



CITY OF GRAND HAVEN, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015



Vredeveld Haefner LLC

CPA's

CITY OF GRAND HAVEN

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Vredeveld Haefner LLC

CPA's and Consultants

4001 Granada Ct.

Grand Rapids, MI 49534

FAX (616) 828-0307

Douglas J. Vredeveld, CPA

(616) 446-7474

Peter S. Haefner, CPA

(616) 460-9388

INDEPENDENT AUDITORS' REPORT

October 26, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Haven, Michigan, (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Haven, Michigan, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the information on pages 51 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Uredewald Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Grand Haven (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Property values returned to the levels achieved prior to the Great Recession during this fiscal year. Further additions to property values are anticipated in coming years.
- This year's audit report reflects the second full year's use of BS&A Software's suite of accounting modules. We have seen significant improvements in processing, operational efficiency and internal and external financial reporting. The City has been using BS&A assessing and tax billing modules for over ten years with similar success.
- The City provides financial and administrative support for the Harbor Transit Multi-Modal Transportation System, the Grand Haven-Spring Lake Sewer Authority, the Northwest Ottawa Water Plant and the Ottawa County Central Dispatch Authority. This coordination of effort and expertise limits the cost of these services for all.
- The City Finance Department provides accounting services to Spring Lake Township on a contractual basis. The Contract was expanded in March 2015.
- A new Lighthouse Maintenance Special Revenue Fund was created to properly account for the value of the City's iconic lighthouses and the costs needed to refurbish the inner light during the fiscal year. The outer lighthouse was refurbished in the summer of 2014.
- The \$700,000 Downtown DIG grant project was 2/3rd complete by June 30, 2014 and finished by August 31.
- The City issued two bonds during the fiscal year, the 2014 Capital Improvements Bond (\$4,775,000) and the 2015 Infrastructure Bond (\$6,545,000). See the debt section for more detail.
- In October 2015, after the reported fiscal year, the City issued 2015 Refunding Bonds on the 2006 DDA TIF Capital Improvement Bonds (parking lots).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Grand Haven's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of the City of Grand Haven that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees

and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works including major and local street construction and maintenance, culture and recreation, and debt service activities. The business-type activities of the City consist primarily of Board of Light and Power, sewer, and water operations.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty 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 fund and 2015 infrastructure bond fund, which are considered to be major funds. Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with those budgets.

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this management discussion and analysis as well as major fund budgetary schedules, pension and Other Post-employment Benefit schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Grand Haven, assets exceeded liabilities by \$110,415,685 at the close of the most recent fiscal year.

A portion of the City's net position reflects unrestricted net position which is available for future operation while a more significant portion of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Beginning 2015 net position for governmental and business type activities was reduced primarily to reflect implementation of GASB Statement Nos. 68 and 71.

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$28,435,649	\$19,186,678	\$32,195,897	\$34,758,272	\$60,631,546	\$53,944,950
Capital assets	54,086,610	51,188,562	55,923,589	55,243,798	110,010,199	106,432,360
Total assets	82,522,259	70,375,240	88,119,486	90,002,070	170,641,745	160,377,310
Deferred outflows of resources	1,027,258	-	756,967	386,968	1,784,225	386,968
Current and other liabilities	2,095,451	1,550,152	12,750,830	5,106,977	14,846,281	6,657,129
Long-term liabilities	31,381,468	10,972,244	15,782,536	22,875,049	47,164,004	33,847,293
Total liabilities	33,476,919	12,522,396	28,533,366	27,982,026	62,010,285	40,504,422
Net position						
Net investment in capital assets	33,292,285	41,617,171	40,916,592	33,505,555	74,208,877	75,122,726
Restricted	7,786,733	8,975,412	9,801,045	9,411,149	17,587,778	18,386,561
Unrestricted	8,993,580	7,260,261	9,625,450	19,490,308	18,619,030	26,750,569
Total net position	\$50,072,598	\$57,852,844	\$60,343,087	\$62,407,012	\$110,415,685	\$120,259,856

The total net position of the City increased by \$4,379,332. The business-type activities increase in net position of \$5,115,994 is primarily due to Board of Light and Power profitability combined with a transfer into the Water fund for a meter replacement project during the year. The governmental activities decrease in net position of \$736,662 is primarily due to a reduction in capital grants and contributions during the year.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue						
Program revenue						
Charges for services	\$1,503,541	\$1,718,139	\$42,096,945	\$44,151,008	\$43,600,486	\$45,869,147
Operating grants and contributions	1,658,198	1,793,123	344,110	650,931	2,002,308	2,444,054
Capital grants and contributions	442,846	2,038,271	112,823	377,711	555,669	2,415,982
General revenue						
Property taxes	7,112,178	6,480,511	-	-	7,112,178	6,480,511
State revenues	941,981	926,191	-	-	941,981	926,191
Unrestricted investment earnings	396,686	264,362	-	-	396,686	264,362
Other	46,669	25,902	-	-	46,669	25,902
Total revenues	12,102,099	13,246,499	42,553,878	45,179,650	54,655,977	58,426,149
Expenses						
General government	4,024,253	2,785,072	-	-	4,024,253	2,785,072
Public safety	5,393,009	4,349,022	-	-	5,393,009	4,349,022
Public works	2,158,017	4,827,447	-	-	2,158,017	4,827,447
Culture and recreation	668,087	805,149	-	-	668,087	805,149
Interest	546,288	385,207	-	-	546,288	385,207
Board of Light & Power	-	-	33,131,800	33,983,478	33,131,800	33,983,478
Sewer	-	-	1,758,858	1,781,786	1,758,858	1,781,786
Water	-	-	1,618,208	1,530,314	1,618,208	1,530,314
Other business-type	-	-	978,125	765,808	978,125	765,808
Total expenses	12,789,654	13,151,897	37,486,991	38,061,386	50,276,645	51,213,283
Change in net position before transfers	(687,555)	94,602	5,066,887	7,118,264	4,379,332	7,212,866
Transfers	(49,107)	1,115,341	49,107	(1,115,341)	-	-
Change in net position	(736,662)	1,209,943	5,115,994	6,002,923	4,379,332	7,212,866
Net position-beginning of year, as restated	50,809,260	56,642,901	55,227,093	56,404,089	106,036,353	113,046,990
Net position-end of year	\$50,072,598	\$57,852,844	\$60,343,087	\$62,407,012	\$110,415,685	\$120,259,856

Governmental activities. During the year the City invested \$2,158,017 or 17% of governmental activities expenses in public works. Public safety was \$5,393,009 or 42% of governmental activities expenses while general government, culture and recreation, and interest on long-term debt made up the remaining 41% of governmental activities expenses.

Business-type activities. Business-type activities increased the City's net position by \$5,115,994 for the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$6,002,923.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,140,263, an increase of \$10,107,540 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,545,535 while total fund balance was \$5,818,862. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 45% of total general fund expenditures and transfers out. The City's policy is to maintain its unassigned fund balance in the general fund at a minimum of 25% of expenditures.

The fund balance of the City's general fund increased by \$489,854 during the current fiscal year.

The 2015 infrastructure bond fund is used to account for the receipt and expenditure of bond proceeds for the purpose of infrastructure improvements. This was a new fund established during the fiscal year. At the end of the current fiscal year, fund balance was \$6,620,416. The fund balance will decrease in subsequent fiscal years as the debt proceeds are spent on the applicable projects.

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

Unrestricted net position of the Board of Light and Power, sewer and water funds at the end of the year amounted to \$9,023,179, \$1,200,644 and \$(136,709) respectively. The Board of Light and Power had an increase of \$2,897,940, the sewer fund had an increase in net position for the year of \$464,184 and the water fund had an increase of \$1,994,098. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

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

General Fund:

- Building permits revenue rose from \$220,000 to \$260,000 in the amended budget and actually reached \$270,200 due to the improved economic climate.
- Interest earnings, originally budgeted at \$60,000 were amended to \$90,000 and actually recorded \$107,400 due to more aggressive placement of surplus cash.
- Reimbursement increased from \$0 to \$27,500 in amended budget to actual results of \$62,680. Ski Bowl revenue jumped to \$21,799 and Community Center utilities paid by Muskegon Community College at \$2,700 per month were posted. A \$7,400 reimbursement from the Grand Haven Area Public Schools for crossing guards was also collected.
- Tax revenue increased \$182,000 due to improved property values.
- Total expenditures and transfers out decreased \$61,000 from the original budget and \$845,000 from the amended budget totaling \$11,123,550.

Enterprise Funds:

- In the Sewer Fund, operating revenue exceeded operating expenses by \$318,750, allowing reserves to pay a portion of the capital project costs for the year.
- In the Water Fund, operating revenue exceeded operating expenses by \$9,731.

- A \$1,835,000 transfer of assets was made due to the partial completion of the automated meter reading project. The project will be completed in FY 2015-16. An additional \$173,130 transfer from the Madison Street project costs was made.

Component Units:

- The DDA TIF relied on an additional \$100,000 transfer from the General Fund to meet debt service needs and is expected to continue this need until property values rise enough to support the debt.
- The Grand Landing Brownfield TIF is continuing to use its reserved resources to pay its debt, but these are anticipated to be used up by 2017. Property owners City-wide continued contributing to a debt service/capital project millage to meet this need in future years.
- The Boat Storage Brownfield TIF is paying within its annual resources and will conclude payments in 2017.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2015, amounted to \$110,010,199 (net of accumulated depreciation).

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

Capital Assets			
	Governmental Activities	Business- type Activities	Total
Land	\$ 8,457,148	\$ 531,603	\$ 8,988,751
Construction in progress	2,830,154	1,835,780	4,665,934
Structures & improvements	5,240,282	5,493,497	10,733,779
Machinery, equipment, vehicles & fixtures	2,543,050	325,309	2,868,359
Buildings	6,782,932	-	6,782,932
Parking facilities	5,196,604	-	5,196,604
Infrastructure	23,036,440	-	23,036,440
Production and treatment	-	11,389,841	11,389,841
Transmission and distribution	-	36,038,560	36,038,560
General plant	-	308,999	308,999
Total	\$54,086,610	\$55,923,589	\$110,010,199

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

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

Debt			
	Governmental Activities	Business- type Activities	Total
Accrued employee benefits	\$ 908,375	\$ 687,196	\$ 1,595,571
Capital lease obligations	1,096,130	417,427	1,513,557
Installment purchase agreement	10,000	-	10,000
Bond premiums	948,195	61,021	1,009,216
Bonds payable	18,740,000	14,660,000	33,400,000
Total	\$21,702,700	\$15,825,644	\$37,528,344

The City issued new \$4,775,000 2014 Unlimited Tax General Obligation and \$6,545,000 2015 Unlimited Tax General Obligation bonds during the year.

Additional information on the City's long-term debt can be found in Note 6 of these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2015-16 fiscal year:

- Property values in the aggregate have returned to pre-2007 levels. For budgetary purposes, City administration is using a conservative increase of 1.00% per year for the next 5 years. Effective ad valorem taxes increased 2.35% for FY 2015-16.
- A 2015 DDA TIF Refunding Bond, sold after the reported fiscal year, will relieve an average of \$25,000 per year on the original 2006 DDA TIF Capital Improvements Bond. These savings will reduce the annual General Fund support until the DDA TIF can pay the debt service on its own.
- Interfund transfers keep balance in the many competing capital projects. FY 2014-15 featured \$12,593,220 in these transfers. FY 2015-16 plans \$15,083,490 in these transfers.
- Wages and fringe benefits, especially health care continue to be studied closely for cost containment wherever possible.
- Union contract negotiations will begin in FY 2015-16 with the DPW and Wastewater staff and with Public Safety staff the following fiscal year.

