

**CITY OF GRAND LEDGE
EATON COUNTY, MICHIGAN**

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

YEAR ENDED JUNE 30, 2020

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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, 2020, 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, 2020, 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.

Maney Costeiran PC

September 30, 2020

**CITY OF GRAND LEDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

As management of the City of Grand Ledge, we offer readers of the City of Grand Ledge financial statements this narrative overview and analysis of the financial activities of the City of Grand Ledge for the fiscal year ended June 30, 2020.

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 \$39,037,357 (net position). Of this amount, \$10,190,682 (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 \$5,088,659.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,743,587, an increase of \$2,782,042 from the prior year, of which \$1,362,314 is available for unrestricted spending (unassigned fund balance). The increase of \$2,782,042 is primarily due to proceeds from the 2019 Capital Improvement Bonds issued during the fiscal year.
- Fund balance of the General Fund decreased by \$19,112 during the current fiscal year (non-GAAP basis), compared to the \$265,122 increase 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 \$19,112. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,362,314 or 39.6% 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, 2020**

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 13 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, 2020**

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 \$39,037,357 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (74.7%) 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, 2020**

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, 2020 and 2019:

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|------------------------------------|----------------------|-------------------------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Assets | | | | | | |
| Current and other assets | \$ 7,628,093 | \$ 3,645,034 | \$ 7,768,937 | \$ 2,711,901 | \$ 15,397,030 | \$ 6,356,935 |
| Capital assets, net | 23,658,378 | 21,219,509 | 19,636,945 | 18,943,397 | 43,295,323 | 40,162,906 |
| Total assets | 31,286,471 | 24,864,543 | 27,405,882 | 21,655,298 | 58,692,353 | 46,519,841 |
| Deferred Outflows of Resources | 528,771 | 251,471 | 163,119 | 111,322 | 691,890 | 362,793 |
| Liabilities | | | | | | |
| Current | 2,061,138 | 1,258,525 | 1,627,153 | 888,280 | 3,688,291 | 2,146,805 |
| Noncurrent | 8,837,734 | 5,933,836 | 7,541,641 | 4,649,840 | 16,379,375 | 10,583,676 |
| Total liabilities | 10,898,872 | 7,192,361 | 9,168,794 | 5,538,120 | 20,067,666 | 12,730,481 |
| Deferred Inflows of Resources | 241,007 | 199,633 | 38,213 | 3,822 | 279,220 | 203,455 |
| Net Position | | | | | | |
| Net invested in capital assets | 15,448,798 | 15,998,880 | 11,290,483 | 13,721,048 | 26,739,281 | 29,719,928 |
| Restricted | 2,028,308 | 1,531,316 | 90,500 | 10,441 | 2,118,808 | 1,541,757 |
| Unrestricted | 3,198,257 | 193,824 | 6,981,011 | 2,493,189 | 10,179,268 | 2,687,013 |
| Total net position | <u>\$ 20,675,363</u> | <u>\$ 17,724,020</u> | <u>\$ 18,361,994</u> | <u>\$ 16,224,678</u> | <u>\$ 39,037,357</u> | <u>\$ 33,948,698</u> |

Approximately 74.7% of the City's net position of governmental activities reflects its investment in capital less any related debt used to acquire those assets. Restricted net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position of governmental activities of \$3,209,671 represents the amount that may be used to meet the City's ongoing obligations.

Governmental Activities

Net position of the City's governmental activities increased approximately \$2,951,343, or 14.3%, to \$20.68 million. This increase demonstrates an ongoing continued commitment to asset management, maintaining streets, enhancing parks, delivering municipal services and providing public safety.

Business-type Activities

The net position of the City's business-type activities increased approximately \$2,137,316, or 11.6%, to \$18.36 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, 2020**

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, 2020 and 2019.

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|----------------------------|-------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues | | | | | | |
| Program revenue | | | | | | |
| Charges for services | \$ 874,142 | \$ 748,856 | \$ 5,374,098 | \$ 4,128,041 | \$ 6,248,240 | \$ 4,876,897 |
| Operating grants and contributions | 1,081,342 | 1,062,678 | - | 499,612 | 1,081,342 | 1,562,290 |
| Capital grants and contributions | 2,209,698 | 178,452 | - | - | 2,209,698 | 178,452 |
| General revenues | | | | | | |
| Property taxes | 2,530,385 | 2,494,339 | - | - | 2,530,385 | 2,494,339 |
| State Revenue Sharing | 761,488 | 776,654 | - | - | 761,488 | 776,654 |
| Investment earnings | 72,742 | 49,205 | 21,118 | 18,831 | 93,860 | 68,036 |
| Miscellaneous | 111,488 | 100,681 | - | - | 111,488 | 100,681 |
| Transfers | 49,240 | 2,000 | (49,240) | (2,000) | - | - |
| Total revenues | 7,690,525 | 5,412,865 | 5,345,976 | 4,644,484 | 13,036,501 | 10,057,349 |
| Expenses | | | | | | |
| General government | 900,811 | 1,215,592 | - | - | 900,811 | 1,215,592 |
| Public safety | 1,624,253 | 1,732,271 | - | - | 1,624,253 | 1,732,271 |
| Public works | 1,754,832 | 1,580,366 | - | - | 1,754,832 | 1,580,366 |
| Community and economic development | 47,902 | 53,677 | - | - | 47,902 | 53,677 |
| Recreation and culture | 193,531 | 279,146 | - | - | 193,531 | 279,146 |
| Interest on long-term debt | 217,853 | 130,514 | - | - | 217,853 | 130,514 |
| Water and Sewer | - | - | 3,208,660 | 3,537,309 | 3,208,660 | 3,537,309 |
| Total expenses | 4,739,182 | 4,991,566 | 3,208,660 | 3,537,309 | 7,947,842 | 8,528,875 |
| Change in net position | \$ 2,951,343 | \$ 421,299 | \$ 2,137,316 | \$ 1,107,175 | \$ 5,088,659 | \$ 1,528,474 |

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,743,587, an increase of \$2,782,042 from the prior year. Of the total fund balance, 23.7% or \$1,362,314 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 \$4,377,893 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.

**CITY OF GRAND LEDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 \$1,365,194, of which \$2,880 was classified as nonspendable, and the remaining \$1,362,314 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 39.6% of total General Fund expenditures and other financing uses. Total fund balance decreased by \$19,112 during the current fiscal year.

The Major Streets Fund had total restricted fund balance of \$770,099, a decrease of \$19,421. 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 \$534,673, an increase of \$410,822. 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 Bond Capital Improvements Fund had restricted fund balance of \$2,424,021, which represents unexpended bond proceeds. The 2019 capital improvement bonds, issued in December 2019, are being used for street improvements, water and sewer system improvements, and equipment purchases.

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 \$6,981,011. The fund had an increase in net position for the year of \$2,137,316. 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.

In total, the General Fund had a positive variance in the net change in fund balance of \$334,505. The most significant fluctuation with the final amended expenditure budget relates to general government activities that were approximately \$233,315 under budget due to strong control over expenditures. On the revenue side, revenues come in approximately \$16,043 higher than expected mainly in property tax revenue that was over budget by \$51,824.

**CITY OF GRAND LEDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Capital Asset and Debt Administration

At the end of the 2020 fiscal year, the City had invested approximately \$43.3 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.

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|----------------------------|------------------------------------|-------------------------------------|----------------------|
| Land | \$ 2,093,271 | \$ 587,294 | \$ 2,680,565 |
| Land improvements | 3,101,328 | 47,630 | 3,148,958 |
| Buildings and improvements | 3,491,815 | 18,604,734 | 22,096,549 |
| Equipment | 897,043 | 397,287 | 1,294,330 |
| Infrastructure | 14,074,921 | - | 14,074,921 |
| Capital assets, net | <u>\$ 23,658,378</u> | <u>\$ 19,636,945</u> | <u>\$ 43,295,323</u> |

At year end, the City had approximately \$16.1 million in bonds and other obligations outstanding. This represents an increase of \$5.4 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.

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| General obligation bonds | \$ 7,839,864 | \$ 5,339,198 | \$ 13,179,062 |
| Contractual obligation with Eaton County | - | 2,625,000 | 2,625,000 |
| Accrued compensated absences | 200,041 | 52,267 | 252,308 |
| Total outstanding debt | <u>\$ 8,039,905</u> | <u>\$ 8,016,465</u> | <u>\$ 16,056,370</u> |

The City also had \$841,037 in net unamortized bond items at June 30, 2020. 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, 2020**

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, at minimum, the consumer price index.
- Contribution of \$75,000 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, 2020

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 10,110,388 | \$ 3,762,694 | \$ 13,873,082 | \$ 645,048 |
| Receivables | 74,319 | 788,823 | 863,142 | - |
| Internal balances | (3,072,942) | 3,072,942 | - | - |
| Due from other governmental units | 271,024 | - | 271,024 | - |
| Prepays | 34,139 | - | 34,139 | - |
| Total current assets | 7,416,928 | 7,624,459 | 15,041,387 | 645,048 |
| Noncurrent assets | | | | |
| Receivables | - | 53,978 | 53,978 | - |
| Capital assets not being depreciated | 2,093,271 | 587,294 | 2,680,565 | 2,902,902 |
| Capital assets, net of accumulated depreciation | 21,565,107 | 19,049,651 | 40,614,758 | 1,755,264 |
| Net other post-employment benefits asset | 211,165 | 90,500 | 301,665 | - |
| Total noncurrent assets | 23,869,543 | 19,781,423 | 43,650,966 | 4,658,166 |
| TOTAL ASSETS | 31,286,471 | 27,405,882 | 58,692,353 | 5,303,214 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred charges on refunding | - | 89,057 | 89,057 | 6,813 |
| Deferred outflows of resources related to pensions | 355,960 | - | 355,960 | - |
| Deferred outflows of resources related to OPEB | 172,811 | 74,062 | 246,873 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 528,771 | 163,119 | 691,890 | 6,813 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | 987,681 | 582,905 | 1,570,586 | 23,233 |
| Accrued liabilities | 73,960 | 51,182 | 125,142 | 971 |
| Accrued interest payable | 37,637 | 46,921 | 84,558 | 5,909 |
| Unearned revenue | 29,641 | - | 29,641 | - |
| Current portion of compensated absences | 200,041 | 52,267 | 252,308 | - |
| Current portion of long-term debt | 732,178 | 893,878 | 1,626,056 | 268,845 |
| Total current liabilities | 2,061,138 | 1,627,153 | 3,688,291 | 298,958 |
| Noncurrent liabilities | | | | |
| Noncurrent portion of long-term debt | 7,477,402 | 7,541,641 | 15,019,043 | 733,747 |
| Net pension liability | 1,360,332 | - | 1,360,332 | - |
| Total noncurrent liabilities | 8,837,734 | 7,541,641 | 16,379,375 | 733,747 |
| TOTAL LIABILITIES | 10,898,872 | 9,168,794 | 20,067,666 | 1,032,705 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources related to pensions | 151,844 | - | 151,844 | - |
| Deferred inflows of resources related to OPEB | 89,163 | 38,213 | 127,376 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 241,007 | 38,213 | 279,220 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 15,448,798 | 11,290,483 | 26,739,281 | 3,662,387 |
| Restricted | 2,028,308 | 90,500 | 2,118,808 | 614,935 |
| Unrestricted | 3,198,257 | 6,981,011 | 10,179,268 | - |
| TOTAL NET POSITION | \$ 20,675,363 | \$ 18,361,994 | \$ 39,037,357 | \$ 4,277,322 |

