

CITY OF GRAND LEDGE

REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)

YEAR ENDED JUNE 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

Manes Costerian PC

September 30, 2019

**CITY OF GRAND LEDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019. 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 \$33,948,698 (net position). Of this amount, \$2,616,578 (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 \$1,528,474.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,961,545, a decrease of \$595,727 from the prior year, of which \$1,198,617 is available for unrestricted spending (unassigned fund balance). The decrease of \$595,727 was invested in capital assets (e.g., land, buildings, vehicles, equipment, parks, and infrastructure) and included capital projects financed by 2016 bond proceeds.
- Fund balance of the General Fund increased by \$816 during the current fiscal year (non-GAAP basis), which was more than the \$313,931 decrease to fund balance anticipated in the final budget. The Grants Fund, when appropriately combined into the General Fund under GASB 54, caused the combined General Fund balance to decrease \$119,152. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,198,617 or 34.7% 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).

**CITY OF GRAND LEDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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.

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, municipal streets, and capital improvements funds, which are considered to be major funds. Data from the other seven 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.

**CITY OF GRAND LEDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 operating 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.

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 \$33,948,698 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (90.3%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems, parks, 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.

**CITY OF GRAND LEDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 3,645,034	\$ 4,319,565	\$ 2,711,901	\$ 1,811,288	\$ 6,356,935	\$ 6,130,853
Capital assets, net	21,219,509	20,683,831	18,943,397	19,549,402	40,162,906	40,233,233
Total assets	24,864,543	25,003,396	21,655,298	21,360,690	46,519,841	46,364,086
Deferred Outflows of Resources	251,471	135,502	111,322	133,587	362,793	269,089
Liabilities						
Current	1,258,525	1,247,790	888,280	1,040,013	2,146,805	2,287,803
Noncurrent	5,933,836	6,539,567	4,649,840	5,335,090	10,583,676	11,874,657
Total liabilities	7,192,361	7,787,357	5,538,120	6,375,103	12,730,481	14,162,460
Deferred Inflows of Resources	199,633	48,820	3,822	1,671	203,455	50,491
Net Position						
Net invested in capital assets	15,998,880	15,834,711	13,721,048	13,680,487	29,719,928	29,515,198
Restricted	1,531,316	1,288,498	10,441	-	1,541,757	1,288,498
Unrestricted (deficit)	193,824	179,512	2,493,189	1,437,016	2,687,013	1,616,528
Total net position	<u>\$ 17,724,020</u>	<u>\$ 17,302,721</u>	<u>\$ 16,224,678</u>	<u>\$ 15,117,503</u>	<u>\$ 33,948,698</u>	<u>\$ 32,420,224</u>

Approximately 90.3% 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 \$123,389 represents the amount that may be used to meet the City's ongoing obligations.

Net position of the City's governmental activities increased approximately 2.4% to \$17.72 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 7.3% to \$16.22 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 facilities.

**CITY OF GRAND LEDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019 and 2018.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenue						
Charges for services	\$ 748,856	\$ 725,964	\$ 4,128,041	\$ 4,052,507	\$ 4,876,897	\$ 4,778,471
Operating grants and contributions	1,062,678	1,297,099	499,612	-	1,562,290	1,297,099
Capital grants and contributions	178,452	-	-	13,149	178,452	13,149
General revenues						
Property taxes	2,494,339	2,384,970	-	-	2,494,339	2,384,970
State Revenue Sharing	776,654	751,210	-	-	776,654	751,210
Investment earnings	49,205	43,297	18,831	30,363	68,036	73,660
Miscellaneous	100,681	74,905	-	-	100,681	74,905
Transfers	2,000	-	(2,000)	-	-	-
Total revenues	5,412,865	5,277,445	4,644,484	4,096,019	10,057,349	9,373,464
Expenses						
General government	1,215,592	870,050	-	-	1,215,592	870,050
Public safety	1,732,271	1,638,652	-	-	1,732,271	1,638,652
Public works	1,580,366	1,073,585	-	-	1,580,366	1,073,585
Community and economic development	53,677	210,718	-	-	53,677	210,718
Recreation and culture	279,146	349,391	-	-	279,146	349,391
Interest on long-term debt	130,514	141,772	-	-	130,514	141,772
Water and Sewer	-	-	3,537,309	2,851,347	3,537,309	2,851,347
Total expenses	4,991,566	4,284,168	3,537,309	2,851,347	8,528,875	7,135,515
Change in net position	\$ 421,299	\$ 993,277	\$ 1,107,175	\$ 1,244,672	\$ 1,528,474	\$ 2,237,949

Governmental Activities

Governmental activities increased the City's net position by \$421,299. This represents a 2.4% 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.

Business-type Activities

Business-type activities increased the City's net position by \$1,107,715. 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.

**CITY OF GRAND LEDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,961,545, a decrease of \$595,727 from the prior year. Of the total fund balance, 40.5% or \$1,198,617 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 \$1,595,179 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 \$1,384,306, of which \$4,690 was classified as nonspendable, \$17,940 was restricted for city parks, \$163,059 was assigned for the subsequent year's expenditures, and the remaining \$1,198,617 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 34.7% of total General Fund expenditures and other financing uses. Total fund balance decreased by \$119,152 during the current fiscal year as planned.

The Major Streets Fund had total restricted fund balance of \$789,520, an increase of \$405,506. The primary revenue source for this fund is State Act 51 revenue. Any unspent amounts at year-end are restricted for delayed and future street projects.

The Municipal Streets Fund had total restricted fund balance of \$123,851, a decrease of \$62,794. The primary revenue source for this fund is a dedicated property tax millage. Any unspent amounts at year-end are restricted for future street expenditures.

The Capital Improvements Fund had restricted fund balance of \$70,435, 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 \$2,433,332. The fund had an increase in net position for the year of \$1,115,137. Factors related to this fund are addressed in the analysis for business-type activities.

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.

**CITY OF GRAND LEDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

In total, the General Fund had a positive variance in the net change in fund balance of \$314,747. The most significant fluctuation with the final amended expenditure budget relates to general government activities that were approximately \$141,262 under budget due to strong control over expenditures. On the revenue side, revenues come in approximately \$70,616 higher than expected mainly in other revenue that was over budget by \$55,921.

Capital Asset and Debt Administration

At the end of the 2019 fiscal year, the City had invested approximately \$40.1 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 5 to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,971,619	\$ 544,184	\$ 2,515,803
Construction in progress	-	43,110	43,110
Land improvements	1,528,521	52,329	1,580,850
Buildings and improvements	3,206,962	17,962,103	21,169,065
Equipment	733,463	341,671	1,075,134
Infrastructure	13,778,944	-	13,778,944
Capital assets, net	<u>\$ 21,219,509</u>	<u>\$ 18,943,397</u>	<u>\$ 40,162,906</u>

At year end, the City had approximately \$10.7 million in bonds and other obligations outstanding. This represents a decrease of \$1.3 million from the previous fiscal year. More detailed information about the City's long-term liabilities is presented in Note 6 to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 5,255,000	\$ 2,094,062	\$ 7,349,062
Contractual obligation with Eaton County	-	3,120,000	3,120,000
Accrued compensated absences	179,490	55,156	234,646
Total outstanding debt	<u>\$ 5,434,490</u>	<u>\$ 5,269,218</u>	<u>\$ 10,703,708</u>

The City also had \$155,675 in net unamortized bond items at June 30, 2019. 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, 2019**