Standard and Poor's rated the City of Grand Haven and all its debt as "AA stable." This includes a rating of the 2014 LTGO Capital Improvements Bond, the 2015 UTGO Infrastructure bond issued during the fiscal year and the 2015 DDA TIF Refunding Bond. In addition, all City debt service has been accomplished for the fiscal year reported and is planned to be achieved in the current and future years.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information, contact us at 519 Washington Ave, Grand Haven, MI 49417, or as noted below:

Patrick McGinnis
City Manager
616 847-4888
pmcginnis@grandhaven.org

James P. Bonamy
Finance Director
616-935-3214
jbony@grandhaven.org

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BASIC FINANCIAL STATEMENTS

CITY OF GRAND HAVEN
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 26,367,327	\$ 8,764,133	\$ 35,131,460	\$ 1,587,508
Accounts receivable	253,416	5,961,044	6,214,460	249,718
Due from other governments	359,375	1,872,250	2,231,625	6,518
Taxes receivable	8,095	-	8,095	139
Special assessments receivable	330,242	163,152	493,394	87,314
Internal balances	825,037	(825,037)	-	-
Capital lease receivable	-	-	-	1,513,558
Prepaid items	245,033	72,548	317,581	2,891
Inventory	47,128	5,985,794	6,032,922	-
Restricted cash	-	7,524,212	7,524,212	-
Restricted investments	-	2,677,801	2,677,801	-
Bond discount	-	-	-	38,637
Capital assets				
Land	8,457,148	531,603	8,988,751	-
Construction in progress	2,830,154	1,835,780	4,665,934	-
Depreciable capital assets, net	<u>42,799,308</u>	<u>53,556,206</u>	<u>96,355,514</u>	<u>-</u>
Total assets	<u>82,522,263</u>	<u>88,119,486</u>	<u>170,641,749</u>	<u>3,486,283</u>
Deferred outflows of resources				
Pension contributions and deficit investment returns	1,027,258	625,516	1,652,774	11,472
Deferred charge on refunding	<u>-</u>	<u>131,451</u>	<u>131,451</u>	<u>-</u>
Total deferred outflows of resources	<u>1,027,258</u>	<u>756,967</u>	<u>1,784,225</u>	<u>11,472</u>
Liabilities				
Accounts payable	816,225	4,966,471	5,782,696	114,543
Accrued liabilities	230,557	239,221	469,778	711
Due to other governments	542	10,700	11,242	-
Accrued interest payable	176,853	404,694	581,547	174,025
Unearned revenue	-	1,643	1,643	-
Noncurrent liabilities				
Accrued compensated absences	908,375	687,196	1,595,571	-
Other post-employment benefits obligation	685,567	88,561	774,128	-
Net pension liability	9,864,475	6,996,432	16,860,907	110,159
Bond premium	948,195	61,021	1,009,216	12,657
Due within one year	871,274	7,128,101	7,999,375	1,389,914
Due in more than one year	<u>18,974,856</u>	<u>7,949,326</u>	<u>26,924,182</u>	<u>17,373,031</u>
Total liabilities	<u>33,476,919</u>	<u>28,533,366</u>	<u>62,010,285</u>	<u>19,175,040</u>
Net position				
Net investment in capital assets	33,292,285	40,916,592	74,208,877	-
Restricted for				
Debt service	2,157,023	9,801,045	11,958,068	-
Streets	445,498	-	445,498	-
Capital projects	3,408,781	-	3,408,781	-
Permanent trust				
Cemetery - nonexpendable portion	1,775,431	-	1,775,431	-
Unrestricted (deficit)	<u>8,993,584</u>	<u>9,625,450</u>	<u>18,619,034</u>	<u>(15,677,285)</u>
Total net position	<u>\$ 50,072,602</u>	<u>\$ 60,343,087</u>	<u>\$ 110,415,689</u>	<u>\$ (15,677,285)</u>

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

CITY OF GRAND HAVEN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
General government	\$ 4,024,253	\$ 356,208	\$ 583,672	\$ 140,113	\$ (2,944,260)
Public safety	5,393,009	203,995	5,857	-	(5,183,157)
Public works	2,158,017	665,521	1,068,669	164,745	(259,082)
Culture and recreation	668,087	277,817	-	137,992	(252,278)
Interest on long-term debt	546,288	-	-	-	(546,288)
Total governmental activities	<u>12,789,654</u>	<u>1,503,541</u>	<u>1,658,198</u>	<u>442,850</u>	<u>(9,185,065)</u>
Business-type activities					
Board of Light and Power	33,131,800	37,853,276	85,653	-	4,807,129
Sewer	1,758,858	2,071,460	14,173	684	327,459
Water	1,618,208	1,621,464	169,271	-	172,527
Other business-type activities	978,125	550,745	75,013	112,139	(240,228)
Total business-type activities	<u>37,486,991</u>	<u>42,096,945</u>	<u>344,110</u>	<u>112,823</u>	<u>5,066,887</u>
Total primary government	<u>\$ 50,276,645</u>	<u>\$ 43,600,486</u>	<u>\$ 2,002,308</u>	<u>\$ 555,673</u>	<u>\$ (4,118,178)</u>
Component Units					
Economic Development Corporation	\$ 37,583	\$ -	\$ -	\$ -	\$ (37,583)
Main Street Downtown Development Authority	674,003	-	24,547	162,397	(487,059)
Brownfield Redevelopment Authority	515,328	-	21	39,224	(476,083)
Total component units	<u>\$ 1,226,914</u>	<u>\$ -</u>	<u>\$ 24,568</u>	<u>\$ 201,621</u>	<u>\$ (1,000,725)</u>

(Continued)

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

CITY OF GRAND HAVEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Changes in net position				
Net (expense) revenue	\$ (9,185,065)	\$ 5,066,887	\$ (4,118,178)	\$ (1,000,725)
General revenues				
Property taxes	7,112,178	-	7,112,178	754,332
State shared revenues	941,981	-	941,981	-
Unrestricted investment earnings	396,686	-	396,686	36,879
Other general revenues	46,669	-	46,669	98,228
Transfers - internal activities	<u>(49,107)</u>	<u>49,107</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>8,448,407</u>	<u>49,107</u>	<u>8,497,514</u>	<u>889,439</u>
Change in net position	(736,658)	5,115,994	4,379,336	(111,286)
Net position, beginning of year, as restated	<u>50,809,260</u>	<u>55,227,093</u>	<u>106,036,353</u>	<u>(15,565,999)</u>
Net position, end of year	<u>\$ 50,072,602</u>	<u>\$ 60,343,087</u>	<u>\$ 110,415,689</u>	<u>\$ (15,677,285)</u>

(Concluded)

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

CITY OF GRAND HAVEN

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2015

	<u>General</u>	<u>2015 Infrastructure Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 5,107,191	\$ 6,619,999	\$ 11,822,659	\$ 23,549,849
Accounts receivable	232,223	-	21,090	253,313
Due from other governments	194,533	-	164,808	359,341
Taxes receivable	8,095	-	-	8,095
Special assessments receivable	306,421	-	23,821	330,242
Due from other funds	582,230	-	550,051	1,132,281
Prepaid items	8,893	417	7,696	17,006
Inventory	20,857	-	-	20,857
Total assets	<u>\$ 6,460,443</u>	<u>\$ 6,620,416</u>	<u>\$ 12,590,125</u>	<u>\$ 25,670,984</u>
Liabilities, deferred inflows and fund balances				
Liabilities				
Accounts payable	\$ 243,182	\$ -	\$ 544,836	\$ 788,018
Accrued liabilities	62,785	-	8,320	71,105
Due to other governments	542	-	-	542
Due to other funds	14,224	-	312,698	326,922
Total liabilities	<u>320,733</u>	<u>-</u>	<u>865,854</u>	<u>1,186,587</u>
Deferred inflows of resources				
Unavailable revenue	320,848	-	23,282	344,130
Fund balances				
Non-spendable				
Prepaid items	8,893	417	7,696	17,006
Permanent fund corpus	-	-	1,775,431	1,775,431
Inventory	20,857	-	-	20,857
Restricted				
Streets	-	-	445,252	445,252
Public works	-	6,619,999	3,914,256	10,534,255
Debt service funds	-	-	2,156,835	2,156,835
Committed				
Capital projects	-	-	3,817,002	3,817,002
Budget stabilization	2,243,577	-	-	2,243,577
Unassigned	3,545,535	-	(415,483)	3,130,052
Total fund balances	<u>5,818,862</u>	<u>6,620,416</u>	<u>11,700,989</u>	<u>24,140,267</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,460,443</u>	<u>\$ 6,620,416</u>	<u>\$ 12,590,125</u>	<u>\$ 25,670,984</u>

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

CITY OF GRAND HAVEN

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2015

Fund balances - total governmental funds \$ 24,140,267

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

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

Add - land	8,457,148
Add - construction in progress	2,830,154
Add - capital assets (net of accumulated depreciation)	40,532,630

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

Add - long-term deferred receivables	344,130
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Pension contributions and deficit investment returns are not reported in the funds.

Add - deferred outflows	998,892
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Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.

Add - net position of governmental activities accounted for in the internal service funds	4,900,687
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable	(899,650)
Deduct - other post-employment benefits	(668,389)
Deduct - long-term debt	(19,846,130)
Deduct - bond premium	(948,195)
Deduct - net pension liability	(9,592,089)
Deduct - accrued interest on long-term debt	<u>(176,853)</u>

Net position of governmental activities \$ 50,072,602

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

CITY OF GRAND HAVEN

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>2015 Infrastructure Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 6,195,036	\$ -	\$ 945,520	\$ 7,140,556
Intergovernmental revenues				
Federal	132	-	206,431	206,563
State	948,363	-	984,739	1,933,102
Local	51,018	-	298,764	349,782
Special assessments	13,325	-	18,550	31,875
Licenses and permits	529,775	-	-	529,775
Charges for services	1,349,381	-	10,482	1,359,863
Fines	97,269	-	-	97,269
Investment earnings	217,820	132	178,734	396,686
Miscellaneous	44,787	-	40,223	85,010
Total revenues	<u>9,446,906</u>	<u>132</u>	<u>2,683,443</u>	<u>12,130,481</u>
Expenditures				
Current				
General government	2,536,122	40,835	36,456	2,613,413
Public safety	3,745,855	-	-	3,745,855
Public works	2,481,861	-	2,172,086	4,653,947
Culture and recreation	707,862	-	137,988	845,850
Debt service				
Principal	8,299	-	1,036,962	1,045,261
Interest	13,578	-	449,372	462,950
Capital outlay	-	-	867,749	867,749
Total expenditures	<u>9,493,577</u>	<u>40,835</u>	<u>4,700,613</u>	<u>14,235,025</u>
Revenues over (under) expenditures	<u>(46,671)</u>	<u>(40,703)</u>	<u>(2,017,170)</u>	<u>(2,104,544)</u>
Other financing sources (uses)				
Issuance of debt	-	7,119,651	5,141,544	12,261,195
Transfers in	2,166,507	-	6,222,335	8,388,842
Transfers out	(1,629,982)	(458,532)	(6,349,435)	(8,437,949)
Total other financing sources (uses)	<u>536,525</u>	<u>6,661,119</u>	<u>5,014,444</u>	<u>12,212,088</u>
Net changes in fund balances	489,854	6,620,416	2,997,274	10,107,544
Fund balances, beginning of year, as restated	<u>5,329,008</u>	<u>-</u>	<u>8,703,715</u>	<u>14,032,723</u>
Fund balances, end of year	<u>\$ 5,818,862</u>	<u>\$ 6,620,416</u>	<u>\$ 11,700,989</u>	<u>\$ 24,140,267</u>

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

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balances - total governmental funds	\$ 10,107,544
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	4,088,314
Deduct - depreciation expense	(1,867,554)

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

Deduct - decrease in unavailable revenues	(28,378)
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Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	1,045,261
Deduct - bond issue	(11,320,000)
Deduct - bond premium	(948,195)

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

Add - decrease in compensated absences	15,998
Deduct - increase in net pension liability	(1,302,835)
Add - increase in deferred outflows	63,528
Deduct - increase in other post-employment benefit liability	(215,347)
Deduct - increase in accrued interest	(83,338)

