,454	7,765

OTHER SUPPLEMENTARY INFORMATION

City of Grand Ledge

General Fund

COMBINING BALANCE SHEET

June 30, 2018

	<u>General</u>	<u>Grants</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,287,630	\$ 142,761	\$ 1,430,391
Receivables			
Accounts	37,671	-	37,671
Taxes	5,485	-	5,485
Special assessments	100	-	100
Due from other governmental units	180,164	-	180,164
Prepays	11,079	-	11,079
	<u>11,079</u>	<u>-</u>	<u>11,079</u>
TOTAL ASSETS	<u>\$ 1,522,129</u>	<u>\$ 142,761</u>	<u>\$ 1,664,890</u>
LIABILITIES			
Accounts payable	\$ 89,515	\$ 4,853	\$ 94,368
Accrued liabilities	61,579	-	61,579
	<u>61,579</u>	<u>-</u>	<u>61,579</u>
TOTAL LIABILITIES	151,094	4,853	155,947
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	5,485	-	5,485
FUND BALANCES			
Nonspendable	11,079	-	11,079
Restricted	-	137,908	137,908
Assigned	67,546	-	67,546
Unassigned	1,286,925	-	1,286,925
	<u>1,286,925</u>	<u>-</u>	<u>1,286,925</u>
TOTAL FUND BALANCES	<u>1,365,550</u>	<u>137,908</u>	<u>1,503,458</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,522,129</u>	<u>\$ 142,761</u>	<u>\$ 1,664,890</u>

City of Grand Ledge

General Fund

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2018

	<u>General</u>	<u>Grants</u>	<u>Total</u>
REVENUES			
Taxes	\$ 1,602,476	\$ -	\$ 1,602,476
Licenses and permits	167,952	-	167,952
Intergovernmental	871,001	66,666	937,667
Charges for services	211,304	-	211,304
Fines and forfeits	26,246	-	26,246
Interest and rents	40,784	-	40,784
Other	106,988	56,867	163,855
	<u>3,026,751</u>	<u>123,533</u>	<u>3,150,284</u>
TOTAL REVENUES	3,026,751	123,533	3,150,284
EXPENDITURES			
Current			
General government	763,225	-	763,225
Public safety	1,643,853	-	1,643,853
Public works	115,490	-	115,490
Community and economic development	151,211	-	151,211
Recreation and culture	-	24,369	24,369
Capital outlay	-	12,154	12,154
Debt service	143,725	-	143,725
	<u>2,817,504</u>	<u>36,523</u>	<u>2,854,027</u>
TOTAL EXPENDITURES	2,817,504	36,523	2,854,027
EXCESS OF REVENUES OVER EXPENDITURES	209,247	87,010	296,257
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50,000	50,000
Transfers out	(177,825)	-	(177,825)
	<u>(177,825)</u>	<u>50,000</u>	<u>(127,825)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(177,825)	50,000	(127,825)
NET CHANGE IN FUND BALANCES	31,422	137,010	168,432
Fund balances, beginning of year	1,334,128	898	1,335,026
Fund balances, end of year	<u>\$ 1,365,550</u>	<u>\$ 137,908</u>	<u>\$ 1,503,458</u>

City of Grand Ledge
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2018

	Special Revenue			
	Parks and Recreation	Drug Forfeiture	Police Restricted	Airport Development
ASSETS				
Cash and cash equivalents	\$ 33,706	\$ 7,796	\$ 4,359	\$ 153,587
Taxes receivable	548	-	-	-
Prepays	16,000	-	-	-
TOTAL ASSETS	\$ 50,254	\$ 7,796	\$ 4,359	\$ 153,587
LIABILITIES				
Accounts payable	\$ 1,677	\$ -	\$ -	\$ 10,663
Accrued wages	4,957	-	-	68
TOTAL LIABILITIES	6,634	-0-	-0-	10,731
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	548	-	-	-
FUND BALANCES				
Nonspendable	16,000	-	-	-
Restricted	27,072	7,796	4,359	142,856
TOTAL FUND BALANCES	43,072	7,796	4,359	142,856
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 50,254	\$ 7,796	\$ 4,359	\$ 153,587