Economic Factors and Next Year's Budgets and Rates

- Property tax revenue and state revenue sharing conservative increases.
- Increase in water/sewer utility rates annually effective July 1, to reflect consumer price index.
- Contribution of \$150,000 to the trust established to advance-funding the City's retiree healthcare plan.
- Exclusion of Retiree Health Care for all employees hired on or after July 1, 2018.
- Exclusion of Defined 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, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,254,559	\$ 2,209,288	\$ 5,463,847	\$ 854,838
Receivables	71,409	375,811	447,220	-
Internal balances	(59,857)	59,857	-	-
Due from other governmental units	261,304	-	261,304	-
Prepays	90,770	-	90,770	-
Total current assets	3,618,185	2,644,956	6,263,141	854,838
Noncurrent assets				
Receivables	-	56,504	56,504	-
Capital assets not being depreciated	1,971,619	587,294	2,558,913	2,902,902
Capital assets, net of accumulated depreciation	19,247,890	18,356,103	37,603,993	1,899,233
Net other post-employment benefits asset	26,849	10,441	37,290	-
Total noncurrent assets	21,246,358	19,010,342	40,256,700	4,802,135
TOTAL ASSETS	24,864,543	21,655,298	46,519,841	5,656,973
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	111,322	111,322	12,026
Deferred outflows of resources related to pensions	251,471	-	251,471	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	251,471	111,322	362,793	12,026
LIABILITIES				
Current liabilities				
Accounts payable	412,003	66,329	478,332	24,215
Accrued liabilities	79,189	53,300	132,489	1,142
Accrued interest payable	20,277	29,664	49,941	7,203
Current portion of compensated absences	179,490	55,156	234,646	-
Current portion of long-term debt	567,566	683,831	1,251,397	258,845
Total current liabilities	1,258,525	888,280	2,146,805	291,405
Noncurrent liabilities				
Noncurrent portion of long-term debt	4,723,498	4,649,840	9,373,338	1,002,592
Net pension liability	1,210,338	-	1,210,338	-
Total noncurrent liabilities	5,933,836	4,649,840	10,583,676	1,002,592
TOTAL LIABILITIES	7,192,361	5,538,120	12,730,481	1,293,997
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	189,805	-	189,805	-
Deferred inflows of resources related to OPEB	9,828	3,822	13,650	-
TOTAL DEFERRED INFLOWS OF RESOURCES	199,633	3,822	203,455	-
NET POSITION				
Net investment in capital assets	15,998,880	13,721,048	29,719,928	3,552,724
Restricted	1,531,316	10,441	1,541,757	822,278
Unrestricted	193,824	2,493,189	2,687,013	-
TOTAL NET POSITION	\$ 17,724,020	\$ 16,224,678	\$ 33,948,698	\$ 4,375,002

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

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	\$ 1,215,592	\$ 411,226	\$ 7,326	\$ -	\$ (797,040)	\$ -	\$ (797,040)	\$ -
Public safety	1,732,271	275,078	5,055	-	(1,452,138)	-	(1,452,138)	-
Public works	1,580,366	54,648	858,997	-	(666,721)	-	(666,721)	-
Community and economic development	53,677	4,354	-	178,452	129,129	-	129,129	-
Recreation and culture	279,146	3,550	191,300	-	(84,296)	-	(84,296)	-
Interest on long-term debt	130,514	-	-	-	(130,514)	-	(130,514)	-
Total governmental activities	4,991,566	748,856	1,062,678	178,452	(3,001,580)	-	(3,001,580)	-
Business-type activities								
Water and Sewer	3,537,309	4,128,041	499,612	-	-	1,090,344	1,090,344	-
Total primary government	<u>\$ 8,528,875</u>	<u>\$ 4,876,897</u>	<u>\$ 1,562,290</u>	<u>\$ 178,452</u>	(3,001,580)	1,090,344	(1,911,236)	-
Component units								
Downtown Development Authority	\$ 606,365	\$ 10,568	\$ 75,695	\$ -	-	-	-	(520,102)
Local Development Finance Authority	25,627	-	-	-	-	-	-	(25,627)
Total component units	<u>\$ 631,992</u>	<u>\$ 10,568</u>	<u>\$ 75,695</u>	<u>\$ -</u>	-	-	-	(545,729)
General revenues								
Property taxes					2,494,339	-	2,494,339	711,634
State shared revenue					776,654	-	776,654	-
Investment earnings					49,205	18,831	68,036	7,404
Miscellaneous					100,681	-	100,681	40
Transfers					2,000	(2,000)	-	-
Total general revenues					<u>3,422,879</u>	<u>16,831</u>	<u>3,439,710</u>	<u>719,078</u>
Change in net position					421,299	1,107,175	1,528,474	173,349
Net position, beginning of the year					<u>17,302,721</u>	<u>15,117,503</u>	<u>32,420,224</u>	<u>4,201,653</u>
Net position, end of year					<u>\$ 17,724,020</u>	<u>\$ 16,224,678</u>	<u>\$ 33,948,698</u>	<u>\$ 4,375,002</u>

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General	Major Streets	Municipal Streets
ASSETS			
Cash and cash equivalents	\$ 1,441,434	\$ 734,763	\$ 157,522
Receivables			
Accounts	54,212	246	-
Taxes	5,701	-	1,710
Special assessments	100	-	4,804
Due from other governmental units	133,763	91,022	-
Due from other funds	30,000	-	-
Prepays	4,690	-	-
	<u>\$ 1,669,900</u>	<u>\$ 826,031</u>	<u>\$ 164,036</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 219,952	\$ 35,075	\$ 32,032
Accrued liabilities	59,941	1,436	1,639
	<u>279,893</u>	<u>36,511</u>	<u>33,671</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	5,701	-	6,514
FUND BALANCES			
Nonspendable	4,690	-	-
Restricted	17,940	789,520	123,851
Assigned	163,059	-	-
Unassigned	1,198,617	-	-
	<u>1,384,306</u>	<u>789,520</u>	<u>123,851</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 1,669,900</u>	<u>\$ 826,031</u>	<u>\$ 164,036</u>

See accompanying notes to financial statements.

<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 85,916	\$ 657,406	\$ 3,077,041
-	742	55,200
-	570	7,981
-	-	4,904
-	36,519	261,304
-	-	30,000
-	-	4,690
<u>\$ 85,916</u>	<u>\$ 695,237</u>	<u>\$ 3,441,120</u>
\$ 15,481	\$ 91,017	\$ 393,557
-	10,217	73,233
<u>15,481</u>	<u>101,234</u>	<u>466,790</u>
-	570	12,785
-	-	4,690
70,435	593,433	1,595,179
-	-	163,059
-	-	1,198,617
<u>70,435</u>	<u>593,433</u>	<u>2,961,545</u>
<u>\$ 85,916</u>	<u>\$ 695,237</u>	<u>\$ 3,441,120</u>

CITY OF GRAND LEDGE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - governmental funds \$ 2,961,545

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	\$ 28,630,142	
Accumulated depreciation is	<u>(7,748,215)</u>	
Capital assets, net		20,881,927

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		483,172
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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		12,785
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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		26,849
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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	251,471	
Deferred inflows of resources related to pensions	(189,805)	
Deferred inflows of resources related to OPEB	<u>(9,828)</u>	
		51,838

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	(5,255,000)	
Capitalized bond premiums/discounts	(36,064)	
Accrued interest payable	(20,277)	
Compensated absences	(172,417)	
Net pension liability	<u>(1,210,338)</u>	
		<u>(6,694,096)</u>

Net position of governmental activities **\$ 17,724,020**

**CITY OF GRAND LEDGE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

	General	Major Streets	Municipal Streets
REVENUES			
Taxes	\$ 1,689,033	\$ -	\$ 756,478
Special assessments	-	-	4,779
Licenses and permits	233,265	-	-
Intergovernmental	856,190	563,628	-
Charges for services	240,906	-	-
Fines and forfeits	22,118	-	-
Interest and rents	51,177	4,063	957
Other	240,761	3,751	3,390
TOTAL REVENUES	3,333,450	571,442	765,604
EXPENDITURES			
Current			
General government	874,854	-	-
Public safety	1,733,018	-	-
Public works	122,455	305,936	314,695
Community and economic development	53,677	-	-
Recreation and culture	111,516	-	-
Capital outlay	231,752	-	-
Debt service	142,780	-	-
TOTAL EXPENDITURES	3,270,052	305,936	314,695
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	63,398	265,506	450,909
OTHER FINANCING SOURCES (USES)			
Transfers in	-	140,000	125,000
Transfers out	(182,550)	-	(638,703)
TOTAL OTHER FINANCING SOURCES (USES)	(182,550)	140,000	(513,703)
NET CHANGE IN FUND BALANCES	(119,152)	405,506	(62,794)
Fund balances, beginning of year	1,503,458	384,014	186,645
Fund balances, end of year	<u>\$ 1,384,306</u>	<u>\$ 789,520</u>	<u>\$ 123,851</u>

See accompanying notes to financial statements.