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Add - increase in net position from the internal service funds	<u>(291,656)</u>
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Change in net position of governmental activities	<u>\$ (736,658)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF GRAND HAVEN
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Enterprise Funds				Enterprise Fund Total	Governmental Activities
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds		Internal Service Funds
Assets						
Current assets						
Cash and pooled investments	\$ 7,758,230	\$ 773,339	\$ (6,519)	\$ 239,083	\$ 8,764,133	\$ 2,817,478
Accounts receivable	4,765,219	540,038	578,976	76,811	5,961,044	103
Due from other governments	1,863,156	-	-	9,094	1,872,250	34
Special assessments receivable	-	163,152	-	-	163,152	-
Due from other funds	-	100,000	5,000	-	105,000	19,678
Prepaid items	65,916	2,853	688	3,091	72,548	228,027
Inventory	5,898,690	7,764	79,340	-	5,985,794	26,271
Total current assets	20,351,211	1,587,146	657,485	328,079	22,923,921	3,091,591
Noncurrent assets						
Restricted cash and pooled investments	7,524,212	-	-	-	7,524,212	-
Restricted investments	2,677,801	-	-	-	2,677,801	-
Capital assets						
Land	222,281	5,260	-	304,062	531,603	-
Construction in progress	1,835,780	-	-	-	1,835,780	-
Depreciable capital assets, net	27,039,855	8,079,269	12,904,439	5,532,643	53,556,206	2,266,678
Total noncurrent assets	39,299,929	8,084,529	12,904,439	5,836,705	66,125,602	2,266,678
Total assets	59,651,140	9,671,675	13,561,924	6,164,784	89,049,523	5,358,269
Deferred outflows of resources						
Pension contributions and deficit investment returns	536,440	26,005	54,894	8,177	625,516	28,366
Deferred charge on refunding	131,451	-	-	-	131,451	-
Total deferred outflows of resources	667,891	26,005	54,894	8,177	756,967	28,366
Liabilities						
Current liabilities						
Accounts payable	4,686,578	104,311	149,283	26,299	4,966,471	28,207
Accrued liabilities	219,636	6,728	5,608	7,249	239,221	159,452
Due to other governments	-	-	-	10,700	10,700	-
Accrued interest payable	401,538	1,537	1,619	-	404,694	-
Due to other funds	159,442	3,452	100,937	666,206	930,037	-
Unearned revenue	1,643	-	-	-	1,643	-
Current portion of long-term debt	7,120,000	3,945	4,156	-	7,128,101	-
Total current liabilities	12,588,837	119,973	261,603	710,454	13,680,867	187,659
Long-term liabilities						
Accrued compensated absences	642,083	23,528	17,773	3,812	687,196	8,725
Net pension liability	6,141,039	249,726	527,135	78,532	6,996,432	272,386
Other post-employment benefits obligation	13,481	23,225	46,733	5,122	88,561	17,178
Premium on bonds	61,021	-	-	-	61,021	-
Bonds payable, net of current portion	7,540,000	199,337	209,989	-	7,949,326	-
Total long-term liabilities	14,397,624	495,816	801,630	87,466	15,782,536	298,289
Total liabilities	26,986,461	615,789	1,063,233	797,920	29,463,403	485,948
Net position						
Net investment in capital assets	14,508,346	7,881,247	12,690,294	5,836,705	40,916,592	2,266,678
Restricted for revenue bond requirements	9,801,045	-	-	-	9,801,045	-
Unrestricted	9,023,179	1,200,644	(136,709)	(461,664)	9,625,450	2,634,009
Total net position	\$ 33,332,570	\$ 9,081,891	\$ 12,553,585	\$ 5,375,041	\$ 60,343,087	\$ 4,900,687

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

CITY OF GRAND HAVEN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds				Enterprise Fund Total	Governmental Activities
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds		Internal Service Funds
Operating revenues						
Charges for services	\$ 37,853,276	\$ 2,071,460	\$ 1,621,464	\$ 550,745	\$ 42,096,945	\$ 4,362,220
Operating expenses						
Operating costs and expenses	23,525,400	1,448,088	1,291,380	584,440	26,849,308	4,299,778
Distribution	1,971,954	-	-	-	1,971,954	-
Customer accounts	1,035,736	-	-	-	1,035,736	-
Administrative and general	1,540,508	156,805	194,938	7,110	1,899,361	222,297
Depreciation	4,117,327	147,817	125,415	384,781	4,775,340	256,656
Total operating expenses	<u>32,190,925</u>	<u>1,752,710</u>	<u>1,611,733</u>	<u>976,331</u>	<u>36,531,699</u>	<u>4,778,731</u>
Operating income (loss)	<u>5,662,351</u>	<u>318,750</u>	<u>9,731</u>	<u>(425,586)</u>	<u>5,565,246</u>	<u>(416,511)</u>
Non-operating revenues (expenses)						
Special assessments	-	684	-	-	684	-
Emission allowances	4,592	-	-	-	4,592	-
Investment earnings	45,659	13,265	158	49,559	108,641	7,134
Other	35,402	908	169,113	25,454	230,877	117,721
Interest expense	(940,875)	(6,148)	(6,475)	(1,794)	(955,292)	-
Total non-operating revenues (expenses)	<u>(855,222)</u>	<u>8,709</u>	<u>162,796</u>	<u>73,219</u>	<u>(610,498)</u>	<u>124,855</u>
Income (loss) before other items	<u>4,807,129</u>	<u>327,459</u>	<u>172,527</u>	<u>(352,367)</u>	<u>4,954,748</u>	<u>(291,656)</u>
Transfers and other items						
Contribution in aid of construction	-	-	-	112,139	112,139	-
Transfers in	-	325,507	2,012,577	-	2,338,084	-
Transfers out	(1,909,189)	(188,782)	(191,006)	-	(2,288,977)	-
Total transfers and other items	<u>(1,909,189)</u>	<u>136,725</u>	<u>1,821,571</u>	<u>112,139</u>	<u>161,246</u>	<u>-</u>
Changes in net position	2,897,940	464,184	1,994,098	(240,228)	5,115,994	(291,656)
Net position, beginning of year, as restated	<u>30,434,630</u>	<u>8,617,707</u>	<u>10,559,487</u>	<u>5,615,269</u>	<u>55,227,093</u>	<u>5,192,343</u>
Net position, end of year	<u>\$ 33,332,570</u>	<u>\$ 9,081,891</u>	<u>\$ 12,553,585</u>	<u>\$ 5,375,041</u>	<u>\$ 60,343,087</u>	<u>\$ 4,900,687</u>

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

CITY OF GRAND HAVEN

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds				Enterprise Fund Total	Governmental
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds		Internal Service Funds
Cash flows from operating activities						
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,477,298
Receipts from customers and users	38,583,587	2,015,000	1,697,094	939,742	43,235,423	-
Payments to employees	(4,770,784)	(196,928)	(406,004)	(146,920)	(5,520,636)	(216,187)
Payments to suppliers	(25,246,536)	(1,388,040)	(897,700)	(622,953)	(28,155,229)	(1,375,728)
Claims paid	-	-	-	-	-	(2,814,984)
Net cash provided by (used in) operating activities	<u>8,566,267</u>	<u>430,032</u>	<u>393,390</u>	<u>169,869</u>	<u>9,559,558</u>	<u>70,399</u>
Cash flows from non-capital financing activities						
Transfers in	-	325,507	2,012,577	-	2,338,084	-
Transfers out	(2,008,983)	(188,782)	(191,006)	-	(2,388,771)	-
Net cash provided by (used in) non-capital financing activities	<u>(2,008,983)</u>	<u>136,725</u>	<u>1,821,571</u>	<u>-</u>	<u>(50,687)</u>	<u>-</u>
Cash flows from capital and related financing activities						
Interest paid on long-term debt	(981,362)	(4,611)	(4,856)	(7,300)	(998,129)	-
Contribution in aid of construction	-	-	-	112,139	112,139	-
Principal paid on long-term debt	(6,730,000)	(3,757)	(3,959)	(131,331)	(6,869,047)	-
Acquisitions of capital assets	(2,239,829)	(325,508)	(2,723,006)	(172,075)	(5,460,418)	(933,944)
Net cash provided by (used in) capital and related financing activities	<u>(9,951,191)</u>	<u>(333,876)</u>	<u>(2,731,821)</u>	<u>(198,567)</u>	<u>(13,215,455)</u>	<u>(933,944)</u>
Cash flows from investing activities						
Purchases of investments	(16,858,744)	-	-	-	(16,858,744)	-
Sales of investments	15,521,682	-	-	-	15,521,682	-
Interest received	45,314	13,265	158	49,559	108,296	7,134
Net cash provided by (used in) investing activities	<u>(1,291,748)</u>	<u>13,265</u>	<u>158</u>	<u>49,559</u>	<u>(1,228,766)</u>	<u>7,134</u>
Net increase (decrease) in cash and pooled investments	(4,685,655)	246,146	(516,702)	20,861	(4,935,350)	(856,411)
Cash and pooled investments, beginning of year	<u>19,968,097</u>	<u>527,193</u>	<u>510,183</u>	<u>218,222</u>	<u>21,223,695</u>	<u>3,673,889</u>
Cash and pooled investments, end of year	<u>\$ 15,282,442</u>	<u>\$ 773,339</u>	<u>\$ (6,519)</u>	<u>\$ 239,083</u>	<u>\$ 16,288,345</u>	<u>\$ 2,817,478</u>
Cash flows from operating activities						
Operating income (loss)	\$ 5,662,351	\$ 318,750	\$ 9,731	\$ (425,586)	\$ 5,565,246	\$ (416,511)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	4,117,327	147,817	125,415	384,781	4,775,340	256,656
Miscellaneous revenue	39,994	1,592	169,113	25,454	236,153	117,721
Deferred outflows of resources	(350,247)	(16,423)	(36,529)	(5,497)	(408,696)	(19,145)
Change in operating assets and liabilities which provided (used) cash						
Accounts receivable	658,952	1,293	(88,483)	7,148	578,910	975
Special assessments receivable	-	20,754	-	-	20,754	-
Due from other funds	-	(100,000)	(5,000)	-	(105,000)	63,761
Due from other governmental units	-	19,901	-	381,849	401,750	(34)
Prepaid items	(33,194)	1,656	224	(1,153)	(32,467)	(85,396)
Inventory	(2,299,404)	(1,172)	(36,266)	-	(2,336,842)	1,353
Deposit with others	(90,647)	-	-	-	(90,647)	-
Accounts payable	844,867	(24,476)	4,646	(221,135)	603,902	(15,015)
Accrued liabilities	52,464	4,623	(154)	1,933	58,866	104,369
Other liabilities	34,292	-	-	(10,950)	23,342	(5,546)
Unearned revenue	(2,927)	-	-	-	(2,927)	-
Due to component units	-	(1,537)	(1,619)	-	(3,156)	-
Due to other governmental units	-	-	-	10,700	10,700	-
Due to other funds	-	3,452	100,937	-	104,389	-
Compensated absences	(20,209)	1,732	1,648	(766)	(17,595)	(11,227)
Net pension liability	(95,226)	43,065	131,047	20,743	99,629	73,471
Net OPEB obligation	47,874	9,005	18,680	2,348	77,907	4,967
Net cash provided by (used in) operating activities	<u>\$ 8,566,267</u>	<u>\$ 430,032</u>	<u>\$ 393,390</u>	<u>\$ 169,869</u>	<u>\$ 9,559,558</u>	<u>\$ 70,399</u>

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

CITY OF GRAND HAVEN
FIDUCIARY FUNDS
STATEMENT OF NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Retiree Health Care	Agency Funds
Assets		
Cash	\$ 186,202	\$ 4,388,742
Funds on deposit with MERS	1,245,359	-
Accounts receivables	<u>14,783</u>	<u>72,880</u>
Total assets	<u>1,446,344</u>	<u>\$ 4,461,622</u>
Liabilities		
Accounts payable	-	10,572
Accrued liabilities	-	190,444
Due to other governmental units	-	268
Trust deposits	<u>-</u>	<u>4,260,338</u>
Total liabilities	<u>-</u>	<u>\$ 4,461,622</u>
Net position		
Restricted for other post-employment benefits	<u>\$ 1,146,344</u>	

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

CITY OF GRAND HAVEN
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Retiree Health Care
Additions	
Employer contributions	\$ 382,812
Interest income	59
Interest	<u>34,792</u>
Total additions	<u>417,663</u>
Deductions	
Insurance payments	385,362
Changes in net position	32,301
Net position, beginning of year	<u>1,114,043</u>
Net position, end of year	<u>\$ 1,146,344</u>