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

| 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 | \$ 900,811 | \$ 380,574 | \$ 5,046 | \$ - | \$ (515,191) | \$ - | \$ (515,191) | \$ - |
| Public safety | 1,624,253 | 366,407 | 34,120 | - | (1,223,726) | - | (1,223,726) | - |
| Public works | 1,754,832 | 119,308 | 812,643 | 1,639,493 | 816,612 | - | 816,612 | - |
| Community and economic development | 47,902 | 5,638 | - | 570,205 | 527,941 | - | 527,941 | - |
| Recreation and culture | 193,531 | 2,215 | 229,533 | - | 38,217 | - | 38,217 | - |
| Interest on long-term debt | 217,853 | - | - | - | (217,853) | - | (217,853) | - |
| Total governmental activities | 4,739,182 | 874,142 | 1,081,342 | 2,209,698 | (574,000) | - | (574,000) | - |
| Business-type activities | | | | | | | | |
| Water and Sewer | 3,208,660 | 5,374,098 | - | - | - | 2,165,438 | 2,165,438 | - |
| Total primary government | <u>\$ 7,947,842</u> | <u>\$ 6,248,240</u> | <u>\$ 1,081,342</u> | <u>\$ 2,209,698</u> | (574,000) | 2,165,438 | 1,591,438 | - |
| Component units | | | | | | | | |
| Downtown Development Authority | \$ 979,303 | \$ 11,428 | \$ 79,411 | \$ - | - | - | - | (888,464) |
| Local Development Finance Authority | 66,149 | - | - | - | - | - | - | (66,149) |
| Total component units | <u>\$ 1,045,452</u> | <u>\$ 11,428</u> | <u>\$ 79,411</u> | <u>\$ -</u> | - | - | - | (954,613) |
| General revenues | | | | | | | | |
| Property taxes | | | | | 2,530,385 | - | 2,530,385 | 850,767 |
| State shared revenue | | | | | 761,488 | - | 761,488 | - |
| Investment earnings | | | | | 72,742 | 21,118 | 93,860 | 6,166 |
| Miscellaneous | | | | | 111,488 | - | 111,488 | - |
| Transfers | | | | | 49,240 | (49,240) | - | - |
| Total general revenues and transfers | | | | | <u>3,525,343</u> | <u>(28,122)</u> | <u>3,497,221</u> | <u>856,933</u> |
| Change in net position | | | | | 2,951,343 | 2,137,316 | 5,088,659 | (97,680) |
| Net position, beginning of the year | | | | | <u>17,724,020</u> | <u>16,224,678</u> | <u>33,948,698</u> | <u>4,375,002</u> |
| Net position, end of year | | | | | <u>\$ 20,675,363</u> | <u>\$ 18,361,994</u> | <u>\$ 39,037,357</u> | <u>\$ 4,277,322</u> |

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

| | <u>General</u> | <u>Major Streets</u> | <u>Municipal Streets</u> |
|--|---------------------|--------------------------|------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,363,380 | \$ 1,086,775 | \$ 545,871 |
| Receivables | | | |
| Accounts | 65,550 | 246 | - |
| Taxes | 5,175 | - | 1,552 |
| Due from other governmental units | 163,838 | 76,592 | - |
| Prepays | 2,880 | - | - |
| | <u>1,600,823</u> | <u>1,163,613</u> | <u>547,423</u> |
| TOTAL ASSETS | \$ 1,600,823 | \$ 1,163,613 | \$ 547,423 |
| LIABILITIES | | | |
| Accounts payable | \$ 139,729 | \$ 391,387 | \$ 7,385 |
| Accrued liabilities | 61,084 | 2,127 | 3,813 |
| Due to other funds | - | - | - |
| Unearned revenue | 29,641 | - | - |
| | <u>230,454</u> | <u>393,514</u> | <u>11,198</u> |
| TOTAL LIABILITIES | 230,454 | 393,514 | 11,198 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenues | 5,175 | - | 1,552 |
| FUND BALANCES | | | |
| Nonspendable | 2,880 | - | - |
| Restricted | - | 770,099 | 534,673 |
| Unassigned | 1,362,314 | - | - |
| | <u>1,365,194</u> | <u>770,099</u> | <u>534,673</u> |
| TOTAL FUND BALANCES | 1,365,194 | 770,099 | 534,673 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| | <u>\$ 1,600,823</u> | <u>\$ 1,163,613</u> | <u>\$ 547,423</u> |

See accompanying notes to financial statements.

| <u>Bond Capital Improvements</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|--|---|
| \$ 6,271,581 | \$ 688,141 | \$ 9,955,748 |
| - | 266 | 66,062 |
| - | 517 | 7,244 |
| - | 30,594 | 271,024 |
| - | 500 | 3,380 |
| <u>\$ 6,271,581</u> | <u>\$ 720,018</u> | <u>\$ 10,303,458</u> |
| \$ 363,130 | \$ 64,610 | \$ 966,241 |
| - | 5,291 | 72,315 |
| 3,484,430 | - | 3,484,430 |
| - | - | 29,641 |
| <u>3,847,560</u> | <u>69,901</u> | <u>4,552,627</u> |
| - | 517 | 7,244 |
| - | 500 | 3,380 |
| 2,424,021 | 649,100 | 4,377,893 |
| - | - | 1,362,314 |
| <u>2,424,021</u> | <u>649,600</u> | <u>5,743,587</u> |
| <u>\$ 6,271,581</u> | <u>\$ 720,018</u> | <u>\$ 10,303,458</u> |

**CITY OF GRAND LEDGE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balances - governmental funds \$ 5,743,587

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 | \$ 31,353,961 | |
| Accumulated depreciation is | <u>(8,387,655)</u> | |
| Capital assets, net | | 22,966,306 |

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 | | 415,805 |
|---|--|---------|

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 | | 7,244 |
|---------------------|--|-------|

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 | | 211,165 |
|--|--|---------|

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 | 355,960 | |
| Deferred inflows of resources related to pensions | (151,844) | |
| Deferred outflows of resources related to OPEB | 172,811 | |
| Deferred inflows of resources related to OPEB | <u>(89,163)</u> | |
| | | 287,764 |

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 | (7,076,280) | |
| Capitalized bond premiums/discounts | (286,867) | |
| Accrued interest payable | (32,988) | |
| Compensated absences | (200,041) | |
| Net pension liability | <u>(1,360,332)</u> | |
| | | <u>(8,956,508)</u> |

Net position of governmental activities **\$ 20,675,363**

**CITY OF GRAND LEDGE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

| | General | Major Streets | Municipal Streets |
|---|---------------------|-------------------|----------------------|
| REVENUES | | | |
| Taxes | \$ 1,716,466 | \$ - | \$ 770,732 |
| Special assessments | - | - | 4,436 |
| Licenses and permits | 336,276 | - | - |
| Intergovernmental | 1,010,661 | 593,443 | 400,000 |
| Charges for services | 239,904 | - | - |
| Fines and forfeits | 25,973 | - | - |
| Interest and rents | 52,997 | 5,587 | 1,408 |
| Other | 37,018 | 11,672 | 241 |
| TOTAL REVENUES | 3,419,295 | 610,702 | 1,176,817 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 758,102 | - | - |
| Public safety | 1,831,913 | - | - |
| Public works | 132,068 | 680,123 | 356,591 |
| Community and economic development | 47,902 | - | - |
| Recreation and culture | - | - | - |
| Capital outlay | 324,507 | - | - |
| Debt service | 146,655 | - | - |
| TOTAL EXPENDITURES | 3,241,147 | 680,123 | 356,591 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 178,148 | (69,421) | 820,226 |
| OTHER FINANCING SOURCES (USES) | | | |
| Bond proceeds | - | - | - |
| Bond premium | - | - | - |
| Transfers in | - | 50,000 | 100,000 |
| Transfers out | (197,260) | - | (509,404) |
| TOTAL OTHER FINANCING SOURCES (USES) | (197,260) | 50,000 | (409,404) |
| NET CHANGE IN FUND BALANCES | (19,112) | (19,421) | 410,822 |
| Fund balances, beginning of year | 1,384,306 | 789,520 | 123,851 |
| Fund balances, end of year | <u>\$ 1,365,194</u> | <u>\$ 770,099</u> | <u>\$ 534,673</u> |

See accompanying notes to financial statements.

| Bond Capital Improvements | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------|-----------------------------------|--------------------------------|
| \$ - | \$ 159,423 | \$ 2,646,621 |
| - | - | 4,436 |
| - | - | 336,276 |
| - | 391,824 | 2,395,928 |
| - | 45 | 239,949 |
| - | - | 25,973 |
| 39,316 | 84,522 | 183,830 |
| - | 125,389 | 174,320 |
| <u>39,316</u> | <u>761,203</u> | <u>6,007,333</u> |
| - | 62,567 | 820,669 |
| - | 19,733 | 1,851,646 |
| - | 364,586 | 1,533,368 |
| - | - | 47,902 |
| - | 206,494 | 206,494 |
| 227,479 | 70,435 | 622,421 |
| 36,478 | 620,210 | 803,343 |
| <u>263,957</u> | <u>1,344,025</u> | <u>5,885,843</u> |
| <u>(224,641)</u> | <u>(582,822)</u> | <u>121,490</u> |
| 2,381,280 | - | 2,381,280 |
| 267,382 | - | 267,382 |
| - | 601,314 | 751,314 |
| - | (32,760) | (739,424) |
| <u>2,648,662</u> | <u>568,554</u> | <u>2,660,552</u> |
| 2,424,021 | (14,268) | 2,782,042 |
| - | 663,868 | 2,961,545 |
| <u>\$ 2,424,021</u> | <u>\$ 649,600</u> | <u>\$ 5,743,587</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, 2020

Net change in fund balances - total governmental funds \$ 2,782,042

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 | \$ 1,122,696 | |
| Depreciation expense | <u>(677,810)</u> | |
| Excess of capital outlay over depreciation expense | | 444,886 |

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 | | (67,367) |
|---|--|----------|

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 | (5,541) | |
| Contribution of capital asset | 1,639,493 | |
| Increase in net other post-employment benefits asset | <u>184,316</u> | |
| | | 1,818,268 |

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:

| | | |
|--|------------------|-------------|
| Issuance of long-term debt | (2,381,280) | |
| Payments on long-term debt | 560,000 | |
| Increase in capitalized bond premiums/discouts | <u>(250,803)</u> | |
| | | (2,072,083) |

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:

| | | |
|--|-----------------|---------------|
| (Increase) in accrued interest payable | (12,711) | |
| (Increase) in compensated absences | (27,624) | |
| (Increase) in net pension liability | (149,994) | |
| Increase in deferred outflows of resources related to pensions | 104,489 | |
| Decrease in deferred inflows of resources related to pensions | 37,961 | |
| Increase in deferred outflows of resources related to OPEB | 172,811 | |
| (Increase) in deferred inflows of resources related to OPEB | <u>(79,335)</u> | |
| | | <u>45,597</u> |