<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 156,511	\$ 2,602,022
-	-	4,779
-	-	233,265
-	476,495	1,896,313
-	-	240,906
-	-	22,118
-	107,697	163,894
-	3,232	251,134
-	743,935	5,414,431
-	163,459	1,038,313
-	1,700	1,734,718
-	316,250	1,059,336
-	-	53,677
-	141,536	253,052
929,075	-	1,160,827
-	539,455	682,235
<u>929,075</u>	<u>1,162,400</u>	<u>5,982,158</u>
(929,075)	(418,465)	(567,727)
-	556,053	821,053
-	(27,800)	(849,053)
-	528,253	(28,000)
(929,075)	109,788	(595,727)
<u>999,510</u>	<u>483,645</u>	<u>3,557,272</u>
<u>\$ 70,435</u>	<u>\$ 593,433</u>	<u>\$ 2,961,545</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, 2019

Net change in fund balances - total governmental funds \$ (595,727)

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	\$ 1,341,193	
Depreciation expense	(663,084)	
Loss on disposal	<u>(109,101)</u>	
Excess of capital outlay over depreciation expense and disposals		569,008

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		(138,270)
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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	(3,566)	
(Decrease) in net other post-employment benefits asset	<u>(28,266)</u>	
		(31,832)

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	550,000	
Decrease in capitalized bond premiums/discounts	<u>7,566</u>	
		557,566

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	1,721	
Decrease in compensated absences	55,512	
Decrease in net pension liability	38,165	
Increase in deferred outflows of resources related to pensions	115,969	
(Increase) in deferred inflows of resources related to pensions	(145,586)	
(Increase) in deferred inflows of resources related to OPEB	<u>(5,227)</u>	
		<u>60,554</u>

Change in net position of governmental activities \$ 421,299

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019**

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,209,288	\$ 177,518
Accounts receivable	374,863	3,324
Special assessments receivable	948	-
Prepays	-	86,080
	2,585,099	266,922
Noncurrent assets		
Special assessments receivable	56,504	-
Capital assets not being depreciated	587,294	13,602
Capital assets, net of accumulated depreciation	18,356,103	323,980
Net other post-employment benefits asset	10,441	-
	19,010,342	337,582
TOTAL ASSETS	21,595,441	604,504
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding	111,322	-
LIABILITIES		
Current liabilities		
Accounts payable	66,329	18,446
Accrued liabilities	53,300	5,956
Accrued interest payable	29,664	-
Due to other funds	-	30,000
Current portion of compensated absences	55,156	7,073
Current portion of long-term debt	683,831	-
	888,280	61,475
Noncurrent liabilities		
Noncurrent portion of long-term debt	4,649,840	-
	4,649,840	-
TOTAL LIABILITIES	5,538,120	61,475
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to other post-employment benefits	3,822	-
	3,822	-
NET POSITION		
Net investment in capital assets	13,721,048	337,582
Restricted for other post-employment benefits	10,441	-
Unrestricted	2,433,332	205,447
	16,164,821	543,029
TOTAL NET POSITION	\$ 16,164,821	\$ 543,029

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, 2019

Total net position - enterprise fund \$ 16,164,821

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

59,857

Net position of business-type activities

\$ 16,224,678

**CITY OF GRAND LEDGE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED JUNE 30, 2019**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service</u>
OPERATING REVENUES		
Water operations	\$ 1,907,853	\$ -
Sewer operations	2,127,704	-
Internal operations	-	1,102,939
Interest and penalty charges	56,043	-
Rent	36,441	-
	<u>4,128,041</u>	<u>1,102,939</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Personnel	882,474	1,076,796
Repair and maintenance	1,162,465	92,004
Utilities	234,520	4,753
Other	488,659	40,902
Depreciation	592,644	55,362
	<u>3,360,762</u>	<u>1,269,817</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	767,279	(166,878)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	499,612	-
Investment earned	18,831	131
Loss on disposal of capital assets	(35,873)	(9,485)
Amortization, net	(3,434)	-
Interest expense and fees	(129,278)	-
	<u>349,858</u>	<u>(9,354)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
CHANGE IN NET POSITION	1,117,137	(176,232)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	30,000
Transfers out	(2,000)	-
	<u>(2,000)</u>	<u>30,000</u>
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN NET POSITION	1,115,137	(146,232)
Net position, beginning of year	<u>15,049,684</u>	<u>689,261</u>
Net position, end of year	<u>\$ 16,164,821</u>	<u>\$ 543,029</u>

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
PROPRIETARY FUNDS
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, 2019**

Net change in net position - enterprise fund \$ 1,115,137

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 (7,962)

Change in net position of governmental activities \$ 1,107,175

**CITY OF GRAND LEDGE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2019**

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 4,242,468	\$ 1,102,749
Cash paid to suppliers/claimants	(2,335,484)	(1,146,691)
Cash paid to employees	(585,605)	(108,566)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,321,379	(152,508)
CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES		
(Payment)/receipt of interfund balances	(37,873)	60,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Intergovernmental	499,612	-
Payments on borrowing	(650,000)	-
Purchase of capital assets	(28,372)	(31,517)
Sale of capital assets	41,733	-
Interest expense and fees	(132,734)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(269,761)	(31,517)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	18,831	131
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,032,576	(123,894)
Cash and cash equivalents, beginning of year	1,176,712	301,412
Cash and cash equivalents, end of year	\$ 2,209,288	\$ 177,518

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (continued)
 YEAR ENDED JUNE 30, 2019**

	<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)	\$ 767,279	\$ (166,878)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	592,644	55,362
(Increase) decrease in:		
Accounts receivable	113,478	(190)
Special assessments receivable	949	-
Prepays	-	(39,782)
Net OPEB asset	9,574	-
Increase (decrease) in:		
Accounts payable	(166,238)	(205)
Accrued liabilities	11,454	(1,840)
Compensated absences	(9,912)	1,025
Deferred inflows of resources related to net OPEB asset	2,151	-
	<u>2,151</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 1,321,379</u></u>	<u><u>\$ (152,508)</u></u>

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
FIDUCIARY FUND
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2019**

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 6,710</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 6,710</u>

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
 COMPONENT UNITS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2019**

	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Total Component Units</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 627,011	\$ 227,827	\$ 854,838
Noncurrent assets			
Capital assets not being depreciated	480,331	2,422,571	2,902,902
Capital assets, net of accumulated depreciation	<u>1,899,233</u>	<u>-</u>	<u>1,899,233</u>
Total noncurrent assets	<u>2,379,564</u>	<u>2,422,571</u>	<u>4,802,135</u>
TOTAL ASSETS	3,006,575	2,650,398	5,656,973
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	8,825	3,201	12,026
LIABILITIES			
Current liabilities			
Accounts payable	14,628	9,587	24,215
Accrued liabilities	1,070	72	1,142
Accrued interest payable	6,720	483	7,203
Current portion of long-term debt	<u>222,943</u>	<u>35,902</u>	<u>258,845</u>
Total current liabilities	245,361	46,044	291,405
Noncurrent liabilities			
Noncurrent portion of long-term debt	<u>889,886</u>	<u>112,706</u>	<u>1,002,592</u>
TOTAL LIABILITIES	<u>1,135,247</u>	<u>158,750</u>	<u>1,293,997</u>
NET POSITION			
Net investment in capital assets	1,275,560	2,277,164	3,552,724
Restricted	<u>604,593</u>	<u>217,685</u>	<u>822,278</u>
TOTAL NET POSITION	<u>\$ 1,880,153</u>	<u>\$ 2,494,849</u>	<u>\$ 4,375,002</u>

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Total Component Units</u>
Governmental activities						
Downtown Development Authority	\$ 606,365	\$ 10,568	\$ 75,695	\$ (520,102)	\$ -	\$ (520,102)
Local Development Finance Authority	25,627	-	-	-	(25,627)	(25,627)
Total component units	<u>\$ 631,992</u>	<u>\$ 10,568</u>	<u>\$ 75,695</u>	(520,102)	(25,627)	(545,729)
General revenues						
Property taxes				672,989	38,645	711,634
Investment earnings				5,519	1,885	7,404
Other				40	-	40
Total general revenues				<u>678,548</u>	<u>40,530</u>	<u>719,078</u>
Change in net position				158,446	14,903	173,349
Net position, beginning of year				<u>1,721,707</u>	<u>2,479,946</u>	<u>4,201,653</u>
Net position, end of year				<u>\$ 1,880,153</u>	<u>\$ 2,494,849</u>	<u>\$ 4,375,002</u>

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - 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 Manager/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.

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.

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.

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.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.
- d. The Capital Improvement Fund is a Capital Projects Fund used to account for financial resources restricted for the acquisition and/or construction of major capital assets.

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 equipment operating 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.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

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 funds are the Payroll Clearing Fund and Delinquent Tax Fund.

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.

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 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.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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.

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.
- 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.

Cash and Cash Equivalents

Cash and cash equivalents consist 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.

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.

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.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

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

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.

Accrued Interest Payable

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

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 termination of employment is capped at 60 hours. Employees are also allowed to cash in up to 60 hours of annually accrued sick time not used during a calendar year. Earned vacation time may be accumulated for up to twice the annual allotment. 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.

CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (continued)

All employees with accumulated compensated absences at June 30, 2019, 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.

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.

Net Pension Liability

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

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.

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.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources (continued)

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 asset and are related to differences between expected and actual experience, changes in assumptions, and differences between projected and actual plan investment earnings. 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 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.

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 mills (\$3.00 per \$1,000 of taxable valuation) for streets, and 1 mill (\$1.00 per \$1,000 of taxable valuation) for recreation. For the year ended June 30, 2019, the City levied 8.0584 mills per \$1,000 of assessed valuation for general governmental services, 2.4173 mills for streets, and 0.8054 mills for recreation. The total ad valorem taxable value for the 2018 levy for property within the City was \$218,566,487.

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.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transactions (continued)

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.

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.

Fund Balance Classifications

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 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.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification Policies and Procedures (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.

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.

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 2 - 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 highest classifications established by not less than two 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.

CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS (continued)

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, 2019, the carrying amount of the deposits was \$4,235,550 and the bank balance was \$4,496,038.

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, 2019, the City accounts were federally insured for \$500,000 and the amount of \$3,996,038 was uninsured and uncollateralized. The City had \$550 of imprest cash on hand.

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, 2019, the City has \$2,089,295 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, 2019, the Michigan CLASS investments were rated AAAM by Standard and Poor's and had a weighted average maturity (WAM) of < 60 days.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS (continued)

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.

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 1.

The following summarizes the categorization of these amounts as of June 30, 2019:

	Primary Government	Fiduciary Fund	Component Units	Reporting Entity
Cash and cash equivalents	\$ 5,463,847	\$ 6,710	\$ 854,838	\$ 6,325,395

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2019, are as follows:

Due to General Fund from:	
Internal Service Fund	\$ 30,000

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - 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 Major Street Fund from:	
Municipal Streets Fund	<u><u>\$ 140,000</u></u>
Transfers to Municipal Streets Fund from:	
General Fund	<u><u>\$ 125,000</u></u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 27,550
Municipal Streets Fund	498,703
Water and Sewer Fund	2,000
Nonmajor governmental funds	<u>27,800</u>
	<u><u>\$ 556,053</u></u>
Transfers to internal service funds from:	
General Fund	<u><u>\$ 30,000</u></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**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

Primary Government

	<u>Balance July 1, 2018</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2019</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,775,118	\$ 251,556	\$ (55,055)	\$ 1,971,619
Construction in progress	409,024	310,838	(719,862)	-
Total nondepreciable assets	2,184,142	562,394	(774,917)	1,971,619
Capital assets being depreciated				
Land improvements	2,671,977	-	(25,033)	2,646,944
Buildings and improvements	4,665,494	247,771	(25,240)	4,888,025
Equipment	1,831,086	199,089	(91,847)	1,938,328
Infrastructure	17,274,913	1,083,318	(26,237)	18,331,994
Total depreciable assets	26,443,470	1,530,178	(168,357)	27,805,291
Less accumulated depreciation for:				
Land improvements	(1,044,186)	(80,885)	6,648	(1,118,423)
Buildings and improvements	(1,560,783)	(140,505)	20,225	(1,681,063)
Equipment	(1,176,107)	(102,639)	73,881	(1,204,865)
Infrastructure	(4,162,705)	(394,417)	4,072	(4,553,050)
Total accumulated depreciation	(7,943,781)	(718,446)	104,826	(8,557,401)
Net depreciable assets	18,499,689	811,732	(63,531)	19,247,890
Capital assets, net	<u>\$ 20,683,831</u>	<u>\$ 1,374,126</u>	<u>\$ (838,448)</u>	<u>\$ 21,219,509</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 154,445
Public safety	25,079
Public works	477,216
Recreation and culture	61,706
Total depreciation expense	<u>\$ 718,446</u>

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Business-type activities				
Capital assets not being depreciated				
Land	\$ 546,764	\$ -	\$ (2,580)	\$ 544,184
Construction in progress	43,110	-	-	43,110
Total nondepreciable assets	589,874	-	(2,580)	587,294
Capital assets being depreciated				
Land Improvements	143,213	-	(25,760)	117,453
Buildings and improvements	30,148,904	-	(19,192)	30,129,712
Equipment	854,602	28,372	(81,426)	801,548
Total depreciable assets	31,146,719	28,372	(126,378)	31,048,713
Less accumulated depreciation for:				
Land improvements	(78,001)	(4,698)	17,575	(65,124)
Buildings and improvements	(11,619,724)	(550,014)	2,129	(12,167,609)
Equipment	(489,466)	(37,932)	67,521	(459,877)
Total accumulated depreciation	(12,187,191)	(592,644)	87,225	(12,692,610)
Net capital assets being depreciated	18,959,528	(564,272)	(39,153)	18,356,103
Capital assets, net	<u>\$ 19,549,402</u>	<u>\$ (564,272)</u>	<u>\$ (41,733)</u>	<u>\$ 18,943,397</u>

Component Units

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 480,331	\$ -	\$ -	\$ 480,331
Capital assets being depreciated				
Land improvements	3,512,062	-	(33,173)	3,478,889
Buildings and improvements	27,878	-	-	27,878
Equipment	32,244	14,908	-	47,152
Total depreciable assets	3,572,184	14,908	(33,173)	3,553,919
Less accumulated depreciation for:				
Land improvements	(1,511,332)	(139,156)	17,480	(1,633,008)
Buildings and improvements	(12,546)	(1,393)	-	(13,939)
Equipment	(6,449)	(1,290)	-	(7,739)
Total accumulated depreciation	(1,530,327)	(141,839)	17,480	(1,654,686)
Net capital assets being depreciated	2,041,857	(126,931)	(15,693)	1,899,233
Capital assets, net	<u>\$ 2,522,188</u>	<u>\$ (126,931)</u>	<u>\$ (15,693)</u>	<u>\$ 2,379,564</u>

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (continued)

Component Units (continued)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Local Development Finance Authority				
Land	\$ 2,422,571	-	-	\$ 2,422,571

NOTE 6 - 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, 2019.

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Amounts Due Within One Year
Primary Government					
Governmental activities					
General obligation bonds					
2013 Capital Improvement Bonds	\$ 1,940,000	-	\$ (90,000)	\$ 1,850,000	\$ 95,000
2016 Capital Improvement Refunding Bonds	115,000	-	(25,000)	90,000	30,000
2016 Capital Improvement Bonds	3,750,000	-	(435,000)	3,315,000	435,000
Bond discounts	(22,774)	-	1,423	(21,351)	(1,423)
Bond premiums	66,404	-	(8,989)	57,415	8,989
Compensated absences	233,977	419,543	(474,030)	179,490	179,490
Total governmental activities	6,082,607	419,543	(1,031,596)	5,470,554	747,056
Business-type activities					
General obligation bonds					
Contractual obligation with Eaton County	3,605,000	-	(485,000)	3,120,000	495,000
Revenue Bonds	2,259,062	-	(165,000)	2,094,062	170,000
Bond premiums	138,440	-	(18,831)	119,609	18,831
Compensated absences	65,068	126,671	(136,583)	55,156	55,156
Total business-type activities	6,067,570	126,671	(805,414)	5,388,827	738,987
Total Primary Government	12,150,177	546,214	(1,837,010)	10,859,381	1,486,043
Component Units					
Downtown Development Authority					
General obligation bonds					
2010 General Obligation Bonds	1,095,000	-	(135,000)	960,000	145,000
2011 General Obligation Refunding Bonds	250,000	-	(85,000)	165,000	80,000
Bond discounts	(14,228)	-	2,057	(12,171)	(2,057)
Total Downtown Development Authority	1,330,772	-	(217,943)	1,112,829	222,943
Local Development Finance Authority					
General obligation bonds					
2016 Capital Improvement Refunding Bonds	185,000	-	(40,000)	145,000	35,000
Bond premiums	4,510	-	(902)	3,608	902
Total Local Development Finance Authority	189,510	-	(40,902)	148,608	35,902
Total Component Units	1,520,282	-	(258,845)	1,261,437	258,845
Total Reporting Entity	\$ 13,670,459	\$ 546,214	\$ (2,095,855)	\$ 12,120,818	\$ 1,744,888

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (continued)