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

CITY OF GRAND HAVEN

**COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION**

JUNE 30, 2015

	Economic Development Corporation	Main Street Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and pooled investments	\$ 297,500	\$ 90,822	\$ 1,199,186	\$ 1,587,508
Accounts receivable	145,473	104,245	-	249,718
Due from other governments	-	6,518	-	6,518
Taxes receivable	-	-	139	139
Special assessments receivable	-	87,314	-	87,314
Capital lease receivable	-	1,513,558	-	1,513,558
Prepaid items	-	2,690	201	2,891
Bond discount	-	38,637	-	38,637
Total assets	<u>442,973</u>	<u>1,843,784</u>	<u>1,199,526</u>	<u>3,486,283</u>
Deferred outflows of resources				
Pension contributions and deficit investment returns	-	11,472	-	11,472
Liabilities				
Accounts payable	-	114,543	-	114,543
Accrued liabilities	-	711	-	711
Accrued interest	-	104,494	69,531	174,025
Long-term debt				
Net pension liability	-	110,159	-	110,159
Bond premium	-	-	12,657	12,657
Due within one year	-	190,000	1,199,914	1,389,914
Due in more than one year	-	8,165,000	9,208,031	17,373,031
Total liabilities	<u>-</u>	<u>8,684,907</u>	<u>10,490,133</u>	<u>19,175,040</u>
Net position				
Unrestricted (deficit)	<u>442,973</u>	<u>(6,829,651)</u>	<u>(9,290,607)</u>	<u>(15,677,285)</u>
Total net position	<u>\$ 442,973</u>	<u>\$ (6,829,651)</u>	<u>\$ (9,290,607)</u>	<u>\$ (15,677,285)</u>

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

CITY OF GRAND HAVEN
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Economic Development Corporation	Main Street Downtown Development Authority	Brownfield Redevelopment Authority	Total
Expenses				
Economic Development Corp	\$ 37,583	\$ -	\$ -	\$ 37,583
Main Street Downtown Development Authority	-	674,003	-	674,003
Brownfield Redevelopment Authority	-	-	515,328	515,328
Total expenses	<u>37,583</u>	<u>674,003</u>	<u>515,328</u>	<u>1,226,914</u>
Revenues				
Program revenues				
Operating grants and contributions	-	24,547	21	24,568
Capital grants	-	162,397	39,224	201,621
General revenues				
Property taxes	-	361,717	392,615	754,332
Unrestricted investment earnings	3,997	50,185	(17,303)	36,879
Miscellaneous	60	79,458	18,710	98,228
Total revenues	<u>4,057</u>	<u>678,304</u>	<u>433,267</u>	<u>1,115,628</u>
Change in net position	(33,526)	4,301	(82,061)	(111,286)
Net position (deficit), beginning of year, as restated	<u>476,499</u>	<u>(6,833,952)</u>	<u>(9,208,546)</u>	<u>(15,565,999)</u>
Net position (deficit), end of year	<u>\$ 442,973</u>	<u>\$ (6,829,651)</u>	<u>\$ (9,290,607)</u>	<u>\$ (15,677,285)</u>

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The City has one blended component unit. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize they are legally separate from the City.

Blended Component Unit

The City of Grand Haven Building Authority was established on April 12, 1993 under State Law (Act 31 of 1948, as amended) to effect improvements within the City. The Building Authority is a blended component unit as its relationship with the City permeates the financial operations of the City. The Building Authority's governing body is selected by City Council and currently includes the City Manager, the City Clerk and the Finance Director. A separate report is not prepared for the Building Authority.

Discretely Presented Component Units

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

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

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

In October 2009, to provide funding for reconstruction of utilities and Washington Avenue, a \$5,600,000 Capital Improvement (Recovery Zone Economic Development Bond) was issued with a Standard and Poor's "AA" rating at 5.6%. The effective municipal interest cost of the bond was 3.12%. The Federal Government will pay 45% of the annual interest costs over the life of the bond. Funds for debt service will be drawn from the MSDDA taxation, streets, water and sewer funds as needed. The 2013 Federal Sequester has reduced the Federal portion of interest beginning in the fall of 2013 and it appears that the Sequester will continue into 2015. The MSDDA and the City have reserves to cover the additional interest cost.

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

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

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

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

In total, the Brownfield Redevelopment Authority is responsible for seven component unit funds. City administration remains the fiscal agent for all of these funds.

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

Joint Ventures

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

The City is a member of the Grand Haven – Spring Lake Sewer Authority (the “Authority”). The City can appoint two members to the joint venture’s governing board, which then approves the annual budget. In the current year, the City incurred expenses totaling \$1,009,165 to the Authority for sewage treatment. The purpose of the Grand Haven-Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and County of Ottawa) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority’s debt. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall.

The City is a member of the Harbor Transit Multi-Modal Transportation System (HTMMTS), created January 1, 2012 from Harbor Transit, formerly an enterprise fund of the City. HTMMTS provides transportation services within and for the Cities of Grand Haven and Ferrysburg, Charter Township of Grand Haven, and the Village of Spring Lake. HTMMTS is governed by a Board of Trustees containing 9 members. The HTMMTS Articles of Incorporation require the Members to have two members serving on the HTMMTS Board, one being the local unit Manager. The participating communities provide local support through taxation for services provided. HTMMTS also receives revenue from Federal and State grants, farebox and other revenue sources. During the year ended June 30, 2015, the City distributed tax revenues of \$355,980 to HTMMTS. The City is unaware of any circumstances which would cause any additional benefit or burden to the local governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall.

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

The MPPA operates various projects. The Board of Light and Power currently participated in the transmission project, Granger Project, North American Natural Resources Project, and the Energy Service Project. The Board of Light and Power does not have an equity interest or participate in the net income or loss of the MPPA. The dollar amount of Board of Light and Power commitments for participation in the various MPPA projects is currently indeterminable.

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

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

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Electricity purchase from/through MPPA	\$6,601,848
Payments to MPPA for the transmission project	1,422,728
Payments to MPPA for the Granger project	1,404,045
Payments to MPPA for the NANR project	167,961
Payments to the MPPA for the energy service project	64,551

Joint Purchase Agreement

The City is also a member of the Northwest Ottawa Water Treatment Plant (the "Plant"). The City appoints one member to the Plant's governing board, which then approves the annual budget. In the current year, the City incurred expenses totaling \$663,415 to the Plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate and maintain a water production facility. The Plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Village of Spring Lake, Townships of Grand Haven and Spring Lake, and County of Ottawa). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement and debt service. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for state shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, intergovernmental revenue, charges and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service fund are charges to City departments for repairs and equipment utilization. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal fund includes the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *2015 Infrastructure Bonds Fund* is used to account for the receipt and expenditure of bond proceeds for the purpose of infrastructure improvements.

The City reports the following major proprietary funds:

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

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

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Additionally, the City reports the following fund types:

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

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

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

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

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

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

Budgets and Budgetary Accounting

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

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

Cash and Pooled Investments

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account. Restricted cash consists of amounts set aside in accordance with bond provisions for principal payment in the event of default.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Statutory Authority

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables

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

Inventory and Prepaid Items

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

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

Restricted Assets

Certain proceeds of the Board of Light and Power's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate accounts and their use is limited by applicable bond covenants. The Board has separate accounts used to: 1) report resources set aside to subsidize potential deficiencies from the Board's operation that could adversely affect debt service payments, (2) segregate resources accumulated for debt service payments over the next twelve months, (3) report resources set aside to make up potential future deficiencies in the revenue bond current debt service account and (4) report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Structures and improvements	5-200
Machinery, equipment, vehicles and fixtures	7-20
Buildings	5-200
Parking facilities	5-150
Production and treatment	5-50
Transmission and distribution	5-33
General plant	5-30
Infrastructure	5-150

Property Taxes

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has several items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has items that qualify for reporting in this category related to the net pension liability which is discussed in Note 8.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

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

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures/expenses.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Electric System Revenue Bond Resolution

The Board of Light and Power is required to adhere to the terms of the Electric System Revenue Bond Resolution (the "resolution") adopted August 23, 1979. Pursuant to the resolution, the City, acting through the Board of Light and Power, has covenanted to at all times fix, establish, maintain and collect rates, fees and charges for the sale of the output, capacity, use or service of the Electric System which, together with other income, are reasonably expected to yield net revenues for the forthcoming twelve month period and, promptly upon any material change in the circumstances which were contemplated at the time such rates, fees and charges were most recently reviewed, but not less frequently than once in each fiscal year, shall review the rates, fees and charges for such sale of the output, capacity, use or service of the Electric System and shall promptly revise the same as necessary to comply with the foregoing requirement; provided, however, that, such rates, fees and charges shall in any event produce revenues sufficient to enable compliance with all covenants in the resolution.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

During the year ended June 30, 2015, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Expended</u>
General Fund			
Public safety – police and fire	\$2,999,830	\$3,060,133	\$(60,303)
DPW – street lighting	295,600	299,292	(3,692)
DPW – ROW/parking lots	318,555	321,899	(3,344)
DPW – musical fountain	38,625	51,829	(13,204)
DPW – community center	418,165	419,308	(1,143)
Major Streets Fund			
Trunkline – routine maintenance	4,600	5,790	(1,190)
Trunkline – traffic signals	7,000	7,596	(596)
Local Streets Fund			
Traffic services	11,620	13,980	(2,360)

3. DEPOSITS

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

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Fiduciary Activities</u>	<u>Component Units</u>	<u>Total</u>
Cash and pooled investments	\$26,367,327	\$8,764,133	\$4,574,944	\$1,587,508	\$41,293,912
Restricted cash and pooled investments	-	10,202,013	-	-	10,202,013
Funds on deposit with MERS	-	-	1,245,359	-	1,245,359
	<u>\$26,367,327</u>	<u>\$18,966,146</u>	<u>\$5,820,303</u>	<u>\$1,587,508</u>	<u>\$52,741,284</u>

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

Deposits	\$32,595,818
Investments	20,137,815
Petty cash	7,651
Total	<u>\$52,741,284</u>

These deposits are in financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Government obligation mutual funds	N/A	\$ 563,218	Unrated	
Money market funds	N/A	7,524,831	Aaam	S&P
Funds on deposit with MERS	N/A	1,245,359	Unrated	
Fixed income securities:				
MI Higher Ed Facs Authority	1/1/36	140,000	A-2	S&P
Oakland County EDC	12/1/25	390,000	A-2	S&P
Kent Hospital Finance Authority	10/1/41	100,000	A-2	S&P
Michigan State Strategic Fund	10/1/15	500,000	Unrated	
Michigan State Strategic Fund	8/1/24	345,000	Unrated	
Michigan State Strategic Fund	10/1/27	85,000	Unrated	
Michigan State Strategic Fund	10/1/25	190,000	Unrated	
Michigan State Strategic Fund	11/1/31	335,000	Unrated	
Michigan State Strategic Fund	10/1/15	145,000	Unrated	
Michigan State Strategic Fund	4/1/31	360,000	Unrated	
Treasury bill	7/23/15	1,341,000	N/A	
Treasury bill	10/15/15	1,338,920	N/A	
FHLMC 4%	8/15/27	17,066	Unrated	
FHLMC 3%	9/15/43	398,259	Unrated	
GNMA 5.5%	6/16/36	29,855	Unrated	
FHLMC 3%	7/15/31	417,232	Unrated	
FNMA 3.5%	10/25/39	337,591	Unrated	
FHLMC 2.5%	12/15/41	247,336	Unrated	
GNMA 3.5%	8/20/40	501,163	Unrated	
FNMA 1.15%	2/28/18	999,110	AAA	Moody's
FHLMC 3.5%	4/15/44	477,490	Unrated	
FNMA 4%	11/25/19	60,867	Unrated	
FNMA 4%	6/25/41	510,338	Unrated	
FNMA 4.25%	2/25/33	12,599	Unrated	
FHLMC 2.75%	1/15/36	244,099	Unrated	
GNMA 3.5%	1/20/37	142,612	Unrated	
GNMA 3.5%	2/16/38	339,328	Unrated	
GNMA 2.5%	6/20/38	166,869	Unrated	
FNMA 2.5%	3/25/39	422,499	Unrated	
FHLMC 3%	4/15/41	210,174	Unrated	
Total		<u>\$20,137,815</u>		