Change in net position of governmental activities \$ 2,951,343

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2020**

| | Business-type Activities | Governmental Activities |
|--|-----------------------------|----------------------------|
| | Water and Sewer | Internal Service |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 3,762,694 | \$ 154,640 |
| Accounts receivable | 787,023 | 1,013 |
| Special assessments receivable | 1,800 | - |
| Due from other funds | 3,055,718 | 428,712 |
| Prepays | - | 30,759 |
| Total current assets | 7,607,235 | 615,124 |
| Noncurrent assets | | |
| Special assessments receivable | 53,978 | - |
| Capital assets not being depreciated | 587,294 | 13,602 |
| Capital assets, net of accumulated depreciation | 19,049,651 | 678,470 |
| Net other post-employment benefits asset | 90,500 | - |
| Total noncurrent assets | 19,781,423 | 692,072 |
| TOTAL ASSETS | 27,388,658 | 1,307,196 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows of resources related to other post-employment benefits | 74,062 | - |
| Deferred charges on refunding | 89,057 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 163,119 | - |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 582,905 | 21,440 |
| Accrued liabilities | 51,182 | 1,645 |
| Accrued interest payable | 46,921 | 4,649 |
| Current portion of compensated absences | 52,267 | - |
| Current portion of long-term debt | 893,878 | 37,830 |
| Total current liabilities | 1,627,153 | 65,564 |
| Noncurrent liabilities | | |
| Noncurrent portion of long-term debt | 7,541,641 | 808,603 |
| TOTAL LIABILITIES | 9,168,794 | 874,167 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows of resources related to other post-employment benefits | 38,213 | - |
| NET POSITION | | |
| Net investment in capital assets | 11,290,483 | 283,157 |
| Restricted for other post-employment benefits | 90,500 | - |
| Unrestricted | 6,963,787 | 149,872 |
| TOTAL NET POSITION | \$ 18,344,770 | \$ 433,029 |

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, 2020

Total net position - enterprise fund \$ 18,344,770

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

17,224

Net position of business-type activities

\$ 18,361,994

**CITY OF GRAND LEDGE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED JUNE 30, 2020**

| | Business-type Activities | Governmental Activities |
|---|-----------------------------|----------------------------|
| | Water and Sewer | Internal Service |
| OPERATING REVENUES | | |
| Water operations | \$ 2,143,974 | \$ - |
| Sewer operations | 3,145,221 | - |
| Internal operations | - | 1,242,749 |
| Interest and penalty charges | 45,368 | - |
| Rent | 39,205 | - |
| Other | 330 | - |
| | <u>5,374,098</u> | <u>1,242,749</u> |
| OPERATING EXPENSES | | |
| Personnel | 832,571 | 1,194,869 |
| Repair and maintenance | 959,196 | 93,093 |
| Utilities | 255,662 | 5,300 |
| Other | 348,512 | 38,160 |
| Depreciation | 591,098 | 54,425 |
| | <u>2,987,039</u> | <u>1,385,847</u> |
| OPERATING INCOME (LOSS) | <u>2,387,059</u> | <u>(143,098)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment earned | 21,118 | 96 |
| Gain on disposal of capital assets | - | 9,108 |
| Amortization, net | 9,492 | - |
| Bond issuance costs | (50,551) | (11,303) |
| Interest expense and fees | (137,929) | (2,153) |
| | <u>(157,870)</u> | <u>(4,252)</u> |
| CHANGE IN NET POSITION | <u>2,229,189</u> | <u>(147,350)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers in | - | 48,000 |
| Transfers out | (49,240) | (10,650) |
| | <u>(49,240)</u> | <u>37,350</u> |
| NET CHANGE IN NET POSITION | <u>2,179,949</u> | <u>(110,000)</u> |
| Net position, beginning of year | <u>16,164,821</u> | <u>543,029</u> |
| Net position, end of year | <u>\$ 18,344,770</u> | <u>\$ 433,029</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, 2020**

Net change in net position - enterprise fund \$ 2,179,949

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 (42,633)

Change in net position of governmental activities \$ 2,137,316

**CITY OF GRAND LEDGE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2020**

| | Business-type Activities | Governmental Activities |
|--|-----------------------------|----------------------------|
| | Water and Sewer | Internal Service |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | \$ 1,907,894 | \$ 1,245,060 |
| Cash paid to suppliers/claimants | (1,379,222) | (1,230,419) |
| Cash paid to employees | (624,880) | (84,072) |
| NET CASH (USED) BY OPERATING ACTIVITIES | (96,208) | (69,431) |
| CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES | | |
| (Payment)/receipt of interfund balances | (49,240) | (391,362) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Payments on borrowing | (665,000) | - |
| Purchase of capital assets | (1,284,646) | (408,915) |
| Proceeds from debt issuance | 3,748,054 | 835,130 |
| Sale of capital assets | - | 9,108 |
| Interest expense and fees | (120,672) | 2,496 |
| NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | 1,677,736 | 437,819 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 21,118 | 96 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,553,406 | (22,878) |
| Cash and cash equivalents, beginning of year | 2,209,288 | 177,518 |
| Cash and cash equivalents, end of year | \$ 3,762,694 | \$ 154,640 |

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (continued)
 YEAR ENDED JUNE 30, 2020**

| | Business-type Activities | Governmental Activities |
|---|-----------------------------|----------------------------|
| | Water and Sewer | Internal Service |
| Reconciliation of operating income (loss) to net cash (used) by operating activities | | |
| Operating income (loss) | \$ 2,387,059 | \$ (143,098) |
| Adjustment to reconcile operating income (loss) to net cash (used) by operating activities | | |
| Depreciation | 591,098 | 54,425 |
| (Increase) decrease in: | | |
| Accounts receivable | (412,160) | 2,311 |
| Special assessments receivable | 1,674 | - |
| Due from other funds | (3,055,718) | - |
| Prepays | - | 55,321 |
| Net OPEB asset | (80,059) | - |
| Deferred outflows of resources related to net OPEB asset | (74,062) | - |
| Increase (decrease) in: | | |
| Accounts payable | 516,576 | 2,994 |
| Accrued liabilities | (2,118) | (4,311) |
| Due to other funds | - | (30,000) |
| Compensated absences | (2,889) | (7,073) |
| Deferred inflows of resources related to net OPEB asset | 34,391 | - |
| | <u>\$ (96,208)</u> | <u>\$ (69,431)</u> |

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
FIDUCIARY FUND
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2020**

| | <u>Delinquent Tax Fund</u> |
|---------------------------------|--------------------------------|
| ASSETS | |
| Cash | <u>\$ 36,914</u> |
| LIABILITIES | |
| Due to individuals and agencies | <u>\$ 36,914</u> |

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
 COMPONENT UNITS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2020**

| | <u>Downtown Development Authority</u> | <u>Local Development Finance Authority</u> | <u>Total Component Units</u> |
|---|---|--|--------------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 468,992 | \$ 176,056 | \$ 645,048 |
| Noncurrent assets | | | |
| Capital assets not being depreciated | 480,331 | 2,422,571 | 2,902,902 |
| Capital assets, net of accumulated depreciation | <u>1,755,264</u> | <u>-</u> | <u>1,755,264</u> |
| Total noncurrent assets | <u>2,235,595</u> | <u>2,422,571</u> | <u>4,658,166</u> |
| TOTAL ASSETS | 2,704,587 | 2,598,627 | 5,303,214 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charges on refunding | <u>4,412</u> | <u>2,401</u> | <u>6,813</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 3,211 | 20,022 | 23,233 |
| Accrued liabilities | 971 | - | 971 |
| Accrued interest payable | 5,542 | 367 | 5,909 |
| Current portion of long-term debt | <u>232,943</u> | <u>35,902</u> | <u>268,845</u> |
| Total current liabilities | 242,667 | 56,291 | 298,958 |
| Noncurrent liabilities | | | |
| Noncurrent portion of long-term debt | <u>656,943</u> | <u>76,804</u> | <u>733,747</u> |
| TOTAL LIABILITIES | 899,610 | 133,095 | 1,032,705 |
| NET POSITION | | | |
| Net investment in capital assets | 1,350,121 | 2,312,266 | 3,662,387 |
| Restricted | <u>459,268</u> | <u>155,667</u> | <u>614,935</u> |
| TOTAL NET POSITION | <u>\$ 1,809,389</u> | <u>\$ 2,467,933</u> | <u>\$ 4,277,322</u> |

See accompanying notes to financial statements.

**CITY OF GRAND LEDGE
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

| <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 | \$ 979,303 | \$ 11,428 | \$ 79,411 | \$ (888,464) | \$ - | \$ (888,464) |
| Local Development Finance Authority | 66,149 | - | - | - | (66,149) | (66,149) |
| Total component units | <u>\$ 1,045,452</u> | <u>\$ 11,428</u> | <u>\$ 79,411</u> | (888,464) | (66,149) | (954,613) |
| General revenues | | | | | | |
| Property taxes | | | | 812,815 | 37,952 | 850,767 |
| Investment earnings | | | | 4,885 | 1,281 | 6,166 |
| Total general revenues | | | | <u>817,700</u> | <u>39,233</u> | <u>856,933</u> |
| Change in net position | | | | (70,764) | (26,916) | (97,680) |
| Net position, beginning of year | | | | <u>1,880,153</u> | <u>2,494,849</u> | <u>4,375,002</u> |
| Net position, end of year | | | | <u>\$ 1,809,389</u> | <u>\$ 2,467,933</u> | <u>\$ 4,277,322</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 Bond 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.

**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)

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.

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

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

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

Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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 consists of checking and savings accounts and cash equivalents consists of uncategorized pooled investments held by Michigan CLASS.

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.

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

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

Cash and Cash Equivalents (continued)

- 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.
- g. Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

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.

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.

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

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

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 - 50 years |
| Buildings and improvements | 10 - 50 years |
| Equipment | 5 - 25 years |
| Infrastructure | 25 - 50 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, 2020, 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, 2020, the City levied 10.4473 mills per \$1,000 of assessed valuation for general governmental services and 0.8032 mills for recreation. The total ad valorem taxable value for the 2019 levy for property within the City was \$227,254,418.

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 AND INVESTMENTS

As of June 30, 2020, the City had deposits and investments subject to the following risk:

Custodial Credit Risk - 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, 2020, \$4,830,725 of the City's bank balance of \$5,316,313 was exposed to custodial credit risk because it was uninsured and uncollateralized. The balance of \$5,330,723 is reported on the financial statements as of June 30, 2020. The financial statements report \$550 of petty cash on hand.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issue or backer, by; limiting investments to the types of securities allowed by law; and investing through pre-approved third-party custodians.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk. In accordance with its investment policy, 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 designing the investment portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, considering the investment risk constraints and the cash flow characteristics of the portfolio.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
|--------------------------------|---------------------|--|
| PRIMARY GOVERNMENT | | |
| Michigan CLASS Investment Pool | <u>\$ 9,223,771</u> | 0.1458 |

One day maturity equals 0.0027; one year equals 1.00

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). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Standard & Poor's Rating</u> |
|--------------------------------|---------------------|---|
| PRIMARY GOVERNMENT | | |
| Michigan CLASS Investment Pool | <u>\$ 9,223,771</u> | AAAm |

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 investment in a single issuer, by diversifying the investment portfolio by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Foreign Currency Risk. The City is not authorized to invest in investments which have this type of risk.