<u>Debt Service</u>		Total Nonmajor Governmental Funds
<u>Island Bridge</u>	<u>2016 Bonds Authority</u>	
\$ 2,119	\$ 17,210	\$ 218,777
-	-	548
-	-	16,000
<u>\$ 2,119</u>	<u>\$ 17,210</u>	<u>\$ 235,325</u>
\$ -	\$ 500	\$ 12,840
-	-	5,025
-0-	500	17,865
-	-	548
-	-	16,000
<u>2,119</u>	<u>16,710</u>	<u>200,912</u>
<u>2,119</u>	<u>16,710</u>	<u>216,912</u>
<u>\$ 2,119</u>	<u>\$ 17,210</u>	<u>\$ 235,325</u>

City of Grand Ledge

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	Special Revenue			
	Parks and Recreation	Drug Forfeiture	Police Restricted	Airport Development
REVENUES				
Taxes	\$ 150,842	\$ -	\$ -	\$ -
Intergovernmental	-	-	2,865	-
Interest and rents	3,350	33	15	69,367
Other	5,621	-	-	1,745
TOTAL REVENUES	159,813	33	2,880	71,112
EXPENDITURES				
Current				
General government	-	-	-	53,218
Public safety	-	783	1,567	-
Recreation and culture	186,309	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	186,309	783	1,567	53,218
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,496)	(750)	1,313	17,894
OTHER FINANCING SOURCES (USES)				
Transfers in	47,825	-	-	-
Transfers out	(28,050)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	19,775	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(6,721)	(750)	1,313	17,894
Fund balances, beginning of year	49,793	8,546	3,046	124,962
Fund balances, end of year	<u>\$ 43,072</u>	<u>\$ 7,796</u>	<u>\$ 4,359</u>	<u>\$ 142,856</u>

Debt Service		Total Nonmajor Governmental Funds
Island Bridge	2016 Bonds	
\$ -	\$ -	\$ 150,842
-	184,071	186,936
61	24,595	97,421
-	-	7,366
61	208,666	442,565
-	-	53,218
-	-	2,350
-	-	186,309
25,000	440,000	465,000
2,800	86,955	89,755
27,800	526,955	796,632
(27,739)	(318,289)	(354,067)
28,050	333,502	409,377
-	-	(28,050)
28,050	333,502	381,327
311	15,213	27,260
1,808	1,497	189,652
<u>\$ 2,119</u>	<u>\$ 16,710</u>	<u>\$ 216,912</u>

City of Grand Ledge

Internal Service Funds

COMBINING BALANCE SHEET

June 30, 2018

	<u>Equipment Operating</u>	<u>Employee Benefits</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 77,196	\$ 224,216	\$ 301,412
Accounts receivable	3,134	-	3,134
Prepays	-	46,298	46,298
	<u>80,330</u>	<u>270,514</u>	<u>350,844</u>
Total current assets			
Noncurrent assets			
Capital assets not being depreciated	16,227	-	16,227
Capital assets, net of accumulated depreciation	354,685	-	354,685
	<u>370,912</u>	<u>-0-</u>	<u>370,912</u>
Total noncurrent assets			
TOTAL ASSETS	451,242	270,514	721,756
LIABILITIES			
Current liabilities			
Accounts payable	4,755	13,896	18,651
Accrued liabilities	7,785	11	7,796
Compensated absences	6,048	-	6,048
	<u>18,588</u>	<u>13,907</u>	<u>32,495</u>
TOTAL LIABILITIES			
NET POSITION			
Investment in capital assets	370,912	-	370,912
Unrestricted	61,742	256,607	318,349
	<u>432,654</u>	<u>256,607</u>	<u>689,261</u>
TOTAL NET POSITION			