Investment and deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$30,539,017 of the City's bank balance of \$33,037,527 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Interest Rate Risk. State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$20,137,815 of investments, the City has custodial credit risk of \$10,804,407 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investments, \$9,333,408 is invested in mutual funds for which the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$8,457,148	\$ -	\$ -	\$8,457,148
Construction in progress	-	2,830,154	-	2,830,154
Total capital assets, not being depreciated	<u>8,457,148</u>	<u>2,830,154</u>	<u>-</u>	<u>11,287,302</u>
Capital assets, being depreciated				
Structures and improvements	10,518,831	321,454	-	10,840,285
Machinery, equipment, vehicles and fixtures	5,329,842	1,005,936	152,616	6,183,162
Buildings	10,876,373	155,638	-	11,032,011
Parking facilities	9,267,520	-	-	9,267,520
Infrastructure	36,537,483	709,076	-	37,246,559
Total capital assets, being depreciated	<u>72,530,049</u>	<u>2,192,104</u>	<u>152,616</u>	<u>74,569,537</u>
Less accumulated depreciation:				
Structures and improvements	5,275,489	324,514	-	5,600,003
Machinery, equipment, vehicles and fixtures	3,456,676	336,052	152,616	3,640,112
Buildings	3,991,099	257,980	-	4,249,079
Parking facilities	3,790,610	280,306	-	4,070,916
Infrastructure	13,284,761	925,358	-	14,210,119
Total accumulated depreciation	<u>29,798,635</u>	<u>2,124,210</u>	<u>152,616</u>	<u>31,770,229</u>
Net capital assets, being depreciated	<u>42,731,414</u>	<u>67,894</u>	<u>-</u>	<u>42,799,308</u>
Governmental activities capital assets, net	<u>\$51,188,562</u>	<u>\$2,898,048</u>	<u>\$ -</u>	<u>\$54,086,610</u>

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 531,603	\$ -	\$ -	\$ 531,603
Construction in progress	754,743	1,585,728	504,691	1,835,780
Total capital assets, not being depreciated	1,286,346	1,585,728	504,691	2,367,383
Capital assets being depreciated				
Structures and improvements	9,834,362	168,734	-	10,003,096
Machinery, equipment, vehicles and fixtures	395,171	180,858	-	576,029
Production and treatment	102,582,427	240,518	-	102,822,945
Transmission and distribution	58,813,083	3,725,191	15,101	62,523,173
General plant	1,783,991	64,080	-	1,848,071
Total capital assets, being depreciated	173,409,034	4,379,381	15,101	177,773,314
Less accumulated depreciation for:				
Structures and improvements	4,132,841	376,758	-	4,509,599
Machinery, equipment, vehicles and fixtures	234,013	16,707	-	250,720
Production and treatment	88,414,448	3,018,656	-	91,433,104
Transmission and distribution	25,212,562	1,281,865	9,814	26,484,613
General plant	1,457,718	81,354	-	1,539,072
Total accumulated depreciation	119,451,582	4,775,340	9,814	124,217,108
Net capital assets, being depreciated	53,957,452	(395,959)	5,287	53,556,206
Business-type activities capital assets, net	\$55,243,798	\$1,189,769	\$509,978	\$55,923,589

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

Governmental activities	
General government	\$ 602,799
Public safety	808,689
Public works	354,705
Culture and recreation	101,361
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	256,656
Total depreciation expense - governmental activities	\$2,124,210
Business-type activities	
Board of Light and Power	\$4,117,327
Sewer	147,817
Water	125,415
Other business-type	384,781
Total depreciation expense – business- type activities	\$4,775,340

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

5. INTERFUND TRANSACTIONS

Internal balances for the year ended June 30, 2015 are as follows:

<u>Due from</u>	<u>Due to</u>					<u>Total</u>
	<u>General fund</u>	<u>Board of Light and Power</u>	<u>Sewer fund</u>	<u>Water Fund</u>	<u>Non-major funds</u>	
General fund	\$ -	\$159,442	\$ -	\$ -	\$422,788	\$582,230
Sewer fund	-	-	-	100,000	-	100,000
Water fund	5,000	-	-	-	-	5,000
Non-major funds	9,224	-	3,452	937	556,116	569,729
	\$14,224	\$159,442	\$3,452	\$100,937	\$978,904	\$1,256,959

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

Transfers in and out for the year ended June 30, 2015 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>						<u>Total</u>
	<u>General fund</u>	<u>2015 Infrastructure Bonds fund</u>	<u>Non-Major funds</u>	<u>Board of Light and Power</u>	<u>Sewer fund</u>	<u>Water fund</u>	
General fund	\$ -	\$ -	\$ 78,840	\$1,909,189	\$101,997	\$76,481	\$2,166,507
Non-major funds	1,629,982	458,532	3,932,511	-	86,785	114,525	6,222,335
Sewer fund	-	-	325,507	-	-	-	325,507
Water fund	-	-	2,012,577	-	-	-	2,012,577
	\$1,629,982	\$458,532	\$6,349,435	\$1,909,189	\$188,782	\$191,006	\$10,726,926

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

6. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2015.

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities					
\$2,830,000 2006 Building Authority Bonds due in annual installments of \$240,000 to \$450,000 through October 2014; interest at 4.00%	\$ 450,000	\$ -	\$450,000	\$ -	\$ -

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
\$9,400,000 2008 Unlimited Tax General Obligation Bonds due in annual installments of \$185,000 to \$890,000 through April 2028; interest at 3.0 to 4.125%	\$7,985,000	\$ -	\$310,000	\$7,675,000	\$345,000
\$4,775,000 2014 Unlimited Tax General Obligation Bonds due in annual installments of \$255,000 to \$405,000 through April 2029; interest at 2.0 to 4.0%	-	4,775,000	255,000	4,520,000	255,000
\$6,545,000 2015 Unlimited Tax General Obligation Bonds due in annual installments of \$230,000 to \$460,000 through April 2035; interest at 2.0 to 4.0%	-	6,545,000	-	6,545,000	240,000
\$125,000 Municipal Purchase Agreement due in annual installments of \$5,000 to \$10,000 through September 2015; interest at 5.1% to 7.0%	20,000	-	10,000	10,000	10,000
\$1,134,626 2010 Capital Lease due in annual installments of \$18,235 to \$91,175 through April 2034; interest at 3.25 to 6.5%%	1,116,391	-	20,261	1,096,130	21,274
Total debt	9,571,391	11,320,000	1,045,261	19,846,130	871,274
Bond premiums	-	948,195	-	948,195	-
Accrued employee benefits	935,600	475,670	502,895	908,375	-
Total Governmental Activities	\$10,506,991	\$12,743,865	\$1,548,156	\$21,702,700	\$871,274
Business-type Activities					
\$47,850,000 2003 Electric System Revenue Refunding Bonds due in annual installments of \$4,920,000 to \$7,210,000 through July 2016 interest at 5.0 to 5.5%	\$20,445,000	\$ -	\$6,430,000	\$14,015,000	\$6,805,000
\$2,400,000 2007 Electric System Revenue Refunding Bonds due in annual installments of \$180,000 to \$330,000 through July 2016 interest at 4.0 to 5.5%	945,000	-	300,000	645,000	315,000
\$1,386,319 2005 Property Loan Payable due in annual installments of \$98,695 to \$131,331 through October 2014; interest at 5.56%	131,331	-	131,331	-	-

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
\$432,087 2010 Capital Lease due in annual installments of \$6,944 to \$34,721 through April 2034; interest at 2.9% to 7.25%	425,143	-	7,716	417,427	8,101
	21,946,474	-	6,869,047	15,077,427	7,128,101
Bond premiums	178,737	-	117,716	61,021	-
Accrued employee benefits	704,791	199,880	217,475	687,196	-
Total Business-type Activities	\$22,830,002	\$199,880	\$7,204,238	\$15,825,644	\$7,128,101
Component Units					
\$3,345,000 2006 Capital Improvement Bonds due in annual installments of \$80,000 to \$400,000 through October 2026; interest at 3.5% to 4.375%	\$ 3,025,000	\$ -	\$ 80,000	\$ 2,945,000	\$ 85,000
\$5,600,000 2009 Capital Improvement Bonds due in annual installments of \$90,000 to \$450,000 through April 2034; interest at 3.25% to 6.0%	5,510,000	-	100,000	5,410,000	105,000
\$710,000 2005 Tax Increment Bonds due in annual installments of \$35,000 to \$70,000 through October 2017; interest at 3.69%	265,000	-	60,000	205,000	65,000
\$15,096,000 2006 Brownfield Redevelopment Bonds due in annual installments of \$475,000 to \$1,800,000 through November 2021; interest at 4.0 to 4.2%	10,810,000	-	985,000	9,825,000	1,075,000
\$1,000,000 2011 Brownfield Redevelopment Bonds due in annual installments of \$100,174 through May 2021; interest at 2.0%	436,684	-	58,739	377,945	59,914
Total debt	20,046,684	-	1,283,739	18,762,945	1,389,914
Issuance discounts	(41,262)	-	(2,625)	(38,637)	-
Issuance premiums	14,766	-	2,109	12,657	-
Total Component Units	\$20,020,188	\$ -	\$1,283,223	\$18,736,965	\$1,389,914

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2015 are as follows:

Year Ended June 30	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 871,274	\$ 729,541	\$ 7,128,101	\$620,528	\$ 1,389,914	\$808,868
2017	900,392	728,852	7,551,573	218,807	1,556,112	752,174
2018	952,418	699,234	12,345	12,009	1,692,335	688,418
2019	1,010,457	669,413	13,502	11,696	1,768,581	619,920
2020	1,072,483	634,737	14,274	11,343	1,914,853	545,699
2021-2025	6,410,095	2,496,638	91,432	50,074	6,191,150	1,676,508
2026-2030	6,137,414	1,100,907	130,398	34,489	2,490,000	847,988
2031-2035	2,491,597	292,035	135,802	11,132	1,760,000	262,352
Total	\$19,846,130	\$7,351,357	\$15,077,427	\$970,078	\$18,762,945	\$6,201,927

7. CAPITAL LEASES

Leases Receivable

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

The future lease payments for these leases are as follows:

Year Ended June 30	Component Units	
	Principal	Interest
2016	\$ 29,376	\$ 45,197
2017	41,966	44,535
2018	44,763	43,542
2019	48,960	42,410
2020	51,758	41,430
2021-2025	331,528	157,175
2026-2030	472,812	108,296
2031-2035	492,394	34,947
Total	\$1,513,557	\$517,532

8. PENSION PLANS

MERS Defined Benefit Plan

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Benefits Provided

Benefits provided include a multiplier of 2.25 to 3.00 times final average compensation with a vesting period ranging from 5 to 10 years. Normal retirement age is 60 with early retirement at 50 with 25 or 55 with 15 to 25 years of service with various benefits. Benefits are calculated using final average compensation of 3 years.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2014):

Active plan members	188
Inactive employees entitled but not yet receiving benefits	38
Inactive employees or beneficiaries currently receiving benefits	<u>181</u>
Total	<u><u>407</u></u>

Contributions

The City is required to contribute at an actuarially determined rate ranging from 0% to 15.69% of annual covered payroll dependent on bargaining unit. Employees are required to contribute at a rate ranging from 0% to 10.35% of annual covered payroll to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by employment and labor agreements.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.25%, net of investment expense, including inflation

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate. The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/13	\$84,711,200	\$69,855,871	\$14,855,329
Changes for the Year:			
Service cost	1,714,380	-	1,714,380
Interest	6,872,845	-	6,872,845
Change in benefits	-	-	-
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions: employer	-	1,230,140	(1,230,140)
Contributions: employee	-	1,017,387	(1,017,387)
Net investment income	-	4,384,730	(4,384,730)
Benefit payments, including refunds	(4,522,352)	(4,522,352)	-
Administrative expense	-	(160,769)	160,769
Other changes	-	-	-
Net changes	4,064,873	1,949,136	2,115,737
Balance at 12/31/14	\$88,776,073	\$71,805,007	\$16,971,066

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total Pension Liability	\$99,390,277	\$88,776,073	\$79,869,642
Fiduciary Net Position	71,805,007	71,805,007	71,805,007
Net Pension Liability	\$27,585,270	\$16,971,066	\$ 8,064,635

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2015 the employer recognized pension expense of \$1,285,986. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	\$ -
Differences in assumptions	-
Excess (deficit) investment returns	1,015,693
Contributions subsequent to the measurement date	637,081
Total	<u>\$1,652,774</u>

Defined Contribution Plans

The City provides a defined contribution pension plan (externally managed IRS Section 457 plan), which provides pension benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City's contribution for employees eligible to participate in the plans vests immediately. The City does not contribute to the plan. Participants may elect to contribute up to the legal maximum. Participant contributions were \$159,902 to the plan during the year. The plan provisions and contribution amounts were established by the City Council and may be amended by the Council.