Investments in Entities that Calculate Net Asset Value Per Share. The City also holds shares or interests in the Michigan CLASS investment pool which invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

At the year ended June 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency, if Eligible</u> | <u>Redemption Notice Period</u> |
|--------------------------------|---------------------|-----------------------------|--|---------------------------------|
| PRIMARY GOVERNMENT | | | | |
| Michigan CLASS Investment Pool | <u>\$ 9,223,771</u> | <u>\$ -</u> | No restrictions | None |

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2020:

| | <u>Primary Government</u> | <u>Fiduciary Fund</u> | <u>Component Units</u> | <u>Reporting Entity</u> |
|---------------------------|---------------------------|-----------------------|------------------------|-------------------------|
| Cash and cash equivalents | <u>\$ 13,873,082</u> | <u>\$ 36,914</u> | <u>\$ 645,048</u> | <u>\$ 14,555,044</u> |

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2020, are as follows:

| | |
|-------------------------------------|---------------------|
| Due to internal service funds from: | |
| Bond Capital Improvement Fund | <u>\$ 428,712</u> |
| Due to Water and Sewer Fund from: | |
| Bond Capital Improvement Fund | <u>\$ 3,055,718</u> |

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>\$ 50,000</u></u> |
| | |
| Transfers to Municipal Streets Fund from: | |
| General Fund | <u><u>\$ 100,000</u></u> |
| | |
| Transfers to nonmajor governmental funds from: | |
| General Fund | \$ 49,260 |
| Municipal Streets Fund | 459,404 |
| Water and Sewer Fund | 49,240 |
| Internal Service Funds | 10,650 |
| Nonmajor governmental funds | <u>32,760</u> |
| | <u><u>\$ 601,314</u></u> |
| | |
| Transfers to internal service funds from: | |
| General Fund | <u><u>\$ 48,000</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, 2020, was as follows:

Primary Government

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|--------------------------------------|-------------------------|---------------------|-----------------|--------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,971,619 | \$ 121,652 | \$ - | \$ 2,093,271 |
| Capital assets being depreciated | | | | |
| Land improvements | 2,646,944 | 1,653,692 | - | 4,300,636 |
| Buildings and improvements | 4,888,025 | 423,039 | - | 5,311,064 |
| Equipment | 1,938,328 | 276,603 | (87,470) | 2,127,461 |
| Infrastructure | 18,331,994 | 696,118 | - | 19,028,112 |
| Total depreciable assets | <u>27,805,291</u> | <u>3,049,452</u> | <u>(87,470)</u> | <u>30,767,273</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (1,118,423) | (80,885) | - | (1,199,308) |
| Buildings and improvements | (1,681,063) | (138,186) | - | (1,819,249) |
| Equipment | (1,204,865) | (113,023) | 87,470 | (1,230,418) |
| Infrastructure | (4,553,050) | (400,141) | - | (4,953,191) |
| Total accumulated depreciation | <u>(8,557,401)</u> | <u>(732,235)</u> | <u>87,470</u> | <u>(9,202,166)</u> |
| Net depreciable assets | <u>19,247,890</u> | <u>2,317,217</u> | <u>-</u> | <u>21,565,107</u> |
| Capital assets, net | <u>\$ 21,219,509</u> | <u>\$ 2,438,869</u> | <u>\$ -</u> | <u>\$ 23,658,378</u> |

Depreciation expense was charged to the following governmental activities:

| | |
|----------------------------|-------------------|
| General government | \$ 143,452 |
| Public safety | 29,606 |
| Public works | 477,563 |
| Recreation and culture | <u>81,614</u> |
| Total depreciation expense | <u>\$ 732,235</u> |

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

NOTE 5 - CAPITAL ASSETS (continued)

Primary Government (continued)

| | Balance July 1, 2019 | Additions/ Reclassifications | Deletions/ Reclassifications | Balance June 30, 2020 |
|--------------------------------------|-------------------------|---------------------------------|---------------------------------|--------------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 544,184 | \$ 43,110 | \$ - | \$ 587,294 |
| Construction in progress | 43,110 | - | (43,110) | - |
| Total nondepreciable assets | <u>587,294</u> | <u>43,110</u> | <u>(43,110)</u> | <u>587,294</u> |
| Capital assets being depreciated | | | | |
| Land Improvements | 117,453 | - | - | 117,453 |
| Buildings and improvements | 30,129,712 | 1,192,644 | - | 31,322,356 |
| Equipment | 801,548 | 92,002 | - | 893,550 |
| Total depreciable assets | <u>31,048,713</u> | <u>1,284,646</u> | <u>-</u> | <u>32,333,359</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (65,124) | (4,699) | - | (69,823) |
| Buildings and improvements | (12,167,609) | (550,013) | - | (12,717,622) |
| Equipment | (459,877) | (36,386) | - | (496,263) |
| Total accumulated depreciation | <u>(12,692,610)</u> | <u>(591,098)</u> | <u>-</u> | <u>(13,283,708)</u> |
| Net capital assets being depreciated | <u>18,356,103</u> | <u>693,548</u> | <u>-</u> | <u>19,049,651</u> |
| Capital assets, net | <u>\$ 18,943,397</u> | <u>\$ 736,658</u> | <u>\$ (43,110)</u> | <u>\$ 19,636,945</u> |

Component Units

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---------------------------------------|-------------------------|---------------------|-------------|--------------------------|
| Downtown Development Authority | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 480,331 | \$ - | \$ - | \$ 480,331 |
| Capital assets being depreciated | | | | |
| Land improvements | 3,478,889 | - | - | 3,478,889 |
| Buildings and improvements | 27,878 | - | - | 27,878 |
| Equipment | 47,152 | - | - | 47,152 |
| Total depreciable assets | <u>3,553,919</u> | <u>-</u> | <u>-</u> | <u>3,553,919</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (1,633,008) | (139,156) | - | (1,772,164) |
| Buildings and improvements | (13,939) | (1,394) | - | (15,333) |
| Equipment | (7,739) | (3,419) | - | (11,158) |
| Total accumulated depreciation | <u>(1,654,686)</u> | <u>(143,969)</u> | <u>-</u> | <u>(1,798,655)</u> |
| Net capital assets being depreciated | <u>1,899,233</u> | <u>(143,969)</u> | <u>-</u> | <u>1,755,264</u> |
| Capital assets, net | <u>\$ 2,379,564</u> | <u>\$ (143,969)</u> | <u>\$ -</u> | <u>\$ 2,235,595</u> |

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

NOTE 5 - CAPITAL ASSETS (continued)

Component Units (continued)

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|--|-------------------------|-----------|-----------|--------------------------|
| Local Development Finance Authority | | | | |
| Land | \$ 2,422,571 | \$ - | \$ - | \$ 2,422,571 |

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended June 30, 2020.

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 | Amounts Due Within One Year |
|---|-------------------------|---------------------|-----------------------|--------------------------|-----------------------------------|
| Primary Government | | | | | |
| Governmental activities | | | | | |
| General obligation bonds | | | | | |
| 2013 Capital Improvement Bonds | \$ 1,850,000 | \$ - | \$ (95,000) | \$ 1,755,000 | \$ 100,000 |
| 2016 Capital Improvement Refunding Bonds | 90,000 | - | (30,000) | 60,000 | 30,000 |
| 2016 Capital Improvement Bonds | 3,315,000 | - | (435,000) | 2,880,000 | 415,000 |
| 2019 Capital Improvement Bonds | - | 3,144,864 | - | 3,144,864 | 155,805 |
| Bond discounts | (21,351) | - | 1,423 | (19,928) | (1,423) |
| Bond premiums | 57,415 | 353,121 | (20,892) | 389,644 | 32,796 |
| Compensated absences | 179,490 | 222,683 | (202,132) | 200,041 | 200,041 |
| Total governmental activities | 5,470,554 | 3,720,668 | (781,601) | 8,409,621 | 932,219 |
| Business-type activities | | | | | |
| General obligation bonds | | | | | |
| Contractual obligation with Eaton County | 3,120,000 | - | (495,000) | 2,625,000 | 505,000 |
| Revenue Bonds | 2,094,062 | - | (170,000) | 1,924,062 | 175,000 |
| 2019 Capital Improvement Bonds | - | 3,415,136 | - | 3,415,136 | 169,195 |
| Bond premiums | 119,609 | 383,469 | (31,757) | 471,321 | 44,683 |
| Compensated absences | 55,156 | 90,326 | (93,215) | 52,267 | 52,267 |
| Total business-type activities | 5,388,827 | 3,888,931 | (789,972) | 8,487,786 | 946,145 |
| Total Primary Government | 10,859,381 | 7,609,599 | (1,571,573) | 16,897,407 | 1,878,364 |
| Component Units | | | | | |
| Downtown Development Authority | | | | | |
| General obligation bonds | | | | | |
| 2010 General Obligation Bonds | 960,000 | - | (145,000) | 815,000 | 150,000 |
| 2011 General Obligation Refunding Bonds | 165,000 | - | (80,000) | 85,000 | 85,000 |
| Bond discounts | (12,171) | - | 2,057 | (10,114) | (2,057) |
| Total Downtown Development Authority | 1,112,829 | - | (222,943) | 889,886 | 232,943 |
| Local Development Finance Authority | | | | | |
| General obligation bonds | | | | | |
| 2016 Capital Improvement Refunding Bonds | 145,000 | - | (35,000) | 110,000 | 35,000 |
| Bond premiums | 3,608 | - | (902) | 2,706 | 902 |
| Total Local Development Finance Authority | 148,608 | - | (35,902) | 112,706 | 35,902 |
| Total Component Units | 1,261,437 | - | (258,845) | 1,002,592 | 268,845 |
| Total Reporting Entity | \$ 12,120,818 | \$ 7,609,599 | \$ (1,830,418) | \$ 17,899,999 | \$ 2,147,209 |

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

NOTE 6 - LONG-TERM OBLIGATIONS (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 \$100,000 to \$155,000 through May 1, 2034, with interest ranging from 1.650% to 3.250%, payable semi-annually. | \$ 1,755,000 |
| \$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. | 60,000 |
| \$5,000,000 2016 Capital Improvement Bonds dated July 7, 2016, due in annual installments ranging from \$125,000 to \$415,000 through May 1, 2032, with interest ranging from 2.000% to 2.350%, payable semi-annually. | 2,880,000 |
| \$3,144,864 2019 Capital Improvement Bonds dated December 19, 2019 due in annual installments ranging from \$155,805 to \$268,464 through November 1, 2034, with interest ranging from 3.000% to 4.000%, payable semi-annually. | 3,144,864 |
| Minus bond discount on 2013 Capital Improvement Bonds. | (19,928) |
| Plus bond premium on 2016 Capital Improvement and Refunding Bonds. | 48,426 |
| Plus bond premium on 2019 Capital Improvement Bonds. | <u>341,218</u> |
| Total general obligation bonds | <u><u>\$ 8,209,580</u></u> |

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

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

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 \$505,000 to \$545,000 through April 1, 2025, with interest ranging from 2.000% to 2.375%, payable semi-annually. | \$ 2,625,000 |
| \$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 \$175,000 to \$214,062 through April 1, 2030, with interest of 2.500%, payable semi-annually. | 1,924,062 |
| \$3,415,136 2019 Capital Improvement Bonds dated December 19, 2019 due in annual installments ranging from \$169,195 to \$291,536 through November 1, 2034, with interest ranging from 3.000% to 4.000%, payable semi-annually. | 3,415,136 |
| Plus bond premium on 2014 Water Supply and Sewage Disposal System Refunding Bonds. | 100,778 |
| Plus bond premium on 2019 Capital Improvement Bonds. | <u>370,543</u> |
| Total general obligation bonds | <u><u>\$ 8,435,519</u></u> |

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 \$252,308 at June 30, 2020. Of this amount, \$200,041 and \$52,267 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.