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

Primary Government

Governmental Activities

General Obligation Bonds

\$2,280,000 2013 Capital Improvement Bonds dated May 1, 2013, due in annual installments ranging from \$95,000 to \$155,000 through May 1, 2034, with interest ranging from 1.500% to 3.250%, payable semi-annually.	\$ 1,850,000
\$5,000,000 2016 Capital Improvement Refunding Bonds dated July 7, 2016, due in annual installments of \$30,000 through May 1, 2032, with interest of 2.000%, payable semi-annually.	90,000
\$5,000,000 2016 Capital Improvement Bonds dated July 7, 2016, due in annual installments ranging from \$125,000 to \$435,000 through May 1, 2032, with interest ranging from 2.000% to 2.350%, payable semi-annually.	3,315,000
Minus bond discount on 2013 Capital Improvement Bonds.	(21,351)
Plus bond premium on 2016 Capital Improvement and Refunding Bonds.	<u>57,415</u>
Total general obligation bonds	<u><u>\$ 5,291,064</u></u>

Business-type Activities

General Obligation Bonds

\$4,960,000 2014 Water Supply and Sewage Disposal System Refunding Bonds dated April 9, 2014, due in annual installments ranging from \$495,000 to \$545,000 through April 1, 2025, with interest ranging from 2.000% of 2.375%, payable semi-annually.	\$ 3,120,000
\$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 \$170,000 to \$214,062 through April 1, 2030, with interest of 2.500%, payable semi-annually.	2,094,062
Plus bond premium on 2014 Water Supply and Sewage Disposal System Refunding Bonds.	<u>119,609</u>
Total general obligation bonds	<u><u>\$ 5,333,671</u></u>

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (continued)

Primary Government (continued)

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 \$234,646 at June 30, 2019. Of this amount, \$179,490 and \$55,156 are shown as accrued liabilities within the government-wide financial statements' governmental and business-type activities, respectively, in accordance with criteria disclosed in Note 1.

Component Units

Downtown Development Authority

\$2,000,000 2010 Downtown Development Bonds dated August 17, 2010, due in annual installments ranging from \$145,000 to \$175,000 through May 1, 2025, with interest ranging from 3.375% to 4.000%, payable semi-annually.	\$ 960,000
\$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%, payable semi-annually.	165,000
Minus bond discount on 2010 Downtown Development Bonds.	<u>(12,171)</u>
Total general obligation bonds	<u><u>\$ 1,112,829</u></u>

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%, payable semi-annually.	\$ 145,000
Plus bond premium on 2016 Capital Improvement Refunding Bonds.	<u>3,608</u>
Total general obligation bonds	<u><u>\$ 148,608</u></u>

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (continued)

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

Primary Government

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	325,000	86,918	725,000	59,584
2025-2029	1,790,000	322,794	1,525,000	114,202
2030-2034	1,380,000	99,514	214,062	5,352
	<u>\$ 5,255,000</u>	<u>\$ 935,952</u>	<u>\$ 5,214,062</u>	<u>\$ 567,568</u>

Component Units

	<u>Downtown Development Authority</u>		<u>Local Development Finance Authority</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	170,000	13,800	-	-
2025	175,000	7,000	-	-
	<u>\$ 1,125,000</u>	<u>\$ 140,128</u>	<u>\$ 145,000</u>	<u>\$ 7,300</u>

NOTE 7 - 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-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.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT PLAN (continued)

DEFINED BENEFIT PLAN (continued)

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

Inactive employees or beneficiaries receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>11</u>
	<u><u>21</u></u>

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, 2019, were \$174,025.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT PLAN (continued)

DEFINED BENEFIT PLAN (continued)

Actuarial Assumptions

The total pension liability in the December 31, 2018, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

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**

NOTE 7 - RETIREMENT PLAN (continued)

DEFINED BENEFIT PLAN (continued)

Changes in Net Pension Liability

	Calculating the Net Pension Liability		
		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2017	\$ 3,368,451	\$ 2,119,948	\$ 1,248,503
Changes for the year			
Service cost	39,159	-	39,159
Interest on total pension liability	263,485	-	263,485
Difference between expected and actual experience	(227,764)	-	(227,764)
Employer contributions	-	183,204	(183,204)
Employee contributions	-	20,505	(20,505)
Net investment income	-	(86,526)	86,526
Benefit payments, including employee refunds	(188,916)	(188,916)	-
Administrative expense	-	(4,137)	4,137
Other changes	1	-	1
Net changes	(114,035)	(75,870)	(38,165)
Balances as of December 31, 2018	\$ 3,254,416	\$ 2,044,078	\$ 1,210,338

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.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 1,562,257	\$ 1,210,338	\$ 914,343

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT PLAN (continued)

DEFINED BENEFIT PLAN (continued)

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

For the year ended June 30, 2019, the employer recognized pension expenses of \$174,654. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,399	\$ 189,805
Changes in assumptions	47,031	-
Net difference between projected and actual earnings on pension plan investments	154,041	-
Total	\$ 251,471	\$ 189,805

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

Fiscal Year Ending June 30,	Pension Expense
2020	\$ 52,268
2021	19,350
2022	1,531
2023	21,503
2024	(32,986)

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, 2019, were \$135,806.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - 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 was closed to all employees hired after July 1, 2018. 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.

Summary of Plan Participants

At the June 30, 2019, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>29</u>
	<u><u>38</u></u>

Contributions

For the year ended June 30, 2019, 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, 2019, 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.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumption

The total OPEB liability in the June 30, 2019 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.	

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

The assumptions used in the June 30, 2019 valuation were determined by the City's management as of June 30, 2019.

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%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75%. 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.

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2019, 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, 2018	\$ 262,651	\$ 337,781	\$ (75,130)
Changes for the year			
Service cost	28,347	-	28,347
Interest on total OPEB liability	18,018	-	18,018
Difference between expected and actual experience	242,241	-	242,241
Employer contributions	-	238,654	(238,654)
Net investment income	-	13,101	(13,101)
Benefit payments	(88,654)	(88,654)	-
Administrative expense	-	(989)	989
Net changes	199,952	162,112	37,840
Balances as of June 30, 2019	\$ 462,603	\$ 499,893	\$ (37,290)

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 (4.89%) or 1-percentage-point higher (6.89%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	\$ (11,371)	\$ (37,290)	\$ (126,395)

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 (9.00%) or 1-percentage-point higher (10.00%) than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	\$ (136,543)	\$ (37,290)	\$ 1,980

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$269,116. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 13,650

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

Year Ending June 30,	OPEB Expense
2020	\$ (3,804)
2021	(3,804)
2022	(3,804)
2023	(2,238)

NOTE 9 - 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**

NOTE 10 - 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, 2019:

Shortfall at July 1, 2018	\$ (31,551)
REVENUES	
Licenses and permits	
Permits	221,871
EXPENDITURES	
Building Department	<u>(217,751)</u>
Cumulative shortfall at June 30, 2019	<u><u>\$ (27,431)</u></u>

NOTE 11 - 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, 2019:

PRIMARY GOVERNMENT	
Highways and streets	\$ 1,330,294
City parks	81,914
Police/drug enforcement	13,228
Airport development	57,730
Debt service	21,301
Other post-employment benefits	<u>26,849</u>
	<u><u>\$ 1,531,316</u></u>

**CITY OF GRAND LEDGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - 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, 2019.

	General Fund	Major Streets	Municipal Streets	Capital Improvements	Nonmajor Governmental Funds	Total
Fund Balances						
Nonspendable						
Prepays	\$ 4,690	\$ -	\$ -	\$ -	\$ -	\$ 4,690
Restricted						
Highways and streets	-	789,520	123,851	-	416,923	1,330,294
City parks	17,940	-	-	-	63,974	81,914
Police/drug enforcement	-	-	-	-	13,228	13,228
Airport development	-	-	-	-	57,730	57,730
Debt service	-	-	-	-	41,578	41,578
Capital projects	-	-	-	70,435	-	70,435
Assigned						
Subsequent year's expenditures	163,059	-	-	-	-	163,059
Unassigned	1,198,617	-	-	-	-	1,198,617
TOTAL FUND BALANCES	<u>\$ 1,384,306</u>	<u>\$ 789,520</u>	<u>\$ 123,851</u>	<u>\$ 70,435</u>	<u>\$ 593,433</u>	<u>\$ 2,961,545</u>