The City provides a defined contribution pension plan (externally managed IRS Section 401a plan), which provides pension benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City's contribution for employees eligible to participate in the plans vests immediately. Participants contribute from 2% of covered wages which is matched by the City. City contributions were \$54,981 and participant contributions were \$54,981 to the plan during the year. The plan provisions and contribution amounts were established by the City Council and may be amended by the Council.

9. OTHER POST-EMPLOYMENT BENEFITS

Defined Benefit Plan

The City administers a single-employer defined benefit healthcare plan (the "Plan"). In addition to retirement benefits, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with City's policy, the City provides health care benefits to retirees in accordance with the pension ordinance. For retirees below age 65, the City pays 75 percent to 80 percent of the annual premium (depending on the bargaining unit) and the retiree pays the balance. For retirees age 65 and older, the City pays 10 percent on the annual premium (depending on the bargaining unit) and the retiree pays the balance. Retirees are required to purchase and pay for Medicare supplemental insurance when they become eligible. As of June 30, 2014, the date of the last plan valuation, the Plan covered 192 members (131 active plan members and 61 retirees receiving benefits). The Plan is closed to new participants. The city adopted a legal trust for the Plan which is included in the City's financial statements. The Plan does not issue a publicly available financial report.

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For the year ended June 30, 2015, the City contributed \$382,812 to the Plan.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 736,140
Interest on Net OPEB obligation	58,193
Adjustment to annual required contribution	<u>(113,298)</u>
Annual OPEB cost (expense)	681,035
Contribution made	<u>382,812</u>
Increase in net OPEB obligation	298,223
Net OPEB obligation, beginning of year	<u>475,905</u>
Net OPEB obligation, end of year	<u>\$774,128</u>

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>OPEB</u> <u>Cost</u>	<u>Percentage of OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/13	\$580,586	70.4%	\$596,221
12/31/14	577,206	120.8%	475,904
12/31/15	681,035	56.2%	774,127

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>Total</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
6/30/14	\$1,414,043	\$5,984,348	\$4,570,305	23.6%	\$10,316,773	44.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The City is currently funding the plan on a pay as you go basis. For governmental activities, post-employment benefits are generally liquidated by the general fund.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

In the June 30, 2014 actuarial valuation, the Plan utilized the individual entry age normal; level percentage, closed amortization method; and an amortization period of 15 years, 9 years remaining. The actuarial assumptions included a 7.5% return on plan assets, an inflation rate of 2.0%, a discount rate of 7.5%, and a 9% medical inflation rate graded down to 5% over 4 years. The actuarial value of Plan assets was determined by market value. Other post-employment benefits of governmental funds are generally liquidated with general fund resources.

Defined Contribution Plan

The City provides a Health Care Savings Plan ("HCSP"), which provides health insurance benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. In 2008 the HCSP was opened with a mandatory employee contribution rate of .25%. Employees could elect to contribute up to 10%. In May 2011 MERS determined that the range was not allowed and froze contributions at the levels they were currently at. The City was not required to contribute. Employees hired after May 2011 are required to contribute 3% with a 3% City match, except for SEIU union employees who in the fall of 2013 voted to increase employee contributions to 5% with the City matching 3%. City contributions were \$73,768 and participant contributions were \$223,831 to the plan during the year. The plan provisions and contribution amounts were established and may be amended by MERS.

10. RISK MANAGEMENT

Primary Government

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

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains its liability insurance coverage from Selective Insurance. The City pays an annual premium to Selective Insurance for liability insurance coverage. Selective Insurance is self-sustaining through member premiums and provides, subject to certain deductibles, occurrences based coverage by internally insuring certain risks and reinsuring risks through commercial companies. A \$1,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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

The City is self-funded for medical, dental, optical and disability insurance. The claims liability of \$156,538 reported at June 30, 2015 is based on the requirements of accounting standards which require that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The activity of the self-funded insurance is accounted for in the self-insurance internal service fund. An independent administrator is contracted to process the daily claims. An excess coverage insurance policy covers individual claims in excess of \$75,000 with a 125% aggregate. There were no changes in insurance coverage from the prior year. The City is responsible for paying administrative charges which are included in

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

this fund. The revenues for this fund's operation are reimbursements from various funds, employee withholdings, and co-payments. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation and recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Settled claims have not exceeded insurance coverage in the history of the self-insurance program, and there have been no significant reductions in insurance coverage from the prior year.

The changes in the claims liability for the years ended June 30, 2015 and 2014 were as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2014	\$127,344	\$2,595,527	\$2,670,176	\$ 52,695
2015	52,695	2,986,171	2,882,328	156,538

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

MPIA administers an actuarially based risk management fund and utilizes such funds deposited by the Board of Light and Power to defend and protect Board of Light and Power. MPIA has purchased commercial insurance for coverage in excess of self-insured reserve limits. All risk of loss related to the Board of Light and Power's participation in the MPIA is retained by the Board of Light and Power.

Following is insurance coverage and related deductibles effect at June 30:

<u>Coverage</u>	<u>2015 Deductible</u>	<u>2014 Deductible</u>
Property, real and personal, including earthquake and flood excluding equipment breakdown	\$ 250,000	\$ 250,000
Equipment breakdown, excluding Sims #3 and 347 Washington	50,000	50,000
Equipment breakdown at Sims, excluding Sims #3	250,000	250,000
Equipment breakdown, specific to Sims #3 boiler	500,000	500,000
General liability	50,000	50,000
Auto comprehensive per auto	500	500
Auto collision per audit	1,000	1,000
Public officials liability	50,000	50,000
Employee benefits liability	10,000	10,000
Crime	25,000	25,000
Aggregate excess liability, per event	1,000,000	1,000,000
Open cargo	1% of value	1% of value

The Board of Light and Power makes annual payments to the MPIA for administrative charges, insurance purchases and an estimated risk retention reserves. At year-end the risk retention reserve balance held by the MPIA for the Board of Light and Power was \$1,845,899 which excluded assets set aside for estimated claims of \$69,500. The estimated claims at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

effects of inflation and recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Settled claims have not exceeded insurance coverage in any of the past three years, and changes in insurance coverage are reflected above

The claims liability for the Board of Light and Power as reported by the MPIA for the years ended June 30, 2014 and 2015 was \$69,500 and \$69,500 respectively. Claims adjustment expense cannot be specifically identified to each participant in the MPIA. Total claims expense reported by the MPIA for the years ended June 30, 2014 and 2015 were \$499 and \$2,769, respectively.

11. DEFERRED SPECIAL ASSESSMENTS RECIEVABLE

The Brownfield Redevelopment Authority component unit has outstanding deferred special assessments receivable totaling \$6,360,641 at June 30, 2015. The assessments are in place for condominium units, retail outlets, and property not yet developed. Considering the uncertainty of collection of the assessments, and the amount of the assessments to be received not readily determinable, the assessments receivable have been fully offset with an allowance for doubtful accounts, and as such, there is no net receivable reported in the financial statements of the Brownfield Redevelopment Authority component unit at June 30, 2015.

12. CONTINGENCIES

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

13. COMMITMENTS

The Board of Light and Power has entered into long term contracts to purchase a minimum of 150,000 tons of coal annually through December 31, 2017.

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

At June 30, 2015, the City had outstanding commitments for various construction projects of approximately \$3,308,000.

14. RELATED PARTY TRANSACTIONS

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

15. SUBSEQUENT EVENT

Subsequent to year-end the City issued \$2,960,000 of General Obligation Limited Tax Refunding bonds for the purpose of advance refunding the 2006 Capital Improvement bonds.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

16. CONSTRUCTION CODE FEES

The City oversees building construction in accordance with the State of Michigan Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall – July 1, 2014	\$(425,483)
Current year building permit revenues	270,222
Related expenses	
Direct costs	(274,960)
Estimated indirect costs	<u>(37,930)</u>
Cumulative shortfall – June 30, 2015	<u>\$(468,151)</u>

17. PRIOR PERIOD ADJUSTMENTS

The following changes were made to properly report fund balance/net position reported at June 30, 2014:

Beginning net position of the City was decreased to record the net pension liability in accordance with the implementation of Governmental Accounting Standards Board Statement No. 68 as follows:

<u>Opinion Unit</u>	<u>Amount</u>
Governmental Activities	\$7,910,346
Business-type Activities	6,896,803
Board of Light and Power	6,236,265
Sewer Fund	206,661
Water Fund	396,088
Marina Fund	57,789
Motor Pool Fund	198,915
Main Street Downtown Dev. Authority	48,180

Beginning net position of the City was increased to record deferred outflows in accordance with the implementation of Governmental Accounting Standards Board Statement No. 71 as follows:

<u>Opinion Unit</u>	<u>Amount</u>
Governmental Activities	\$366,762
Business-type Activities	216,884
Board of Light and Power	186,257
Sewer Fund	9,582
Water Fund	18,365
Marina Fund	2,680
Motor Pool Fund	9,221
Main Street Downtown Dev. Authority	2,234

Beginning net position of the Public Improvement Capital Projects fund and governmental activities were increased by \$500,000 to record a receivable from the Marina fund. Beginning net position of the Marina fund and business-type activities were decreased by \$500,000 to record a payable to the Public Improvement Capital Projects fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 8,009,595	\$ 8,214,405	\$ 6,195,036	\$ (2,019,369)
Intergovernmental revenues				
Federal	-	-	132	132
State	949,200	931,225	948,363	17,138
Local	29,700	51,275	51,018	(257)
Special assessments	26,000	17,500	13,325	(4,175)
Licenses and permits	458,500	467,800	529,775	61,975
Charges for services	1,181,044	1,303,144	1,349,381	46,237
Fines	117,000	110,000	97,269	(12,731)
Investment earnings	156,350	190,000	217,820	27,820
Miscellaneous	31,250	39,000	44,787	5,787
Total revenues	<u>10,958,639</u>	<u>11,324,349</u>	<u>9,446,906</u>	<u>(1,877,443)</u>
Expenditures				
Current				
General government	2,739,875	2,737,410	2,536,122	201,288
Public safety	3,759,155	3,824,245	3,745,855	78,390
Public works	2,518,366	2,696,324	2,481,861	214,463
Culture and recreation	688,901	716,935	707,862	9,073
Debt service				
Principal	-	-	8,299	(8,299)
Interest and fiscal charges	-	-	13,578	(13,578)
Total expenditures	<u>9,706,297</u>	<u>9,974,914</u>	<u>9,493,577</u>	<u>481,337</u>
Revenues over (under) expenditures	<u>1,252,342</u>	<u>1,349,435</u>	<u>(46,671)</u>	<u>(1,396,106)</u>
Other financing sources (uses)				
Transfers in	97,695	85,000	2,166,507	2,081,507
Transfers out	(1,477,940)	(1,993,640)	(1,629,982)	363,658
Total other financing sources (uses)	<u>(1,380,245)</u>	<u>(1,908,640)</u>	<u>536,525</u>	<u>2,445,165</u>
Net changes in fund balance	(127,903)	(559,205)	489,854	1,049,059
Fund balance, beginning of year	<u>5,329,008</u>	<u>5,329,008</u>	<u>5,329,008</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,201,105</u>	<u>\$ 4,769,803</u>	<u>\$ 5,818,862</u>	<u>\$ 1,049,059</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 132	\$ 132
Expenditures				
Current				
General government	-	47,900	40,835	7,065
Revenues over (under) expenditures	-	(47,900)	(40,703)	7,197
Other financing sources (uses)				
Issuance of debt	-	7,185,000	7,119,651	(65,349)
Transfers out	-	(845,000)	(458,532)	386,468
Total other financing sources (uses)	-	6,340,000	6,661,119	321,119
Net changes in fund balance	-	6,292,100	6,620,416	328,316
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 6,292,100	\$ 6,620,416	\$ 328,316

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	2014
Total pension liability	
Service cost	\$ 1,714,380
Interest	6,872,845
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments including employee refunds	(4,522,352)
Other	-
Net change in total pension liability	4,064,873
Total pension liability, beginning of year	84,711,200
Total pension liability, ending of year	\$ 88,776,073
 Plan Fiduciary Net Position	
Contributions-employer	\$ 1,230,140
Contributions-employee	1,017,387
Net Investment income	4,384,730
Benefit payments including employee refunds	(4,522,352)
Administrative expense	(160,769)
Net change in plan fiduciary net position	1,949,136
Plan fiduciary net position, beginning of year	69,855,871
Plan fiduciary net position, ending of year	\$ 71,805,007
 Total net pension liability	 \$ 16,971,066
 Plan fiduciary net position as a percentage of the total pension liability	 81%
 Covered employee payroll	 \$ 11,071,127
Employer's net pension liability as a percentage of covered employee payroll	65%

Note to schedule:

Above data is based on a measurement date of December 31, 2014.