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

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Component Units

Downtown Development Authority

General Obligation Bonds

| | |
|--|--------------------------|
| \$2,000,000 2010 Downtown Development Bonds dated August 17, 2010, due in annual installments ranging from \$150,000 to \$175,000 through May 1, 2025, with interest ranging from 3.500% to 4.000%, payable semi-annually. | \$ 815,000 |
| \$1,890,000 2011 Downtown Development Refunding Bonds dated September 1, 2011, due in an annual installment of \$85,000 on May 1, 2021, with interest of 2.720%, payable semi-annually. | 85,000 |
| Minus bond discount on 2010 Downtown Development Bonds. | <u>(10,114)</u> |
| Total general obligation bonds | <u><u>\$ 889,886</u></u> |

Local Development Finance Authority

General Obligation Bonds

| | |
|--|--------------------------|
| \$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. | \$ 110,000 |
| Plus bond premium on 2016 Capital Improvement Refunding Bonds. | <u>2,706</u> |
| Total general obligation bonds | <u><u>\$ 112,706</u></u> |

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

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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

Primary Government

| | Governmental Activities | | Business-type Activities | |
|-----------|-------------------------|---------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 700,805 | \$ 225,824 | \$ 849,195 | \$ 229,270 |
| 2022 | 502,996 | 208,898 | 872,004 | 207,870 |
| 2023 | 485,187 | 195,591 | 894,813 | 185,833 |
| 2024 | 502,378 | 181,815 | 917,622 | 162,637 |
| 2025 | 514,569 | 167,527 | 935,431 | 137,988 |
| 2026-2030 | 2,887,901 | 600,889 | 2,131,161 | 423,608 |
| 2031-2035 | 2,246,028 | 162,477 | 1,363,972 | 110,250 |
| | <u>\$ 7,839,864</u> | <u>\$ 1,743,021</u> | <u>\$ 7,964,198</u> | <u>\$ 1,457,456</u> |

Component Units

| | Downtown Development Authority | | Local Development Finance Authority | |
|------|-----------------------------------|------------------|--|-----------------|
| | Principal | Interest | Principal | Interest |
| 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>\$ 900,000</u> | <u>\$ 99,808</u> | <u>\$ 110,000</u> | <u>\$ 4,400</u> |

NOTE 7 - RETIREMENT PLANS

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 PLANS (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, 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 | 5 |
| Active employees | <u>11</u> |
| | <u><u>24</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 \$197,652.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 2019, 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 PLANS (continued)

DEFINED BENEFIT PLAN (continued)

Actuarial Assumptions

The total pension liability in the December 31, 2019, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.00% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.35%, 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 2014-2018 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% | 6.15% |
| Global Fixed Income | 18.50% | 1.26% |
| Real Assets | 13.50% | 7.22% |
| Diversifying Strategies | 12.50% | 5.00% |

Discount Rate

The discount rate used to measure the total pension liability is 7.60%. 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 PLANS (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, 2018 | \$ 3,254,416 | \$ 2,044,078 | \$ 1,210,338 |
| Changes for the year | | | |
| Service cost | 36,497 | - | 36,497 |
| Interest on total pension liability | 251,186 | - | 251,186 |
| Difference between expected and actual experience | 230,024 | - | 230,024 |
| Changes in assumptions | 113,584 | - | 113,584 |
| Employer contributions | - | 197,652 | (197,652) |
| Employee contributions | - | 12,748 | (12,748) |
| Net investment income | - | 275,652 | (275,652) |
| Benefit payments, including employee refunds | (265,680) | (265,680) | - |
| Administrative expense | - | (4,755) | 4,755 |
| Net changes | 365,611 | 215,617 | 149,994 |
| Balances as of December 31, 2019 | \$ 3,620,027 | \$ 2,259,695 | \$ 1,360,332 |

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 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (6.60%) or 1% higher (8.60%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------|--------------|--------------------------|--------------|
| Net pension liability | \$ 1,753,599 | \$ 1,360,332 | \$ 1,028,931 |

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

NOTE 7 - RETIREMENT PLANS (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, 2020, the employer recognized pension expenses of \$205,196. 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 | \$ 227,529 | \$ 151,844 |
| Changes in assumptions | 118,169 | - |
| Net difference between projected and actual earnings on pension plan investments | 10,262 | - |
| Total | \$ 355,960 | \$ 151,844 |

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 |
|-----------------------------------|--------------------|
| 2021 | \$ 86,631 |
| 2022 | 53,713 |
| 2023 | 35,894 |
| 2024 | 55,866 |
| 2025 | 1,375 |

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, 2020, were \$166,272, of which \$158,454 and \$7,818 were 401A and 457 plan contributions, respectively.

**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, 2020, 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 | 3 |
| Active employees | <u>23</u> |
| | <u><u>32</u></u> |

Contributions

For the year ended June 30, 2020, the City contributed \$150,000 in addition to its portion of premium payments.

Net OPEB Liability (Asset)

The net OPEB liability (asset) of the City was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) 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 Assumptions

The total OPEB liability in the June 30, 2020 valuation was determined using the following assumptions applied to all periods included in the measurement:

| | |
|--|--------|
| Discount rate | 6.20% |
| Long-term expected rate of return | 7.75% |
| Salary growth rate | 2.50% |
| Healthcare cost trend rate | 8.00% |
| AA 20-year municipal bond rate | 3.87% |
| Probability of accepting benefits | 66.67% |
| Mortality rates were based on the RP-2014 Healthy Annuitant Table for males and females. | |

The assumptions used in the June 30, 2020 valuation were determined by the City's management as of June 30, 2020.

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% | 6.15% |
| Global fixed income | 18.50% | 1.26% |
| Real assets | 13.50% | 7.22% |
| Diversifying strategies | 12.50% | 5.00% |

Discount Rate

The discount rate used to measure the total OPEB liability was 6.94%. 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 (Asset)

The change in the net OPEB liability (asset) for the year ended June 30, 2020, 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, 2019 | \$ 462,603 | \$ 499,893 | \$ (37,290) |
| Changes for the year | | | |
| Service cost | 18,374 | - | 18,374 |
| Interest on total OPEB liability | 23,466 | - | 23,466 |
| Difference between expected and actual experience | 49,097 | - | 49,097 |
| Changes in assumptions | (105,930) | - | (105,930) |
| Employer contributions | - | 236,226 | (236,226) |
| Net investment income | - | 14,323 | (14,323) |
| Benefit payments | (86,226) | (86,226) | - |
| Administrative expense | - | (1,167) | 1,167 |
| Net changes | (101,219) | 163,156 | (264,375) |
| Balances as of June 30, 2020 | \$ 361,384 | \$ 663,049 | \$ (301,665) |

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

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.94%) or 1-percentage-point higher (7.94%) than the current discount rate:

| | 1% Decrease | Current Rate | 1% Increase |
|----------------|--------------|--------------|--------------|
| Net OPEB asset | \$ (265,935) | \$ (301,665) | \$ (332,588) |

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 or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Rate | 1% Increase |
|----------------|--------------|--------------|--------------|
| Net OPEB asset | \$ (344,426) | \$ (301,665) | \$ (227,323) |

**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, 2020, the City recognized OPEB expense of \$27,510. At June 30, 2020, 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 | \$ - | \$ 30,274 |
| Changes in assumptions | - | 97,102 |
| Differences between expected and actual experience | 246,873 | - |
| Total | \$ 246,873 | \$ 127,376 |

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 |
|-------------------------|-----------------|
| 2021 | \$ 6,539 |
| 2022 | 6,539 |
| 2023 | 8,105 |
| 2024 | 10,343 |
| 2025 | 15,450 |
| 2026 and thereafter | 72,521 |

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, 2020:

| | |
|-------------------------------------|-------------------------|
| Shortfall at July 1, 2019 | \$ (27,431) |
| | |
| REVENUES | |
| Licenses and permits | |
| Permits | 322,667 |
| | |
| EXPENDITURES | |
| Building Department | <u>(260,323)</u> |
| | |
| Cumulative surplus at June 30, 2020 | <u><u>\$ 34,913</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, 2020:

| | |
|--------------------------------|----------------------------|
| PRIMARY GOVERNMENT | |
| Governmental activities | |
| Highways and streets | \$ 1,686,538 |
| City parks | 38,555 |
| Police/drug enforcement | 13,842 |
| Airport development | 67,258 |
| Debt service | 10,950 |
| Other post-employment benefits | <u>211,165</u> |
| Total governmental activities | 2,028,308 |
| | |
| Business-type activities | |
| Other post-employment benefits | <u>90,500</u> |
| Total Primary Government | <u><u>\$ 2,118,808</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, 2020.

| | General Fund | Major Streets | Municipal Streets | Capital Improvements | Nonmajor Governmental Funds | Total |
|----------------------------|---------------------|-------------------|----------------------|-------------------------|-----------------------------------|---------------------|
| Fund Balances | | | | | | |
| Nonspendable | | | | | | |
| Prepays | \$ 2,880 | \$ - | \$ - | \$ - | \$ 500 | \$ 3,380 |
| Restricted | | | | | | |
| Highways and streets | - | 770,099 | 534,673 | - | 381,766 | 1,686,538 |
| City parks | - | - | - | - | 38,555 | 38,555 |
| Police/drug enforcement | - | - | - | - | 13,842 | 13,842 |
| Airport development | - | - | - | - | 67,258 | 67,258 |
| Debt service | - | - | - | - | 48,087 | 48,087 |
| Capital projects | - | - | - | 2,424,021 | 99,592 | 2,523,613 |
| Unassigned | 1,362,314 | - | - | - | - | 1,362,314 |
| TOTAL FUND BALANCES | \$ 1,365,194 | \$ 770,099 | \$ 534,673 | \$ 2,424,021 | \$ 649,600 | \$ 5,743,587 |

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 currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 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 2021-2022 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset -an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

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

NOTE 14 - CONTRACTUAL COMMITMENTS

The City has entered into contracts related to various street, sewer, water, and equipment improvements that were not completed at June 30, 2020. The total contractual commitments outstanding at June 30, 2020, totaled \$3,209,828. Current fund balance and future revenue is expected to be sufficient to cover these commitments.