NOTE 13 - 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 current 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.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GRAND LEDGE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property taxes	\$ 1,506,581	\$ 1,547,865	\$ 1,550,386	\$ 2,521
Penalties and interest	18,941	29,137	30,662	1,525
Administration fees	101,880	107,986	107,985	(1)
Total taxes	1,627,402	1,684,988	1,689,033	4,045
Licenses and permits	120,932	260,932	233,265	(27,667)
Intergovernmental				
Federal	-	-	2,381	2,381
State	755,783	755,783	776,654	20,871
Local	20,000	20,000	25,855	5,855
Total intergovernmental	775,783	775,783	804,890	29,107
Charges for services				
Refuse collection	17,750	17,750	24,755	7,005
Cable franchise fee	116,000	116,000	122,577	6,577
Other	103,671	103,671	93,574	(10,097)
Total charges for services	237,421	237,421	240,906	3,485
Fines and forfeits	19,500	19,500	22,118	2,618
Interest and rents	10,050	48,070	51,177	3,107
Other	44,840	44,840	100,761	55,921
TOTAL REVENUES	2,835,928	3,071,534	3,142,150	70,616
EXPENDITURES				
Current				
General government				
City council	19,769	19,769	15,897	3,872
Administrator	220,769	249,469	244,550	4,919
Clerk	98,516	104,300	103,150	1,150
Treasurer	217,292	224,000	223,924	76
Assessor	67,123	68,913	63,390	5,523
Election	21,000	21,000	13,271	7,729
City hall	184,486	185,836	171,302	14,534
Attorney	28,000	28,000	22,536	5,464
Recycling	37,171	37,171	22,833	14,338
Composting	59,838	59,838	27,355	32,483

**CITY OF GRAND LEDGE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP) (continued)
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Current (continued)				
General government (continued)				
Other	\$ 266,469	\$ 543,129	\$ 491,955	\$ 51,174
Less: reimbursements from other funds	(525,309)	(525,309)	(525,309)	-
Total general government	695,124	1,016,116	874,854	141,262
Public safety				
Police administration	1,576,288	1,576,288	1,515,267	61,021
Building inspection	114,254	254,254	217,751	36,503
Total public safety	1,690,542	1,830,542	1,733,018	97,524
Public works				
Cemetery	103,582	124,581	122,455	2,126
Community and economic development				
Planning and zoning	56,896	56,896	53,677	3,219
Debt service				
Principal	90,000	90,000	90,000	-
Interest and fiscal charges	52,780	52,780	52,780	-
Total debt service	142,780	142,780	142,780	-
TOTAL EXPENDITURES	2,688,924	3,170,915	2,926,784	244,131
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	147,004	(99,381)	215,366	314,747
OTHER FINANCING (USES)				
Transfers out	(214,550)	(214,550)	(214,550)	-
Net change in fund balance (budgetary basis)	\$ (67,546)	\$ (313,931)	816	\$ 314,747
Budgetary perspective difference			(119,968)	
Net change in fund balance (GAAP basis)			\$ (119,152)	

**CITY OF GRAND LEDGE
MAJOR STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 533,985	\$ 533,985	\$ 563,628	\$ 29,643
Interest	150	150	4,063	3,913
Other	4,917	4,917	3,751	(1,166)
TOTAL REVENUES	539,052	539,052	571,442	32,390
EXPENDITURES				
Current				
Public works	846,366	881,366	305,936	575,430
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(307,314)	(342,314)	265,506	607,820
OTHER FINANCING (USES)				
Transfers in	140,000	140,000	140,000	-
NET CHANGE IN FUND BALANCE	(167,314)	(202,314)	405,506	607,820
Fund balance, beginning of year	384,014	384,014	384,014	-
Fund balance, end of year	<u>\$ 216,700</u>	<u>\$ 181,700</u>	<u>\$ 789,520</u>	<u>\$ 607,820</u>

**CITY OF GRAND LEDGE
MUNICIPAL STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 734,390	\$ 734,390	\$ 756,478	\$ 22,088
Special assessments	3,500	3,500	4,779	1,279
Interest	2,000	2,000	957	(1,043)
Other	1,089	1,089	3,390	2,301
TOTAL REVENUES	740,979	740,979	765,604	24,625
EXPENDITURES				
Current				
Public works	289,248	316,774	314,695	2,079
EXCESS OF REVENUES OVER EXPENDITURES	451,731	424,205	450,909	26,704
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	125,000	125,000	-
Transfers out	(638,703)	(638,703)	(638,703)	-
TOTAL OTHER FINANCING SOURCES (USES)	(513,703)	(513,703)	(513,703)	-
NET CHANGE IN FUND BALANCE	(61,972)	(89,498)	(62,794)	26,704
Fund balance, beginning of year	186,645	186,645	186,645	-
Fund balance, end of year	<u>\$ 124,673</u>	<u>\$ 97,147</u>	<u>\$ 123,851</u>	<u>\$ 26,704</u>

CITY OF GRAND LEDGE
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
LAST FIVE MEASUREMENT DATES (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 OF EACH FISCAL YEAR)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 39,159	\$ 41,618	\$ 40,439	\$ 43,614	\$ 46,794
Interest on total pension liability	263,485	252,280	242,190	227,146	218,700
Difference between expected and actual experience	(227,764)	34,819	22,281	38,397	-
Changes of assumptions	-	-	-	141,091	-
Benefit payments, including employee refunds	(188,916)	(185,899)	(172,872)	(176,252)	(146,817)
Other	1	-	-	-	-
Net change in total pension liability	(114,035)	142,818	132,038	273,996	118,677
Total pension liability, beginning	<u>3,368,451</u>	<u>3,225,633</u>	<u>3,093,595</u>	<u>2,819,599</u>	<u>2,700,922</u>
Total pension liability, ending	<u>\$ 3,254,416</u>	<u>\$ 3,368,451</u>	<u>\$ 3,225,633</u>	<u>\$ 3,093,595</u>	<u>\$ 2,819,599</u>
Plan fiduciary net position					
Contributions-employer	\$ 183,204	\$ 181,202	\$ 183,631	\$ 75,653	\$ 69,726
Contributions-employee	20,505	21,189	26,800	34,472	36,699
Net Investment income	(86,526)	249,037	192,400	(24,979)	104,984
Benefit payments including employee refunds	(188,916)	(185,899)	(172,872)	(176,252)	(146,817)
Administrative expense	(4,137)	(3,922)	(3,776)	(3,725)	(3,854)
Net change in plan fiduciary net position	(75,870)	261,607	226,183	(94,831)	60,738
Plan fiduciary net position, beginning	<u>2,119,948</u>	<u>1,858,341</u>	<u>1,632,158</u>	<u>1,726,989</u>	<u>1,666,251</u>
Plan fiduciary net position, ending	<u>\$ 2,044,078</u>	<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>\$ 1,210,338</u>	<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%	63%	58%	53%	61%
Covered employee payroll	\$ 569,960	\$ 548,326	\$ 513,565	\$ 477,402	\$ 461,142
City's net pension liability as a percentage of covered employee payroll	212%	228%	266%	306%	237%

CITY OF GRAND LEDGE
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST FIVE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 174,025	\$ 174,276	\$ 90,446	\$ 75,653	\$ 69,726
Contributions in relation to the actuarially determined contribution	<u>174,025</u>	<u>174,276</u>	<u>148,898</u>	<u>75,653</u>	<u>69,726</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (58,452)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 588,402	\$ 566,013	\$ 512,333	\$ 543,715	\$ 461,142
Contributions as a percentage of covered employee payroll	30%	31%	29%	14%	15%

CITY OF GRAND LEDGE
SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB ASSET AND RELATED RATIOS
LAST TWO MEASUREMENT DATES (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 28,347	\$ 15,974
Interest on total OPEB liability	18,018	15,329
Difference between expected and actual experience	242,241	-
Benefit payments	<u>(88,654)</u>	<u>(31,563)</u>
Net change in total pension liability	199,952	(260)
Total OPEB liability, beginning	<u>262,651</u>	<u>262,911</u>
Total OPEB liability, ending	<u><u>\$ 462,603</u></u>	<u><u>\$ 262,651</u></u>
Plan fiduciary net position		
Contributions-employer	\$ 238,654	\$ 181,563
Net Investment income	13,101	22,745
Benefit payments	(88,654)	(31,563)
Administrative expense	<u>(989)</u>	<u>(762)</u>
Net change in plan fiduciary net position	162,112	171,983
Plan fiduciary net position, beginning	<u>337,781</u>	<u>165,798</u>
Plan fiduciary net position, ending	<u><u>\$ 499,893</u></u>	<u><u>\$ 337,781</u></u>
City's net OPEB liability (asset)	<u><u>\$ (37,290)</u></u>	<u><u>\$ (75,130)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	108%	129%
Covered employee payroll	\$ 1,453,156	\$ 2,211,123
City's net OPEB liability (asset) as a percentage of covered employee payroll	(3%)	(3%)

CITY OF GRAND LEDGE
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
LAST TWO FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2019</u>	<u>2018</u>
Annually determined contributions	\$ 28,347	\$ 15,592
Contributions in relation to the annually determined contribution	<u>150,000</u>	<u>150,000</u>
Contribution deficiency (excess)	<u>\$ (121,653)</u>	<u>\$ (134,408)</u>
Covered employee payroll	\$ 1,453,156	\$ 2,211,123
Contributions as a percentage of covered employee payroll	10%	7%

**CITY OF GRAND LEDGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

NOTE 1 - PENSION 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 2 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Changes of benefits terms: There was no changes of benefit terms in plan year 2019.