City of Grand Ledge

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

Year Ended June 30, 2018

	Equipment Operating	Employee Benefits	Total
OPERATING REVENUES			
Internal operations	\$ 270,631	\$ 917,841	\$ 1,188,472
Other	1,381	-	1,381
TOTAL OPERATING REVENUES	272,012	917,841	1,189,853
OPERATING EXPENSES			
Personnel	131,620	900,242	1,031,862
Repair and maintenance	88,387	-	88,387
Utilities	4,483	-	4,483
Other	35,402	-	35,402
Depreciation	55,888	-	55,888
TOTAL OPERATING EXPENSES	315,780	900,242	1,216,022
OPERATING INCOME (LOSS)	(43,768)	17,599	(26,169)
NONOPERATING REVENUES			
Investment income	272	195	467
Other	3,869	-	3,869
TOTAL NONOPERATING REVENUES	4,141	195	4,336
CHANGE IN NET POSITION	(39,627)	17,794	(21,833)
Net position, beginning of year	472,281	238,813	711,094
Net position, end of year	<u>\$ 432,654</u>	<u>\$ 256,607</u>	<u>\$ 689,261</u>

City of Grand Ledge

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

June 30, 2018

	Equipment Operating	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 269,168	\$ 917,841	\$ 1,187,009
Cash paid to suppliers/claimants	(205,414)	(907,115)	(1,112,529)
Cash paid to employees	(89,354)	-	(89,354)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(25,600)	10,726	(14,874)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt of insurance dividends	3,869	-	3,869
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(54,303)	-	(54,303)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	272	195	467
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(75,762)	10,921	(64,841)
Cash and cash equivalents, beginning of year	152,958	213,295	366,253
Cash and cash equivalents, end of year	<u>\$ 77,196</u>	<u>\$ 224,216</u>	<u>\$ 301,412</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (43,768)	\$ 17,599	\$ (26,169)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	55,888	-	55,888
(Increase) in:			
Accounts receivable	(2,844)	-	(2,844)
Prepays	-	(1,352)	(1,352)
Increase (decrease) in:			
Accounts payable	(37,852)	1,321	(36,531)
Accrued liabilities	3,969	(6,842)	(2,873)
Compensated absences	(993)	-	(993)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (25,600)</u>	<u>\$ 10,726</u>	<u>\$ (14,874)</u>

City of Grand Ledge
Component Unit Funds
BALANCE SHEET -
DOWNTOWN DEVELOPMENT AUTHORITY
June 30, 2018

	General Operating	Debt Service	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 279,246	\$ 16,877	\$ 232,467	\$ 528,590
LIABILITIES				
Accounts payable	\$ 2,735	\$ -	\$ -	\$ 2,735
Accrued liabilities	992	-	-	992
TOTAL LIABILITIES	3,727	-0-	-0-	3,727
FUND BALANCES				
Restricted	275,519	16,877	232,467	524,863
TOTAL LIABILITIES AND FUND BALANCES	\$ 279,246	\$ 16,877	\$ 232,467	\$ 528,590

City of Grand Ledge

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT ON NET POSITION -
DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2018

Total fund balances - governmental funds **\$ 524,863**

Amounts reported for the governmental activities in the statement of net position are different because:

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

The cost of capital assets is	\$ 4,052,515	
Accumulated depreciation is	<u>(1,530,327)</u>	
Capital assets, net		2,522,188

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred charges on refunding		13,237
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bond payable	(1,345,000)	
Capitalized bond discounts	14,228	
Accrued interest payable	<u>(7,809)</u>	
		<u>(1,338,581)</u>

Net position of governmental activities **\$ 1,721,707**

City of Grand Ledge

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2018

	General Operating	Debt Service	Capital Project	Total
REVENUES				
Taxes	\$ 655,852	\$ -	\$ -	\$ 655,852
Intergovernmental	52,914	-	-	52,914
Interest and rents	22,381	632	940	23,953
Other	1,722	-	-	1,722
TOTAL REVENUES	732,869	632	940	734,441
EXPENDITURES				
Current				
Community and economic development	382,868	-	-	382,868
Debt service				
Principal	-	210,000	-	210,000
Interest and fiscal charges	-	53,177	-	53,177
TOTAL EXPENDITURES	382,868	263,177	-0-	646,045
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	350,001	(262,545)	940	88,396
OTHER FINANCING SOURCES (USES)				
Transfers in	-	271,411	-	271,411
Transfers out	(271,411)	-	-	(271,411)
TOTAL OTHER FINANCING SOURCES (USES)	(271,411)	271,411	-0-	-0-
NET CHANGE IN FUND BALANCES	78,590	8,866	940	88,396
Fund balances, beginning of year	196,929	8,011	231,527	436,467
Fund balances, end of year	<u>\$ 275,519</u>	<u>\$ 16,877</u>	<u>\$ 232,467</u>	<u>\$ 524,863</u>