NOTE 15 - SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the City expects this matter to potentially negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time. In addition, the City has applied for \$310,195 in CARES Act funding. Of this amount, \$197,458 has been awarded.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GRAND LEDGE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|-----------------------------------|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES | | | | |
| Taxes | | | | |
| Property taxes | \$ 1,479,318 | \$ 1,526,818 | \$ 1,578,642 | \$ 51,824 |
| Penalties and interest | 17,740 | 17,740 | 21,588 | 3,848 |
| Administration fees | 102,786 | 102,786 | 116,236 | 13,450 |
| Total taxes | 1,599,844 | 1,647,344 | 1,716,466 | 69,122 |
| Licenses and permits | 145,397 | 365,397 | 336,276 | (29,121) |
| Intergovernmental | | | | |
| Federal | - | - | 1,257 | 1,257 |
| State | 782,923 | 797,043 | 775,608 | (21,435) |
| Local | 47,367 | 33,241 | 31,263 | (1,978) |
| Total intergovernmental | 830,290 | 830,284 | 808,128 | (22,156) |
| Charges for services | | | | |
| Refuse collection | 22,000 | 22,000 | 23,100 | 1,100 |
| Cable franchise fee | 116,000 | 116,000 | 118,906 | 2,906 |
| Other | 104,744 | 133,944 | 97,898 | (36,046) |
| Total charges for services | 242,744 | 271,944 | 239,904 | (32,040) |
| Fines and forfeits | 19,500 | 19,500 | 25,973 | 6,473 |
| Interest and rents | 41,050 | 41,050 | 52,997 | 11,947 |
| Other | 200 | 200 | 12,018 | 11,818 |
| TOTAL REVENUES | 2,879,025 | 3,175,719 | 3,191,762 | 16,043 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| City council | 9,769 | 9,769 | 9,656 | 113 |
| Administrator | 235,085 | 235,085 | 233,500 | 1,585 |
| Clerk | 110,355 | 110,355 | 102,179 | 8,176 |
| Treasurer | 235,866 | 235,866 | 231,091 | 4,775 |
| Assessor | 66,560 | 97,560 | 91,413 | 6,147 |
| Election | 9,176 | 24,126 | 19,379 | 4,747 |
| City hall | 336,591 | 423,406 | 262,581 | 160,825 |
| Attorney | 30,000 | 30,000 | 29,891 | 109 |
| Recycling | 37,367 | 37,367 | 32,748 | 4,619 |
| Composting | 50,970 | 50,970 | 43,717 | 7,253 |

**CITY OF GRAND LEDGE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP) (continued)
YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|--------------|-------------|---|
| | Original | Final | | |
| EXPENDITURES (continued) | | | | |
| Current (continued) | | | | |
| General government (continued) | | | | |
| Other | \$ 286,685 | \$ 286,685 | \$ 251,719 | \$ 34,966 |
| Less: reimbursements from other funds | (549,772) | (549,772) | (549,772) | - |
| Total general government | 858,652 | 991,417 | 758,102 | 233,315 |
| Public safety | | | | |
| Police administration | 1,561,682 | 1,588,696 | 1,571,590 | 17,106 |
| Building inspection | 132,563 | 308,563 | 260,323 | 48,240 |
| Total public safety | 1,694,245 | 1,897,259 | 1,831,913 | 65,346 |
| Public works | | | | |
| Cemetery | 144,720 | 144,720 | 132,068 | 12,652 |
| Community and economic development | | | | |
| Planning and zoning | 55,051 | 55,051 | 47,902 | 7,149 |
| Capital outlay | 10,000 | 10,000 | 10,000 | - |
| Debt service | | | | |
| Principal | 95,000 | 95,000 | 95,000 | - |
| Interest and fiscal charges | 51,655 | 51,655 | 51,655 | - |
| Total debt service | 146,655 | 146,655 | 146,655 | - |
| TOTAL EXPENDITURES | 2,909,323 | 3,245,102 | 2,926,640 | 318,462 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (30,298) | (69,383) | 265,122 | 334,505 |
| OTHER FINANCING (USES) | | | | |
| Transfers out | (132,760) | (254,880) | (254,880) | - |
| Net change in fund balance (budgetary basis) | \$ (163,058) | \$ (324,263) | 10,242 | \$ 334,505 |
| Budgetary perspective difference | | | (29,354) | |
| Net change in fund balance (GAAP basis) | | | \$ (19,112) | |

**CITY OF GRAND LEDGE
MAJOR STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020**

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Intergovernmental | \$ 556,850 | \$ 556,850 | \$ 593,443 | \$ 36,593 |
| Interest | 150 | 150 | 5,587 | 5,437 |
| Other | 3,500 | 3,500 | 11,672 | 8,172 |
| TOTAL REVENUES | 560,500 | 560,500 | 610,702 | 50,202 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | 742,325 | 742,325 | 680,123 | 62,202 |
| EXCESS OF REVENUES (UNDER) EXPENDITURES | (181,825) | (181,825) | (69,421) | 112,404 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 50,000 | 50,000 | 50,000 | - |
| NET CHANGE IN FUND BALANCE | (131,825) | (131,825) | (19,421) | 112,404 |
| Fund balance, beginning of year | 789,520 | 789,520 | 789,520 | - |
| Fund balance, end of year | <u>\$ 657,695</u> | <u>\$ 657,695</u> | <u>\$ 770,099</u> | <u>\$ 112,404</u> |

**CITY OF GRAND LEDGE
MUNICIPAL STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 734,596 | \$ 749,131 | \$ 770,732 | \$ 21,601 |
| Intergovernmental | - | 400,000 | 400,000 | - |
| Special assessments | 3,500 | 3,500 | 4,436 | 936 |
| Interest | 1,000 | 1,000 | 1,408 | 408 |
| Other | 2,500 | 2,500 | 241 | (2,259) |
| TOTAL REVENUES | 741,596 | 1,156,131 | 1,176,817 | 20,686 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | 322,531 | 388,731 | 356,591 | 32,140 |
| EXCESS OF REVENUES OVER EXPENDITURES | 419,065 | 767,400 | 820,226 | 52,826 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 100,000 | 100,000 | 100,000 | - |
| Transfers out | (476,489) | (509,404) | (509,404) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (376,489) | (409,404) | (409,404) | - |
| NET CHANGE IN FUND BALANCE | 42,576 | 357,996 | 410,822 | 52,826 |
| Fund balance, beginning of year | 123,851 | 123,851 | 123,851 | - |
| Fund balance, end of year | \$ 166,427 | \$ 481,847 | \$ 534,673 | \$ 52,826 |

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | | |
| Service cost | \$ 36,497 | \$ 39,159 | \$ 41,618 | \$ 40,439 | \$ 43,614 | \$ 46,794 |
| Interest on total pension liability | 251,186 | 263,485 | 252,280 | 242,190 | 227,146 | 218,700 |
| Difference between expected and actual experience | 230,024 | (227,764) | 34,819 | 22,281 | 38,397 | - |
| Changes of assumptions | 113,584 | - | - | - | 141,091 | - |
| Benefit payments, including employee refunds | (265,680) | (188,916) | (185,899) | (172,872) | (176,252) | (146,817) |
| Other | - | 1 | - | - | - | - |
| Net change in total pension liability | 365,611 | (114,035) | 142,818 | 132,038 | 273,996 | 118,677 |
| Total pension liability, beginning | <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> | <u>2,700,922</u> |
| Total pension liability, ending | <u>\$ 3,620,027</u> | <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 | 197,652 | \$ 183,204 | \$ 181,202 | \$ 183,631 | \$ 75,653 | \$ 69,726 |
| Contributions-employee | 12,748 | 20,505 | 21,189 | 26,800 | 34,472 | 36,699 |
| Net Investment income | 275,652 | (86,526) | 249,037 | 192,400 | (24,979) | 104,984 |
| Benefit payments including employee refunds | (265,680) | (188,916) | (185,899) | (172,872) | (176,252) | (146,817) |
| Administrative expense | (4,755) | (4,137) | (3,922) | (3,776) | (3,725) | (3,854) |
| Net change in plan fiduciary net position | 215,617 | (75,870) | 261,607 | 226,183 | (94,831) | 60,738 |
| Plan fiduciary net position, beginning | <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> | <u>1,666,251</u> |
| Plan fiduciary net position, ending | <u>\$ 2,259,695</u> | <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>\$ 1,360,332</u> | <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 | 62% | 63% | 63% | 58% | 53% | 61% |
| Covered employee payroll | \$ 579,004 | \$ 569,960 | \$ 548,326 | \$ 513,565 | \$ 477,402 | \$ 461,142 |
| City's net pension liability as a percentage of covered employee payroll | 234.9% | 212% | 228% | 266% | 306% | 237% |

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|----------------|--------------------|---------------|---------------|
| Actuarially determined contributions | \$ 197,652 | \$ 174,025 | \$ 174,276 | \$ 90,446 | \$ 75,653 | \$ 69,726 |
| Contributions in relation to the actuarially determined contribution | <u>197,652</u> | <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>\$ -</u> | <u>\$ (58,452)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 621,950 | \$ 588,402 | \$ 566,013 | \$ 512,333 | \$ 543,715 | \$ 461,142 |
| Contributions as a percentage of covered employee payroll | 32% | 30% | 31% | 29% | 14% | 15% |

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|--------------------|--------------------|
| Total OPEB liability | | | |
| Service cost | \$ 18,374 | \$ 28,347 | \$ 15,974 |
| Interest on total OPEB liability | 23,466 | 18,018 | 15,329 |
| Difference between expected and actual experience | 49,097 | 242,241 | - |
| Changes of assumptions | (105,930) | - | - |
| Benefit payments | <u>(86,226)</u> | <u>(88,654)</u> | <u>(31,563)</u> |
| Net change in total pension liability | (101,219) | 199,952 | (260) |
| Total OPEB liability, beginning | <u>462,603</u> | <u>262,651</u> | <u>262,911</u> |
| Total OPEB liability, ending | <u>\$ 361,384</u> | <u>\$ 462,603</u> | <u>\$ 262,651</u> |
| Plan fiduciary net position | | | |
| Contributions-employer | \$ 236,226 | \$ 238,654 | \$ 181,563 |
| Net Investment income | 14,323 | 13,101 | 22,745 |
| Benefit payments | (86,226) | (88,654) | (31,563) |
| Administrative expense | <u>(1,167)</u> | <u>(989)</u> | <u>(762)</u> |
| Net change in plan fiduciary net position | 163,156 | 162,112 | 171,983 |
| Plan fiduciary net position, beginning | <u>499,893</u> | <u>337,781</u> | <u>165,798</u> |
| Plan fiduciary net position, ending | <u>\$ 663,049</u> | <u>\$ 499,893</u> | <u>\$ 337,781</u> |
| City's net OPEB liability (asset) | <u>\$ (301,665)</u> | <u>\$ (37,290)</u> | <u>\$ (75,130)</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 183% | 108% | 129% |
| Covered employee payroll | \$ 1,403,746 | \$ 1,453,156 | \$ 2,211,123 |
| City's net OPEB liability (asset) as a percentage of covered employee payroll | (21%) | (3%) | (3%) |

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|---------------------|
| Annually determined contributions | \$ 18,374 | \$ 28,347 | \$ 15,592 |
| Contributions in relation to the annually determined contribution | <u>150,000</u> | <u>150,000</u> | <u>150,000</u> |
| Contribution deficiency (excess) | <u>\$ (131,626)</u> | <u>\$ (121,653)</u> | <u>\$ (134,408)</u> |
| Covered employee payroll | \$ 1,403,746 | \$ 1,453,156 | \$ 2,211,123 |
| Contributions as a percentage of covered employee payroll | 11% | 10% | 7% |

**CITY OF GRAND LEDGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

NOTE 1 - PENSION PLAN

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

Changes in assumptions: The discount rate decreased from 8.00% to 7.60%.
 The investment rate of return decreased from 7.75% to 7.35%.
 Expected salary increases decreased from 3.75% to 3.00%.
 The Five-Year Experience Study was updated to years 2014-2018.