Changes in assumptions: There were no changes in assumptions in plan year 2019.

NOTE 3 - 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)	\$ 816
To adjust for revenues related to various activities accounted for in a separate fund	191,300
To adjust for expenditures related to various activities accounted for in a separate fund	(343,268)
To remove the transfers from the budgetary basis schedule	<u>32,000</u>
Net change in fund balance (GAAP basis)	<u><u>\$ (119,152)</u></u>

OTHER SUPPLEMENTARY INFORMATION

**CITY OF GRAND LEDGE
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2019**

	<u>General</u>	<u>Grants</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,283,416	\$ 158,018	\$ 1,441,434
Receivables			
Accounts	54,212	-	54,212
Taxes	5,701	-	5,701
Special assessments	100	-	100
Due from other governmental units	133,763	-	133,763
Due from other funds	30,000	-	30,000
Prepays	4,690	-	4,690
	<u>1,511,882</u>	<u>158,018</u>	<u>1,669,900</u>
TOTAL ASSETS	\$ 1,511,882	\$ 158,018	\$ 1,669,900
LIABILITIES			
Accounts payable	\$ 79,874	\$ 140,078	\$ 219,952
Accrued liabilities	59,941	-	59,941
	<u>139,815</u>	<u>140,078</u>	<u>279,893</u>
TOTAL LIABILITIES	139,815	140,078	279,893
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	5,701	-	5,701
FUND BALANCES			
Nonspendable	4,690	-	4,690
Restricted	-	17,940	17,940
Assigned	163,059	-	163,059
Unassigned	1,198,617	-	1,198,617
	<u>1,366,366</u>	<u>17,940</u>	<u>1,384,306</u>
TOTAL FUND BALANCES	1,366,366	17,940	1,384,306
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 1,511,882</u>	<u>\$ 158,018</u>	<u>\$ 1,669,900</u>

**CITY OF GRAND LEDGE
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Grants</u>	<u>Total</u>
REVENUES			
Taxes	\$ 1,689,033	\$ -	\$ 1,689,033
Licenses and permits	233,265	-	233,265
Intergovernmental	804,890	51,300	856,190
Charges for services	240,906	-	240,906
Fines and forfeits	22,118	-	22,118
Interest and rents	51,177	-	51,177
Other	<u>100,761</u>	<u>140,000</u>	<u>240,761</u>
TOTAL REVENUES	3,142,150	191,300	3,333,450
EXPENDITURES			
Current			
General government	874,854	-	874,854
Public safety	1,733,018	-	1,733,018
Public works	122,455	-	122,455
Community and economic development	53,677	-	53,677
Recreation and culture	-	111,516	111,516
Capital outlay	-	231,752	231,752
Debt service	<u>142,780</u>	<u>-</u>	<u>142,780</u>
TOTAL EXPENDITURES	<u>2,926,784</u>	<u>343,268</u>	<u>3,270,052</u>
EXCESS OF REVENUES OVER EXPENDITURES	215,366	(151,968)	63,398
OTHER FINANCING SOURCES (USES)			
Transfers in	-	32,000	32,000
Transfers out	<u>(214,550)</u>	<u>-</u>	<u>(214,550)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(214,550)</u>	<u>32,000</u>	<u>(182,550)</u>
NET CHANGE IN FUND BALANCES	816	(119,968)	(119,152)
Fund balances, beginning of year	<u>1,365,550</u>	<u>137,908</u>	<u>1,503,458</u>
Fund balances, end of year	<u><u>\$ 1,366,366</u></u>	<u><u>\$ 17,940</u></u>	<u><u>\$ 1,384,306</u></u>

**CITY OF GRAND LEDGE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Special		
	Local Streets	Parks and Recreation	Drug Forfeiture
ASSETS			
Cash and cash equivalents	\$ 459,180	\$ 77,230	\$ 7,856
Accounts receivable	246	-	-
Taxes receivable	-	570	-
Due from other governmental units	36,519	-	-
TOTAL ASSETS	\$ 495,945	\$ 77,800	\$ 7,856
LIABILITIES			
Accounts payable	\$ 75,554	\$ 6,579	\$ -
Accrued wages	3,468	6,677	-
TOTAL LIABILITIES	79,022	13,256	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	570	-
FUND BALANCES			
Restricted	416,923	63,974	7,856
TOTAL FUND BALANCES	416,923	63,974	7,856
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 495,945	\$ 77,800	\$ 7,856

Revenue		Debt Service		Total
Police Restricted	Airport Development	Island Bridge	2016 Bonds Authority	Nonmajor Governmental Funds
\$ 5,372	\$ 66,190	\$ 2,689	\$ 38,889	\$ 657,406
-	496	-	-	742
-	-	-	-	570
-	-	-	-	36,519
<u>\$ 5,372</u>	<u>\$ 66,686</u>	<u>\$ 2,689</u>	<u>\$ 38,889</u>	<u>\$ 695,237</u>
\$ -	\$ 8,884	\$ -	\$ -	\$ 91,017
-	72	-	-	10,217
-	8,956	-	-	101,234
-	-	-	-	570
<u>5,372</u>	<u>57,730</u>	<u>2,689</u>	<u>38,889</u>	<u>593,433</u>
<u>5,372</u>	<u>57,730</u>	<u>2,689</u>	<u>38,889</u>	<u>593,433</u>
<u>\$ 5,372</u>	<u>\$ 66,686</u>	<u>\$ 2,689</u>	<u>\$ 38,889</u>	<u>\$ 695,237</u>

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

	Special		
	Local Streets	Parks and Recreation	Drug Forfeiture
REVENUES			
Taxes	\$ -	\$ 156,511	\$ -
Intergovernmental	295,369	-	-
Interest and rents	2,839	4,177	60
Other	3,232	-	-
TOTAL REVENUES	301,440	160,688	60
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	316,250	-	-
Recreation and culture	-	141,536	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	316,250	141,536	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,810)	19,152	60
OTHER FINANCING SOURCES (USES)			
Transfers in	165,000	29,550	-
Transfers out	-	(27,800)	-
TOTAL OTHER FINANCING SOURCES (USES)	165,000	1,750	-
NET CHANGE IN FUND BALANCES	150,190	20,902	60
Fund balances, beginning of year	266,733	43,072	7,796
Fund balances, end of year	\$ 416,923	\$ 63,974	\$ 7,856

Revenue		Debt Service		Total
Police Restricted	Airport Development	Island Bridge	2016 Bonds	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 156,511
2,674	-	-	178,452	476,495
39	78,333	70	22,179	107,697
-	-	-	-	3,232
2,713	78,333	70	200,631	743,935
-	163,459	-	-	163,459
1,700	-	-	-	1,700
-	-	-	-	316,250
-	-	-	-	141,536
-	-	25,000	435,000	460,000
-	-	2,300	77,155	79,455
1,700	163,459	27,300	512,155	1,162,400
1,013	(85,126)	(27,230)	(311,524)	(418,465)
-	-	27,800	333,703	556,053
-	-	-	-	(27,800)
-	-	27,800	333,703	528,253
1,013	(85,126)	570	22,179	109,788
4,359	142,856	2,119	16,710	483,645
\$ 5,372	\$ 57,730	\$ 2,689	\$ 38,889	\$ 593,433

**CITY OF GRAND LEDGE
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Equipment Operating	Employee Benefits	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,172	\$ 169,346	\$ 177,518
Accounts receivable	3,324	-	3,324
Prepays	-	86,080	86,080
	11,496	255,426	266,922
Noncurrent assets			
Capital assets not being depreciated	13,602	-	13,602
Capital assets, net of accumulated depreciation	323,980	-	323,980
	337,582	-	337,582
TOTAL ASSETS	349,078	255,426	604,504
LIABILITIES			
Current liabilities			
Accounts payable	16,196	2,250	18,446
Accrued liabilities	5,892	64	5,956
Due to other funds	30,000	-	30,000
Compensated absences	7,073	-	7,073
	59,161	2,314	61,475
NET POSITION			
Investment in capital assets	337,582	-	337,582
Unrestricted	(47,665)	253,112	205,447
	\$ 289,917	\$ 253,112	\$ 543,029
TOTAL NET POSITION	\$ 289,917	\$ 253,112	\$ 543,029