CITY OF GRAND HAVEN

DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Actuarially determined contributions	\$ 1,285,986
Contributions in relation to the actuarially determined contribution	<u>1,285,986</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 11,071,127
Contributions as a percentage of covered employee payroll	12%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Investment rate of return	8.25%
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male 1994 group annuity mortality table

CITY OF GRAND HAVEN

RETIREE HEALTH OTHER POST-EMPLOYMENT BENEFIT PLAN

JUNE 30, 2015

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Value of Assets	Accrued Liability (AL)	Unfunded AL (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
6/30/2010	\$ 600,000	\$ 5,242,414	\$ 4,642,414	11.45%	\$ 9,655,773	48.1%
6/30/2012	1,069,115	5,293,565	4,224,450	20.20%	8,619,303	49.0%
6/30/2014	1,414,043	5,984,348	4,570,305	23.63%	10,316,773	44.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual required Contributions	Actual Contribution	Percent Contributed
2013	\$ 580,586	\$ 408,663	70.4%
2014	577,206	697,521	120.8%
2015	681,035	382,812	56.2%

Note to Required Supplementary Information

Budgets and Budgetary Accounting

The City adopts an annual budget for the general and each special revenue fund following the GAAP basis of accounting. Unexpended appropriations lapse at year-end.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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CITY OF GRAND HAVEN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Special Revenue							
	Major Streets	Local Streets	Housing	2014 Capital Improvement Bonds	2008 UTGO	Lighthouse Maintenance	Building Authority Bonds	Special Assessment Bonds
Assets								
Cash and pooled investments	\$ 237,040	\$ 287,519	\$ 89,642	\$ 3,202,872	\$ 731,401	\$ (4,821)	\$ -	\$ 39,323
Accounts receivable	729	220	-	-	231	4,821	-	-
Due from other governments	112,994	40,544	-	-	-	-	-	-
Special assessments receivable	11,919	5,287	-	-	-	-	-	6,615
Due from other funds	51	-	-	-	-	-	-	-
Prepaid items	123	123	-	-	-	-	-	-
Total assets	\$ 362,856	\$ 333,693	\$ 89,642	\$ 3,202,872	\$ 731,632	\$ -	\$ -	\$ 45,938
Liabilities, deferred inflows and fund balances								
Liabilities								
Accounts payable	\$ 12,497	\$ 8,100	\$ 2,659	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	5,360	2,960	-	-	-	-	-	-
Due to other funds	203,099	2,599	-	-	107,000	-	-	-
Total liabilities	220,956	13,659	2,659	-	107,000	-	-	-
Deferred inflows of resources								
Unavailable revenue	11,350	5,086	-	-	231	-	-	6,615
Fund balances (deficit)								
Non-spendable								
Prepaid items	123	123	-	-	-	-	-	-
Permanent fund corpus	-	-	-	-	-	-	-	-
Restricted								
Streets	130,427	314,825	-	-	-	-	-	-
Public works	-	-	86,983	3,202,872	624,401	-	-	-
Debt service funds	-	-	-	-	-	-	-	39,323
Committed								
Capital projects	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-	-
Total fund balances (deficit)	130,550	314,948	86,983	3,202,872	624,401	-	-	39,323
Total liabilities, deferred inflows and fund balances	\$ 362,856	\$ 333,693	\$ 89,642	\$ 3,202,872	\$ 731,632	\$ -	\$ -	\$ 45,938

Debt Service			Capital Projects					Permanent			
2014 Capital Improvement Bonds	Brownfield Redevelopment Bonds	2008 UTGO Bonds	Public Improvement	Fire Truck	2014 Capital Improvement Bonds	2015 Infrastructure Bonds	2008 UTGO Infrastructure	Building Authority	Cemetery Perpetual Care	Total	
\$ -	\$ 2,117,512	\$ -	\$ 2,702,199	\$ 457,584	\$ -	\$ -	\$ 187,247	\$ -	\$ 1,775,141	\$ 11,822,659	
-	-	-	14,799	-	-	-	-	-	290	21,090	
-	-	-	11,270	-	-	-	-	-	-	164,808	
-	-	-	-	-	-	-	-	-	-	23,821	
-	-	-	550,000	-	-	-	-	-	-	550,051	
-	-	188	7,262	-	-	-	-	-	-	7,696	
\$ -	\$ 2,117,512	\$ 188	\$ 3,285,530	\$ 457,584	\$ -	\$ -	\$ 187,247	\$ -	\$ 1,775,431	\$ 12,590,125	
\$ -	\$ -	\$ -	\$ 106,097	\$ -	\$ 103,651	\$ 311,832	\$ -	\$ -	\$ -	\$ 544,836	
-	-	-	-	-	-	-	-	-	-	8,320	
-	-	-	-	-	-	-	-	-	-	312,698	
-	-	-	106,097	-	103,651	311,832	-	-	-	865,854	
-	-	-	-	-	-	-	-	-	-	23,282	
-	-	188	7,262	-	-	-	-	-	-	7,696	
-	-	-	-	-	-	-	-	-	1,775,431	1,775,431	
-	-	-	-	-	-	-	-	-	-	445,252	
-	-	-	-	-	-	-	-	-	-	3,914,256	
-	2,117,512	-	-	-	-	-	-	-	-	2,156,835	
-	-	-	3,172,171	457,584	-	-	187,247	-	-	3,817,002	
-	-	-	-	-	(103,651)	(311,832)	-	-	-	(415,483)	
-	2,117,512	188	3,179,433	457,584	(103,651)	(311,832)	187,247	-	1,775,431	11,700,989	
\$ -	\$ 2,117,512	\$ 188	\$ 3,285,530	\$ 457,584	\$ -	\$ -	\$ 187,247	\$ -	\$ 1,775,431	\$ 12,590,125	

CITY OF GRAND HAVEN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue							
	Major Streets	Local Streets	Housing	2014 Capital Improvement Bonds	2008 UTGO	Lighthouse Maintenance	Building Authority Bonds	Special Assessment Bonds
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 543,474	\$ -	\$ -	\$ -
Intergovernmental revenues								
Federal	160,084	-	35,077	-	-	-	-	-
State	649,271	228,940	106,528	-	-	-	-	-
Local	34,559	-	14,294	-	-	137,992	-	-
Special assessments	2,519	2,142	-	-	-	-	-	5,821
Charges for services	-	-	-	-	-	-	-	-
Investment earnings	1,418	72	32	9,635	1,455	(4)	-	718
Miscellaneous	-	17,180	2,821	-	-	-	-	-
Total revenues	<u>847,851</u>	<u>248,334</u>	<u>158,752</u>	<u>9,635</u>	<u>544,929</u>	<u>137,988</u>	<u>-</u>	<u>6,539</u>
Expenditures								
Current								
General government	-	-	-	36,456	-	-	-	-
Public works	1,588,344	510,672	73,070	-	-	-	-	-
Culture and recreation	-	-	-	-	-	137,988	-	-
Debt service								
Principal	-	11,962	-	-	-	-	450,000	10,000
Interest	-	19,573	-	-	-	-	9,054	1,205
Capital outlay	-	101,705	-	-	-	-	-	-
Total expenditures	<u>1,588,344</u>	<u>643,912</u>	<u>73,070</u>	<u>36,456</u>	<u>-</u>	<u>137,988</u>	<u>459,054</u>	<u>11,205</u>
Revenues over (under) expenditures	<u>(740,493)</u>	<u>(395,578)</u>	<u>85,682</u>	<u>(26,821)</u>	<u>544,929</u>	<u>-</u>	<u>(459,054)</u>	<u>(4,666)</u>
Other financing sources (uses)								
Issuance of debt	-	-	-	5,141,544	-	-	-	-
Transfers in	921,195	548,290	-	-	-	-	459,000	-
Transfers out	(120,454)	-	(74,889)	(1,911,851)	(880,017)	-	-	-
Total other financing sources (uses)	<u>800,741</u>	<u>548,290</u>	<u>(74,889)</u>	<u>3,229,693</u>	<u>(880,017)</u>	<u>-</u>	<u>459,000</u>	<u>-</u>
Net changes in fund balances	60,248	152,712	10,793	3,202,872	(335,088)	-	(54)	(4,666)
Fund balances, beginning of year, as restated	<u>70,302</u>	<u>162,236</u>	<u>76,190</u>	<u>-</u>	<u>959,489</u>	<u>-</u>	<u>54</u>	<u>43,989</u>
Fund balances (deficit), end of year	<u>\$ 130,550</u>	<u>\$ 314,948</u>	<u>\$ 86,983</u>	<u>\$ 3,202,872</u>	<u>\$ 624,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,323</u>

Debt Service			Capital Projects					Permanent			
2014 Capital Improvement Bonds	Brownfield Redevelopment Bonds	2008 UTGO Bonds	Public Improvement	Fire Truck	2014 Capital Improvement Bonds	2015 Infrastructure Bonds	2008 UTGO Infrastructure	Building Authority	Cemetery Perpetual Care	Total	
\$ -	\$ 402,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 945,520	
-	-	-	11,270	-	-	-	-	-	-	206,431	
-	-	-	-	-	-	-	-	-	-	984,739	
-	-	-	111,919	-	-	-	-	-	-	298,764	
-	-	-	-	-	-	-	-	-	-	10,482	
-	-	-	-	-	-	-	-	-	18,550	18,550	
-	26,814	-	129,886	790	5	-	4	-	7,909	178,734	
-	-	-	20,222	-	-	-	-	-	-	40,223	
-	428,860	-	273,297	790	5	-	4	-	26,459	2,683,443	
-	-	-	-	-	-	-	-	-	-	36,456	
-	-	-	-	-	-	-	-	-	-	2,172,086	
-	-	-	-	-	-	-	-	-	-	137,988	
255,000	-	310,000	-	-	-	-	-	-	-	1,036,962	
99,002	-	320,538	-	-	-	-	-	-	-	449,372	
-	-	-	766,044	-	-	-	-	-	-	867,749	
354,002	-	630,538	766,044	-	-	-	-	-	-	4,700,613	
(354,002)	428,860	(630,538)	(492,747)	790	5	-	4	-	26,459	(2,017,170)	
-	-	-	-	-	-	-	-	-	-	5,141,544	
354,002	-	630,663	180,448	50,000	1,911,851	458,532	249,354	459,000	-	6,222,335	
-	-	-	(50,000)	-	(2,015,507)	(770,364)	(63,402)	(459,000)	(3,951)	(6,349,435)	
354,002	-	630,663	130,448	50,000	(103,656)	(311,832)	185,952	-	(3,951)	5,014,444	
-	428,860	125	(362,299)	50,790	(103,651)	(311,832)	185,956	-	22,508	2,997,274	
-	1,688,652	63	3,541,732	406,794	-	-	1,291	-	1,752,923	8,703,715	
\$ -	\$ 2,117,512	\$ 188	\$ 3,179,433	\$ 457,584	\$ (103,651)	\$ (311,832)	\$ 187,247	\$ -	\$ 1,775,431	\$ 11,700,989	