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Changes of benefits terms: There were no changes of benefit terms in plan year 2020.

Changes in assumptions: The discount rate increased from 5.89% to 6.94%.
 The healthcare cost trend rate decreased from 10.00% to 8.25%.

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) | \$ | 10,242 |
| To adjust for revenues related to various activities accounted for in a separate fund | | 227,533 |
| To adjust for expenditures related to various activities accounted for in a separate fund | | (314,507) |
| To remove the transfers from the budgetary basis schedule | | <u>57,620</u> |
| Net change in fund balance (GAAP basis) | \$ | <u><u>(19,112)</u></u> |

OTHER SUPPLEMENTARY INFORMATION

**CITY OF GRAND LEDGE
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2020**

| | General | Grants | Total |
|--|---------------------|--------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,440,227 | \$ (76,847) | \$ 1,363,380 |
| Receivables | | | |
| Accounts | 65,550 | - | 65,550 |
| Taxes | 5,175 | - | 5,175 |
| Due from other governmental units | 98,405 | 65,433 | 163,838 |
| Prepays | 2,880 | - | 2,880 |
| TOTAL ASSETS | \$ 1,612,237 | \$ (11,414) | \$ 1,600,823 |
| LIABILITIES | | | |
| Accounts payable | \$ 139,729 | \$ - | \$ 139,729 |
| Accrued liabilities | 61,084 | - | 61,084 |
| Unearned revenue | 29,641 | - | 29,641 |
| TOTAL LIABILITIES | 230,454 | - | 230,454 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | 5,175 | - | 5,175 |
| FUND BALANCES | | | |
| Nonspendable | 2,880 | - | 2,880 |
| Unassigned | 1,373,728 | (11,414) | 1,362,314 |
| TOTAL FUND BALANCES | 1,376,608 | (11,414) | 1,365,194 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 1,612,237 | \$ (11,414) | \$ 1,600,823 |

**CITY OF GRAND LEDGE
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>General</u> | <u>Grants</u> | <u>Total</u> |
|---|---------------------|--------------------|---------------------|
| REVENUES | | | |
| Taxes | \$ 1,716,466 | \$ - | \$ 1,716,466 |
| Licenses and permits | 336,276 | - | 336,276 |
| Intergovernmental | 808,128 | 202,533 | 1,010,661 |
| Charges for services | 239,904 | - | 239,904 |
| Fines and forfeits | 25,973 | - | 25,973 |
| Interest and rents | 52,997 | - | 52,997 |
| Other | 12,018 | 25,000 | 37,018 |
| | <u>3,191,762</u> | <u>227,533</u> | <u>3,419,295</u> |
| TOTAL REVENUES | | | |
| EXPENDITURES | | | |
| Current | | | |
| General government | 758,102 | - | 758,102 |
| Public safety | 1,831,913 | - | 1,831,913 |
| Public works | 132,068 | - | 132,068 |
| Community and economic development | 47,902 | - | 47,902 |
| Capital outlay | 10,000 | 314,507 | 324,507 |
| Debt service | 146,655 | - | 146,655 |
| | <u>2,926,640</u> | <u>314,507</u> | <u>3,241,147</u> |
| TOTAL EXPENDITURES | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>265,122</u> | <u>(86,974)</u> | <u>178,148</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 57,620 | 57,620 |
| Transfers out | (254,880) | - | (254,880) |
| | <u>(254,880)</u> | <u>57,620</u> | <u>(197,260)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | | | |
| NET CHANGE IN FUND BALANCES | 10,242 | (29,354) | (19,112) |
| Fund balances, beginning of year | <u>1,366,366</u> | <u>17,940</u> | <u>1,384,306</u> |
| Fund balances, end of year | <u>\$ 1,376,608</u> | <u>\$ (11,414)</u> | <u>\$ 1,365,194</u> |

**CITY OF GRAND LEDGE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

| | Special | | |
|--|-------------------|-------------------------|--------------------|
| | Local Streets | Parks and Recreation | Drug Forfeiture |
| ASSETS | | | |
| Cash and cash equivalents | \$ 387,270 | \$ 64,352 | \$ 7,718 |
| Accounts receivable | 266 | - | - |
| Taxes receivable | - | 517 | - |
| Due from other governmental units | 30,594 | - | - |
| Prepays | - | - | - |
| TOTAL ASSETS | \$ 418,130 | \$ 64,869 | \$ 7,718 |
| LIABILITIES | | | |
| Accounts payable | \$ 34,196 | \$ 22,776 | \$ 308 |
| Accrued wages | 2,168 | 3,021 | - |
| TOTAL LIABILITIES | 36,364 | 25,797 | 308 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | - | 517 | - |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | 381,766 | 38,555 | 7,410 |
| TOTAL FUND BALANCES | 381,766 | 38,555 | 7,410 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 418,130 | \$ 64,869 | \$ 7,718 |

| Revenue | | Debt Service | | | Capital Projects | Total Nonmajor Governmental Funds |
|-------------------|---------------------|-----------------|------------------|-----------------|---------------------|-----------------------------------|
| Police Restricted | Airport Development | Island Bridge | 2016 Bonds | 2019 Bonds | Capital Improvement | |
| \$ 6,432 | \$ 74,190 | \$ 2,799 | \$ 39,993 | \$ 5,795 | \$ 99,592 | \$ 688,141 |
| - | - | - | - | - | - | 266 |
| - | - | - | - | - | - | 517 |
| - | - | - | - | - | - | 30,594 |
| - | - | - | 500 | - | - | 500 |
| <u>\$ 6,432</u> | <u>\$ 74,190</u> | <u>\$ 2,799</u> | <u>\$ 40,493</u> | <u>\$ 5,795</u> | <u>\$ 99,592</u> | <u>\$ 720,018</u> |
| \$ - | \$ 6,830 | \$ - | \$ 500 | \$ - | \$ - | \$ 64,610 |
| - | 102 | - | - | - | - | 5,291 |
| - | 6,932 | - | 500 | - | - | 69,901 |
| - | - | - | - | - | - | 517 |
| - | - | - | 500 | - | - | 500 |
| 6,432 | 67,258 | 2,799 | 39,493 | 5,795 | 99,592 | 649,100 |
| 6,432 | 67,258 | 2,799 | 39,993 | 5,795 | 99,592 | 649,600 |
| <u>\$ 6,432</u> | <u>\$ 74,190</u> | <u>\$ 2,799</u> | <u>\$ 40,493</u> | <u>\$ 5,795</u> | <u>\$ 99,592</u> | <u>\$ 720,018</u> |

**CITY OF GRAND LEDGE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

| | Special | | |
|---|-------------------|-------------------------|--------------------|
| | Local Streets | Parks and Recreation | Drug Forfeiture |
| REVENUES | | | |
| Taxes | \$ - | \$ 159,423 | \$ - |
| Intergovernmental | 219,200 | - | - |
| Charges for services | - | 45 | - |
| Interest and rents | 2,680 | 2,607 | 70 |
| Other | 7,549 | 2,000 | 16,324 |
| TOTAL REVENUES | 229,429 | 164,075 | 16,394 |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | - | - | 16,840 |
| Public works | 364,586 | - | - |
| Recreation and culture | - | 206,494 | - |
| Capital outlay | - | - | - |
| Debt service | | | |
| Principal | - | - | - |
| Interest and fiscal charges | - | - | - |
| TOTAL EXPENDITURES | 364,586 | 206,494 | 16,840 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (135,157) | (42,419) | (446) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 100,000 | 49,760 | - |
| Transfers out | - | (32,760) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 100,000 | 17,000 | - |
| NET CHANGE IN FUND BALANCES | (35,157) | (25,419) | (446) |
| Fund balances, beginning of year | 416,923 | 63,974 | 7,856 |
| Fund balances, end of year | <u>\$ 381,766</u> | <u>\$ 38,555</u> | <u>\$ 7,410</u> |

| Revenue | | Debt Service | | | Capital Projects | Total Nonmajor Governmental Funds |
|-------------------|---------------------|-----------------|------------------|-----------------|---------------------|-----------------------------------|
| Police Restricted | Airport Development | Island Bridge | 2016 Bonds | 2019 Bonds | Capital Improvement | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 159,423 |
| 2,419 | - | - | 170,205 | - | - | 391,824 |
| - | - | - | - | - | - | 45 |
| 34 | 72,049 | 110 | 1,605 | 5,245 | 122 | 84,522 |
| - | 46 | - | - | - | 99,470 | 125,389 |
| <u>2,453</u> | <u>72,095</u> | <u>110</u> | <u>171,810</u> | <u>5,245</u> | <u>99,592</u> | <u>761,203</u> |
| - | 62,567 | - | - | - | - | 62,567 |
| 2,893 | - | - | - | - | - | 19,733 |
| - | - | - | - | - | - | 364,586 |
| - | - | - | - | - | - | 206,494 |
| - | - | - | - | - | 70,435 | 70,435 |
| - | - | 30,000 | 435,000 | - | - | 465,000 |
| - | - | 2,760 | 62,195 | 90,255 | - | 155,210 |
| <u>2,893</u> | <u>62,567</u> | <u>32,760</u> | <u>497,195</u> | <u>90,255</u> | <u>70,435</u> | <u>1,344,025</u> |
| <u>(440)</u> | <u>9,528</u> | <u>(32,650)</u> | <u>(325,385)</u> | <u>(85,010)</u> | <u>29,157</u> | <u>(582,822)</u> |
| 1,500 | - | 32,760 | 326,489 | 90,805 | - | 601,314 |
| - | - | - | - | - | - | (32,760) |
| <u>1,500</u> | <u>-</u> | <u>32,760</u> | <u>326,489</u> | <u>90,805</u> | <u>-</u> | <u>568,554</u> |
| 1,060 | 9,528 | 110 | 1,104 | 5,795 | 29,157 | (14,268) |
| 5,372 | 57,730 | 2,689 | 38,889 | - | 70,435 | 663,868 |
| <u>\$ 6,432</u> | <u>\$ 67,258</u> | <u>\$ 2,799</u> | <u>\$ 39,993</u> | <u>\$ 5,795</u> | <u>\$ 99,592</u> | <u>\$ 649,600</u> |