**CITY OF GRAND LEDGE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

	<u>Equipment Operating</u>	<u>Employee Benefits</u>	<u>Total</u>
OPERATING REVENUES			
Internal operations	\$ 187,419	\$ 915,520	\$ 1,102,939
OPERATING EXPENSES			
Personnel	157,745	919,051	1,076,796
Repair and maintenance	92,004	-	92,004
Utilities	4,753	-	4,753
Other	40,902	-	40,902
Depreciation	55,362	-	55,362
	<u>350,766</u>	<u>919,051</u>	<u>1,269,817</u>
TOTAL OPERATING EXPENSES			
OPERATING (LOSS)	(163,347)	(3,531)	(166,878)
NONOPERATING REVENUES (EXPENSES)			
Investment income	95	36	131
Loss on disposal of capital assets	(9,485)	-	(9,485)
	<u>(9,390)</u>	<u>36</u>	<u>(9,354)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)			
CHANGE IN NET POSITION	(172,737)	(3,495)	(176,232)
OTHER FINANCING SOURCES			
Transfers in	30,000	-	30,000
NET CHANGE IN NET POSITION	(142,737)	(3,495)	(146,232)
Net position, beginning of year	<u>432,654</u>	<u>256,607</u>	<u>689,261</u>
Net position, end of year	<u>\$ 289,917</u>	<u>\$ 253,112</u>	<u>\$ 543,029</u>

**CITY OF GRAND LEDGE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	<u>Equipment Operating</u>	<u>Employee Benefits</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 187,229	\$ 915,520	\$ 1,102,749
Cash paid to suppliers/claimants	(176,265)	(970,426)	(1,146,691)
Cash paid to employees	<u>(108,566)</u>	<u>-</u>	<u>(108,566)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(97,602)	(54,906)	(152,508)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt of interfund balances	60,000	-	60,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(31,517)	-	(31,517)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>95</u>	<u>36</u>	<u>131</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(69,024)	(54,870)	(123,894)
Cash and cash equivalents, beginning of year	<u>77,196</u>	<u>224,216</u>	<u>301,412</u>
Cash and cash equivalents, end of year	<u>\$ 8,172</u>	<u>\$ 169,346</u>	<u>\$ 177,518</u>
Reconciliation of operating (loss) to net cash (used) by operating activities			
Operating (loss)	\$ (163,347)	\$ (3,531)	\$ (166,878)
Adjustment to reconcile operating (loss) to net cash (used) by operating activities			
Depreciation	55,362	-	55,362
(Increase) in:			
Accounts receivable	(190)	-	(190)
Prepays	-	(39,782)	(39,782)
Increase (decrease) in:			
Accounts payable	11,441	(11,646)	(205)
Accrued liabilities	(1,893)	53	(1,840)
Compensated absences	<u>1,025</u>	<u>-</u>	<u>1,025</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (97,602)</u>	<u>\$ (54,906)</u>	<u>\$ (152,508)</u>

**CITY OF GRAND LEDGE
 FIDUCIARY FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2019**

	Delinquent Tax	Payroll Clearing	Total
ASSETS			
Cash	\$ 6,678	\$ 32	\$ 6,710
LIABILITIES			
Due to individuals and agencies	\$ 6,678	\$ 32	\$ 6,710

**CITY OF GRAND LEDGE
 COMPONENT UNIT FUNDS
 BALANCE SHEET -
 DOWNTOWN DEVELOPMENT AUTHORITY
 JUNE 30, 2019**

	<u>General Operating</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	<u>\$ 294,701</u>	<u>\$ 17,643</u>	<u>\$ 314,667</u>	<u>\$ 627,011</u>
LIABILITIES				
Accounts payable	\$ 14,628	\$ -	\$ -	\$ 14,628
Accrued liabilities	<u>1,070</u>	<u>-</u>	<u>-</u>	<u>1,070</u>
TOTAL LIABILITIES	15,698	-	-	15,698
FUND BALANCES				
Restricted	<u>279,003</u>	<u>17,643</u>	<u>314,667</u>	<u>611,313</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 294,701</u>	<u>\$ 17,643</u>	<u>\$ 314,667</u>	<u>\$ 627,011</u>

**CITY OF GRAND LEDGE
 COMPONENT UNIT FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT ON NET POSITION -
 DOWNTOWN DEVELOPMENT AUTHORITY
 JUNE 30, 2019**

Total fund balances - governmental funds \$ 611,313

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	\$ 4,034,250	
Accumulated depreciation is	<u>(1,654,686)</u>	
Capital assets, net		2,379,564

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		8,825
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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	(1,125,000)	
Capitalized bond discounts	12,171	
Accrued interest payable	<u>(6,720)</u>	
		<u>(1,119,549)</u>

Net position of governmental activities \$ 1,880,153

**CITY OF GRAND LEDGE
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2019**

	General Operating	Debt Service	Capital Project	Total
REVENUES				
Taxes	\$ 672,989	\$ -	\$ -	\$ 672,989
Intergovernmental	75,695	-	-	75,695
Interest and rents	13,371	516	2,200	16,087
Other	40	-	-	40
TOTAL REVENUES	762,095	516	2,200	764,811
EXPENDITURES				
Current				
Community and economic development	391,260	-	-	391,260
Capital outlay	-	-	20,000	20,000
Debt service				
Principal	-	220,000	-	220,000
Interest and fiscal charges	-	47,101	-	47,101
TOTAL EXPENDITURES	391,260	267,101	20,000	678,361
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	370,835	(266,585)	(17,800)	86,450
OTHER FINANCING SOURCES (USES)				
Transfers in	-	267,351	100,000	367,351
Transfers out	(367,351)	-	-	(367,351)
TOTAL OTHER FINANCING SOURCES (USES)	(367,351)	267,351	100,000	-
NET CHANGE IN FUND BALANCES	3,484	766	82,200	86,450
Fund balances, beginning of year	275,519	16,877	232,467	524,863
Fund balances, end of year	<u>\$ 279,003</u>	<u>\$ 17,643</u>	<u>\$ 314,667</u>	<u>\$ 611,313</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, 2019**

Net change in fund balances - total governmental funds \$ 86,450

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	\$	14,908
Depreciation expense		<u>(141,839)</u>

Excess of depreciation expense over capital outlay	(126,931)
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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.	(15,693)
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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)
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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	220,000	
(Decrease) in capitalized bond discounts		<u>(2,057)</u>

217,943

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	<u>1,089</u>
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Change in net position of governmental activities	<u><u>\$ 158,446</u></u>
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**CITY OF GRAND LEDGE
 COMPONENT UNIT FUNDS
 BALANCE SHEET -
 LOCAL DEVELOPMENT FINANCE AUTHORITY
 JUNE 30, 2019**

	General Operating
ASSETS	
Cash and cash equivalents	\$ 227,827
LIABILITIES	
Accounts payable	\$ 9,587
Accrued liabilities	72
TOTAL LIABILITIES	9,659
FUND BALANCE	
Restricted	218,168
TOTAL LIABILITIES AND FUND BALANCE	\$ 227,827

**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, 2019**

Total fund balance - governmental fund \$ 218,168

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 3,201

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	\$ (145,000)	
Capitalized bond premiums	(3,608)	
Accrued interest payable	<u>(483)</u>	
		<u>(149,091)</u>

Net position of governmental activities \$ 2,494,849

**CITY OF GRAND LEDGE
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 LOCAL DEVELOPMENT FINANCE AUTHORITY
 YEAR ENDED JUNE 30, 2019**

	General Operating
REVENUES	
Taxes	\$ 38,645
Interest	1,885
TOTAL REVENUES	40,530
EXPENDITURES	
Current	
Community and economic development	22,163
Debt service	
Principal	40,000
Interest and fiscal charges	3,700
TOTAL EXPENDITURES	65,863
NET CHANGE IN FUND BALANCE	(25,333)
Fund balance, beginning of year	243,501
Fund balance, end of year	\$ 218,168

**CITY OF GRAND LEDGE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY
YEAR ENDED JUNE 30, 2019**

Net change in fund balance - total governmental fund \$ (25,333)

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	\$	40,000
Decrease in capitalized bond premiums		<u>902</u>

40,902

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 (800)

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 134

Change in net position of governmental activities \$ 14,903