City of Grand Ledge

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 88,396

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (143,166)

The loss on disposal of capital assets is reported in the statement of activities. The loss is not a use of current resources and thus is not reported in the funds. (25,639)

Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable deferred outflow of resources or liabilities in the statement of net position. In the current year, these amounts consist of:

(Decrease) to deferred charges on refunding (4,412)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Payment on long-term debt \$ 210,000
(Decrease) in capitalized bond discounts (2,057)

207,943

Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Decrease in accrued interest payable 1,013

Change in net position of governmental activities \$ 124,135

City of Grand Ledge
 Component Unit Funds
 BALANCE SHEET -
 LOCAL DEVELOPMENT FINANCE AUTHORITY
 June 30, 2018

	General Operating
ASSETS	
Cash and cash equivalents	\$ 243,641
LIABILITIES	
Accounts payable	\$ 72
Accrued liabilities	68
TOTAL LIABILITIES	140
FUND BALANCE	
Restricted	243,501
TOTAL LIABILITIES AND FUND BALANCE	\$ 243,641

City of Grand Ledge

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO THE STATEMENT OF NET POSITION -
LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2018

Total fund balance - governmental fund \$ 243,501

Amounts reported for the governmental activities in the statement of net position are different because:

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

The cost of capital assets is 2,422,571

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred charges on refunding 4,001

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term liabilities at year-end consist of:

Bond payable	\$ (185,000)	
Capitalized bond premiums	(4,510)	
Accrued interest payable	<u>(617)</u>	
		<u>(190,127)</u>

Net position of governmental activities \$ 2,479,946

City of Grand Ledge

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2018

	<u>General Operating</u>
REVENUES	
Taxes	\$ 40,700
Intergovernmental	100,000
Interest	1,228
Other	<u>66</u>
TOTAL REVENUES	141,994
EXPENDITURES	
Current	
Community and economic development	128,046
Debt service	
Principal	35,000
Interest and fiscal charges	<u>4,400</u>
TOTAL EXPENDITURES	<u>167,446</u>
NET CHANGE IN FUND BALANCE	(25,452)
Fund balance, beginning of year	2,470,181
Prior period adjustment	<u>(2,201,228)</u>
Fund balance, end of year	<u><u>\$ 243,501</u></u>

City of Grand Ledge

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2018

Net change in fund balance - total governmental fund \$ (25,452)

Amounts reported for component units in the statement of activities are different because:

Reductions of long-term debt are reported as expenditures in governmental funds, but repayments and other related adjustments reduce long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Payments on long-term debt	\$ 35,000
Decrease in capitalized bond premiums	<u>902</u>

35,902

Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable deferred outflow of resources or liabilities in the statement of net position. In the current year, these amounts consist of:

(Decrease) to deferred charges on refunding	(801)
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Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>116</u>
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Change in net position of governmental activities \$ 9,765



INDEPENDENT AUDITOR'S 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

To the Honorable Mayor and
Members of the City Council
City of Grand Ledge, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Grand Ledge (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

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

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

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

2018-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries were proposed for the proper recognition of various items. Material journal entries were proposed by the auditors for the correction of the accounting method used for a component unit. Such entries required were for capital assets, long-term debt, and beginning of the year fund balance. Additional entries were proposed for the adoption of the new accounting standards for other postemployment benefits and to record due from other governmental units. These misstatements were not detected by the City's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the City's general ledger. A similar issue was noted and reported in the prior year audit.

2018-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

Cause: The City's internal controls over financial reporting failed to identify these misstatements.

Effect: The City's accounting records were initially misstated by amounts material to the financial statements. Necessary adjustments were brought to the attention of management and were subsequently recorded in the City's general ledger.

Recommendation: We recommend that the City should take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The City had a vacancy in the Finance Director/Treasurer position at year end. That position is responsible for adjusting the year end accruals. The City hired a CPA firm in the interim and has since hired a Finance Director/Treasurer and believes this issue has been resolved going forward.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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*.

The City of Grand Ledge's Response to Finding

The City of Grand Ledge's response to the finding identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of 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 entity'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.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

September 28, 2018