**CITY OF GRAND LEDGE
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

| | Equipment Operating | Employee Benefits | Total |
|---|------------------------|----------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 80,312 | \$ 74,328 | \$ 154,640 |
| Accounts receivable | 1,013 | - | 1,013 |
| Due from other funds | 428,712 | - | 428,712 |
| Prepays | - | 30,759 | 30,759 |
| | <u>510,037</u> | <u>105,087</u> | <u>615,124</u> |
| Total current assets | | | |
| Noncurrent assets | | | |
| Capital assets not being depreciated | 13,602 | - | 13,602 |
| Capital assets, net of accumulated depreciation | 678,470 | - | 678,470 |
| | <u>692,072</u> | <u>-</u> | <u>692,072</u> |
| Total noncurrent assets | | | |
| | <u>1,202,109</u> | <u>105,087</u> | <u>1,307,196</u> |
| TOTAL ASSETS | | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 15,880 | 5,560 | 21,440 |
| Accrued liabilities | 1,645 | - | 1,645 |
| Accrued interest payable | 4,649 | - | 4,649 |
| Current portion of long-term debt | 37,830 | - | 37,830 |
| | <u>60,004</u> | <u>5,560</u> | <u>65,564</u> |
| Total current liabilities | | | |
| Noncurrent liabilities | | | |
| Noncurrent portion of long-term debt | 808,603 | - | 808,603 |
| | <u>868,607</u> | <u>5,560</u> | <u>874,167</u> |
| TOTAL LIABILITIES | | | |
| NET POSITION | | | |
| Investment in capital assets | 283,157 | - | 283,157 |
| Unrestricted | 50,345 | 99,527 | 149,872 |
| | <u>333,502</u> | <u>99,527</u> | <u>433,029</u> |
| TOTAL NET POSITION | | | |
| | <u>\$ 333,502</u> | <u>\$ 99,527</u> | <u>\$ 433,029</u> |

**CITY OF GRAND LEDGE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

| | Equipment Operating | Employee Benefits | Total |
|---|------------------------|----------------------|--------------|
| OPERATING REVENUES | | | |
| Internal operations | \$ 306,301 | \$ 936,448 | \$ 1,242,749 |
| OPERATING EXPENSES | | | |
| Personnel | 104,836 | 1,090,033 | 1,194,869 |
| Repair and maintenance | 93,093 | - | 93,093 |
| Utilities | 5,300 | - | 5,300 |
| Other | 38,160 | - | 38,160 |
| Depreciation | 54,425 | - | 54,425 |
| TOTAL OPERATING EXPENSES | 295,814 | 1,090,033 | 1,385,847 |
| OPERATING INCOME (LOSS) | 10,487 | (153,585) | (143,098) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 96 | - | 96 |
| Sale of capital assets | 9,108 | - | 9,108 |
| Bond issuance costs | (11,303) | - | (11,303) |
| Interest expense and fees | (2,153) | - | (2,153) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (4,252) | - | (4,252) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 6,235 | (153,585) | (147,350) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 48,000 | - | 48,000 |
| Transfers out | (10,650) | - | (10,650) |
| TOTAL OTHER FINANCING SOURCES (USES) | 37,350 | - | 37,350 |
| NET CHANGE IN NET POSITION | 43,585 | (153,585) | (110,000) |
| Net position, beginning of year | 289,917 | 253,112 | 543,029 |
| Net position, end of year | \$ 333,502 | \$ 99,527 | \$ 433,029 |

**CITY OF GRAND LEDGE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

| | <u>Equipment Operating</u> | <u>Employee Benefits</u> | <u>Total</u> |
|--|--------------------------------|------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | \$ 308,612 | \$ 936,448 | \$ 1,245,060 |
| Cash paid to suppliers/claimants | (198,953) | (1,031,466) | (1,230,419) |
| Cash paid to employees | <u>(84,072)</u> | <u>-</u> | <u>(84,072)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>25,587</u> | <u>(95,018)</u> | <u>(69,431)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Payment of interfund balances | <u>(391,362)</u> | <u>-</u> | <u>(391,362)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from debt issuance | 835,130 | - | 835,130 |
| Purchase of capital assets | (408,915) | - | (408,915) |
| Sale of capital assets | 9,108 | - | 9,108 |
| Interest expense and fees | <u>2,496</u> | <u>-</u> | <u>2,496</u> |
| NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>437,819</u> | <u>-</u> | <u>437,819</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment income | <u>96</u> | <u>-</u> | <u>96</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 72,140 | (95,018) | (22,878) |
| Cash and cash equivalents, beginning of year | <u>8,172</u> | <u>169,346</u> | <u>177,518</u> |
| Cash and cash equivalents, end of year | <u>\$ 80,312</u> | <u>\$ 74,328</u> | <u>\$ 154,640</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | \$ 10,487 | \$ (153,585) | \$ (143,098) |
| Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities | | | |
| Depreciation | 54,425 | - | 54,425 |
| (Increase) decrease in: | | | |
| Accounts receivable | 2,311 | - | 2,311 |
| Prepays | - | 55,321 | 55,321 |
| Increase (decrease) in: | | | |
| Accounts payable | (316) | 3,310 | 2,994 |
| Accrued liabilities | (4,247) | (64) | (4,311) |
| Due to other funds | (30,000) | - | (30,000) |
| Compensated absences | <u>(7,073)</u> | <u>-</u> | <u>(7,073)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 25,587</u> | <u>\$ (95,018)</u> | <u>\$ (69,431)</u> |

**CITY OF GRAND LEDGE
 COMPONENT UNIT FUNDS
 BALANCE SHEET -
 DOWNTOWN DEVELOPMENT AUTHORITY
 JUNE 30, 2020**

| | <u>General Operating</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> |
|--|------------------------------|-------------------------|-----------------------------|-------------------|
| ASSETS | | | | |
| Cash and cash equivalents | <u>\$ 333,791</u> | <u>\$ 18,761</u> | <u>\$ 116,440</u> | <u>\$ 468,992</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 3,211 | \$ - | \$ - | \$ 3,211 |
| Accrued liabilities | <u>971</u> | <u>-</u> | <u>-</u> | <u>971</u> |
| TOTAL LIABILITIES | 4,182 | - | - | 4,182 |
| FUND BALANCES | | | | |
| Restricted | <u>329,609</u> | <u>18,761</u> | <u>116,440</u> | <u>464,810</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 333,791</u> | <u>\$ 18,761</u> | <u>\$ 116,440</u> | <u>\$ 468,992</u> |

**CITY OF GRAND LEDGE
 COMPONENT UNIT FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT ON NET POSITION -
 DOWNTOWN DEVELOPMENT AUTHORITY
 JUNE 30, 2020**

Total fund balances - governmental funds \$ 464,810

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>(1,798,655)</u> | |
| Capital assets, net | | 2,235,595 |

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

| | | |
|-------------------------------|--|-------|
| Deferred charges on refunding | | 4,412 |
|-------------------------------|--|-------|

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 | (900,000) | |
| Capitalized bond discounts | 10,114 | |
| Accrued interest payable | <u>(5,542)</u> | |
| | | <u>(895,428)</u> |

Net position of governmental activities \$ 1,809,389

**CITY OF GRAND LEDGE
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2020**

| | General Operating | Debt Service | Capital Project | Total |
|---|----------------------|------------------|--------------------|-------------------|
| REVENUES | | | | |
| Taxes | \$ 812,815 | \$ - | \$ - | \$ 812,815 |
| Intergovernmental | 79,411 | - | - | 79,411 |
| Interest and rents | 13,673 | 867 | 1,773 | 16,313 |
| TOTAL REVENUES | 905,899 | 867 | 1,773 | 908,539 |
| EXPENDITURES | | | | |
| Current | | | | |
| Community and economic development | 219,266 | 170,205 | 400,000 | 789,471 |
| Debt service | | | | |
| Principal | - | 225,000 | - | 225,000 |
| Interest and fiscal charges | - | 40,571 | - | 40,571 |
| TOTAL EXPENDITURES | 219,266 | 435,776 | 400,000 | 1,055,042 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 686,633 | (434,909) | (398,227) | (146,503) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 436,027 | 200,000 | 636,027 |
| Transfers out | (636,027) | - | - | (636,027) |
| TOTAL OTHER FINANCING SOURCES (USES) | (636,027) | 436,027 | 200,000 | - |
| NET CHANGE IN FUND BALANCES | 50,606 | 1,118 | (198,227) | (146,503) |
| Fund balances, beginning of year | 279,003 | 17,643 | 314,667 | 611,313 |
| Fund balances, end of year | <u>\$ 329,609</u> | <u>\$ 18,761</u> | <u>\$ 116,440</u> | <u>\$ 464,810</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, 2020**

Net change in fund balances - total governmental funds \$ (146,503)

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

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

Depreciation expense (143,969)

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 (4,413)

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 | 225,000 | |
| (Decrease) in capitalized bond discounts | <u>(2,057)</u> | |
| | | 222,943 |

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

Decrease in accrued interest payable 1,178

Change in net position of governmental activities \$ (70,764)

**CITY OF GRAND LEDGE
 COMPONENT UNIT FUNDS
 BALANCE SHEET -
 LOCAL DEVELOPMENT FINANCE AUTHORITY
 JUNE 30, 2020**

| | <u>General Operating</u> |
|------------------------------------|------------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 176,056</u> |
| LIABILITIES | |
| Accounts payable | \$ 20,022 |
| FUND BALANCE | |
| Restricted | <u>156,034</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 176,056</u> |

**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, 2020**

Total fund balance - governmental fund \$ 156,034

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 2,401

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 | \$ (110,000) | |
| Capitalized bond premiums | (2,706) | |
| Accrued interest payable | <u>(367)</u> | |
| | | <u>(113,073)</u> |

Net position of governmental activities \$ 2,467,933

**CITY OF GRAND LEDGE
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 LOCAL DEVELOPMENT FINANCE AUTHORITY
 YEAR ENDED JUNE 30, 2020**

| | <u>General Operating</u> |
|------------------------------------|------------------------------|
| REVENUES | |
| Taxes | \$ 37,952 |
| Interest | <u>1,281</u> |
| TOTAL REVENUES | <u>39,233</u> |
| EXPENDITURES | |
| Current | |
| Community and economic development | 57,667 |
| Debt service | |
| Principal | 35,000 |
| Interest and fiscal charges | <u>8,700</u> |
| TOTAL EXPENDITURES | <u>101,367</u> |
| NET CHANGE IN FUND BALANCE | (62,134) |
| Fund balance, beginning of year | <u>218,168</u> |
| Fund balance, end of year | <u><u>\$ 156,034</u></u> |

**CITY OF GRAND LEDGE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY
YEAR ENDED JUNE 30, 2020**

Net change in fund balance - total governmental fund \$ (62,134)

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

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

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

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

| | |
|---|-------|
| (Decrease) to deferred charges on refunding | (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 | <u>116</u> |
|--------------------------------------|------------|

Change in net position of governmental activities \$ (26,916)