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ 160,080	\$ 160,084	\$ 4
State	607,815	607,815	649,271	41,456
Local	-	91,090	34,559	(56,531)
Special assessments	-	100	2,519	2,419
Investment earnings	-	1,500	1,418	(82)
Total revenues	607,815	860,585	847,851	(12,734)
Expenditures				
Current				
Public works	<u>1,074,555</u>	<u>1,747,835</u>	<u>1,588,344</u>	<u>159,491</u>
Revenues over (under) expenditures	<u>(466,740)</u>	<u>(887,250)</u>	<u>(740,493)</u>	<u>146,757</u>
Other financing sources (uses)				
Transfers in	590,000	1,200,000	921,195	(278,805)
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,454)</u>	<u>(454)</u>
Total other financing sources (uses)	<u>470,000</u>	<u>1,080,000</u>	<u>800,741</u>	<u>(279,259)</u>
Net changes in fund balance	3,260	192,750	60,248	(132,502)
Fund balance, beginning of year	<u>70,302</u>	<u>70,302</u>	<u>70,302</u>	<u>-</u>
Fund balance, end of year	<u>\$ 73,562</u>	<u>\$ 263,052</u>	<u>\$ 130,550</u>	<u>\$ (132,502)</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
State	\$ 198,170	\$ 198,970	\$ 228,940	\$ 29,970
Special assessments	500	500	2,142	1,642
Investment earnings	500	500	72	(428)
Miscellaneous	30,500	17,435	17,180	(255)
Total revenues	<u>229,670</u>	<u>217,405</u>	<u>248,334</u>	<u>30,929</u>
Expenditures				
Current				
Public works	596,020	614,780	510,672	104,108
Debt service				
Principal	-	-	11,962	(11,962)
Interest	31,535	31,535	19,573	11,962
Capital outlay	172,500	172,500	101,705	70,795
Total expenditures	<u>800,055</u>	<u>818,815</u>	<u>643,912</u>	<u>174,903</u>
Revenues over (under) expenditures	(570,385)	(601,410)	(395,578)	205,832
Other financing sources (uses)				
Transfers in	548,290	898,290	548,290	(350,000)
Net changes in fund balance	(22,095)	296,880	152,712	(144,168)
Fund balance, beginning of year	<u>162,236</u>	<u>162,236</u>	<u>162,236</u>	<u>-</u>
Fund balance, end of year	<u>\$ 140,141</u>	<u>\$ 459,116</u>	<u>\$ 314,948</u>	<u>\$ (144,168)</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ 402,900	\$ 97,955	\$ 35,077	\$ (62,878)
State	59,497	121,245	106,528	(14,717)
Local	24,895	14,290	14,294	4
Investment earnings	-	25	32	7
Miscellaneous	<u>6,000</u>	<u>4,320</u>	<u>2,821</u>	<u>(1,499)</u>
Total revenues	493,292	237,835	158,752	(79,083)
Expenditures				
Current				
Public works	<u>225,345</u>	<u>77,905</u>	<u>73,070</u>	<u>4,835</u>
Revenues over (under) expenditures	<u>267,947</u>	<u>159,930</u>	<u>85,682</u>	<u>(74,248)</u>
Other financing sources (uses)				
Transfers in	-	2,500	-	(2,500)
Transfers out	<u>(91,695)</u>	<u>(82,000)</u>	<u>(74,889)</u>	<u>7,111</u>
Total other financing sources (uses)	<u>(91,695)</u>	<u>(79,500)</u>	<u>(74,889)</u>	<u>4,611</u>
Net changes in fund balance	176,252	80,430	10,793	(69,637)
Fund balance, beginning of year	<u>76,190</u>	<u>76,190</u>	<u>76,190</u>	<u>-</u>
Fund balance, end of year	<u>\$ 252,442</u>	<u>\$ 156,620</u>	<u>\$ 86,983</u>	<u>\$ (69,637)</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ 7,475	\$ 9,635	\$ 2,160
Expenditures				
Current				
General government	-	36,460	36,456	4
Revenues over (under) expenditures	-	(28,985)	(26,821)	2,164
Other financing sources (uses)				
Issuance of debt	-	5,141,590	5,141,544	(46)
Transfers out	-	(2,761,250)	(1,911,851)	849,399
Total other financing sources (uses)	-	2,380,340	3,229,693	849,353
Net changes in fund balance	-	2,351,355	3,202,872	851,517
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 2,351,355	\$ 3,202,872	\$ 851,517

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 503,870	\$ 543,470	\$ 543,474	\$ 4
Investment earnings	500	10	1,455	1,445
Total revenues	504,370	543,480	544,929	1,449
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	504,370	543,480	544,929	1,449
Other financing sources (uses)				
Issuance of debt	7,000,000	-	-	-
Transfers out	(630,515)	(630,730)	(880,017)	(249,287)
Total other financing sources (uses)	6,369,485	(630,730)	(880,017)	(249,287)
Net changes in fund balance	6,873,855	(87,250)	(335,088)	(247,838)
Fund balance, beginning of year	959,489	959,489	959,489	-
Fund balance, end of year	\$ 7,833,344	\$ 872,239	\$ 624,401	\$ (247,838)

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ -	\$ 138,175	\$ 137,992	\$ (183)
Investment earnings	-	-	(4)	(4)
Total revenues	-	138,175	137,988	(187)
Expenditures				
Current				
Culture and recreation	-	138,175	137,988	187
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GRAND HAVEN

**BUILDING AUTHORITY - DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt service				
Principal	450,000	450,000	450,000	-
Interest	<u>9,650</u>	<u>9,650</u>	<u>9,054</u>	<u>596</u>
Total expenditures	<u>459,650</u>	<u>459,650</u>	<u>459,054</u>	<u>596</u>
Revenues over (under) expenditures	(459,650)	(459,650)	(459,054)	596
Other financing sources (uses)				
Transfers in	<u>459,650</u>	<u>459,650</u>	<u>459,000</u>	<u>(650)</u>
Net changes in fund balance	-	-	(54)	(54)
Fund balance, beginning of year	<u>54</u>	<u>54</u>	<u>54</u>	<u>-</u>
Fund balance, end of year	<u>\$ 54</u>	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ (54)</u>

CITY OF GRAND HAVEN

**SPECIAL ASSESSMENT BONDS - DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 3,000	\$ 5,850	\$ 5,821	\$ (29)
Investment earnings	-	700	718	18
Total revenues	<u>3,000</u>	<u>6,550</u>	<u>6,539</u>	<u>(11)</u>
Expenditures				
Debt service				
Principal	10,000	10,000	10,000	-
Interest	<u>1,205</u>	<u>1,205</u>	<u>1,205</u>	<u>-</u>
Total expenditures	<u>11,205</u>	<u>11,205</u>	<u>11,205</u>	<u>-</u>
Net changes in fund balance	(8,205)	(4,655)	(4,666)	(11)
Fund balance, beginning of year	<u>43,989</u>	<u>43,989</u>	<u>43,989</u>	<u>-</u>
Fund balance, end of year	<u>\$ 35,784</u>	<u>\$ 39,334</u>	<u>\$ 39,323</u>	<u>\$ (11)</u>

CITY OF GRAND HAVEN

**BROWNFIELD REDEVELOPMENT - DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 378,100	\$ 402,045	\$ 402,046	\$ 1
Investment earnings	1,000	15,060	26,814	11,754
Total revenues	379,100	417,105	428,860	11,755
Expenditures				
Current				
General government	-	-	-	-
Net changes in fund balance	379,100	417,105	428,860	11,755
Fund balance, beginning of year	1,688,652	1,688,652	1,688,652	-
Fund balance, end of year	<u>\$ 2,067,752</u>	<u>\$ 2,105,757</u>	<u>\$ 2,117,512</u>	<u>\$ 11,755</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
Debt service				
Principal	-	255,000	255,000	-
Interest	-	99,510	99,002	508
Total expenditures	-	354,510	354,002	508
Revenues over (under) expenditures	-	(354,510)	(354,002)	508
Other financing sources (uses)				
Transfers in	-	354,510	354,002	(508)
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF GRAND HAVEN

2008 UTGO - DEBT SERVICE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt service				
Principal	310,000	310,000	310,000	-
Interest	320,515	320,730	320,538	192
Total expenditures	630,515	630,730	630,538	192
Revenues over (under) expenditures	(630,515)	(630,730)	(630,538)	192
Other financing sources (uses)				
Transfers in	630,515	630,730	630,663	(67)
Net changes in fund balance	-	-	125	125
Fund balance, beginning of year	63	63	63	-
Fund balance, end of year	\$ 63	\$ 63	\$ 188	\$ 125

CITY OF GRAND HAVEN

PUBLIC IMPROVEMENT - CAPITAL PROJECTS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ -	\$ 11,270	\$ 11,270
Local	125,870	164,470	111,919	(52,551)
Investment earnings	-	8,680	129,886	121,206
Miscellaneous	-	20,220	20,222	2
Total revenues	125,870	193,370	273,297	79,927
Expenditures				
Capital outlay	2,965,290	1,301,465	766,044	535,421
Revenues over (under) expenditures	(2,839,420)	(1,108,095)	(492,747)	615,348
Other financing sources (uses)				
Issuance of debt	3,000,000	-	-	-
Transfers in	-	70,000	180,448	110,448
Transfers out	(80,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	2,920,000	20,000	130,448	110,448
Net changes in fund balance	80,580	(1,088,095)	(362,299)	725,796
Fund balance, beginning of year, as restated	3,541,732	3,541,732	3,541,732	-
Fund balance, end of year	\$ 3,622,312	\$ 2,453,637	\$ 3,179,433	\$ 725,796

CITY OF GRAND HAVEN

**FIRE TRUCK - CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 100	\$ 100	\$ 790	\$ 690
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	100	100	790	690
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Net changes in fund balance	50,100	50,100	50,790	690
Fund balance, beginning of year	406,794	406,794	406,794	-
Fund balance, end of year	<u>\$ 456,894</u>	<u>\$ 456,894</u>	<u>\$ 457,584</u>	<u>\$ 690</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 5	\$ 5
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	-	-	5	5
Other financing sources (uses)				
Transfers in	-	2,761,250	1,911,851	(849,399)
Transfers out	-	(2,228,750)	(2,015,507)	213,243
Total other financing sources (uses)	-	532,500	(103,656)	(636,156)
Net changes in fund balance	-	532,500	(103,651)	(636,151)
Fund balance, beginning of year	-	-	-	-
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ 532,500</u>	<u>\$ (103,651)</u>	<u>\$ (636,151)</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	-	845,000	458,532	(386,468)
Transfers out	-	(845,000)	(770,364)	74,636
Total other financing sources (uses)	-	-	(311,832)	(311,832)
Net changes in fund balance	-	-	(311,832)	(311,832)
Fund balance, beginning of year	-	-	-	-
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (311,832)</u>	<u>\$ (311,832)</u>

CITY OF GRAND HAVEN

2008 UTGO - CAPITAL PROJECTS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 4	\$ 4
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	-	-	4	4
Other financing sources (uses)				
Transfers in	-	-	249,354	249,354
Transfers out	-	-	(63,402)	(63,402)
Total other financing sources (uses)	-	-	185,952	185,952
Net changes in fund balance	-	-	185,956	185,956
Fund balance, beginning of year	<u>1,291</u>	<u>1,291</u>	<u>1,291</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,291</u>	<u>\$ 1,291</u>	<u>\$ 187,247</u>	<u>\$ 185,956</u>

CITY OF GRAND HAVEN

**BUILDING AUTHORITY - CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	459,650	459,650	459,000	(650)
Transfers out	(459,650)	(459,650)	(459,000)	650
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GRAND HAVEN

CEMETERY PERPETUAL CARE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 25,000	\$ 25,000	\$ 18,550	\$ (6,450)
Investment earnings	10,000	7,000	7,909	909
Total revenues	35,000	32,000	26,459	(5,541)
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	35,000	32,000	26,459	(5,541)
Other financing sources (uses)				
Transfers out	(6,000)	(3,000)	(3,951)	(951)
Net changes in fund balance	29,000	29,000	22,508	(6,492)
Fund balance, beginning of year	1,752,923	1,752,923	1,752,923	-
Fund balance, end of year	<u>\$ 1,781,923</u>	<u>\$ 1,781,923</u>	<u>\$ 1,775,431</u>	<u>\$ (6,492)</u>

CITY OF GRAND HAVEN

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF NET POSITION

JUNE 30, 2015

Assets	<u>Marina</u>	<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
Current assets				
Cash and pooled investments	\$ 65,670	\$ 46,011	\$ 127,402	\$ 239,083
Accounts receivable	41,352	16,328	19,131	76,811
Due from other governments	9,094	-	-	9,094
Prepaid items	<u>1,441</u>	<u>1,650</u>	<u>-</u>	<u>3,091</u>
Total current assets	<u>117,557</u>	<u>63,989</u>	<u>146,533</u>	<u>328,079</u>
Non-current assets				
Capital assets				
Land	94,000	181,762	28,300	304,062
Depreciable capital assets, net	<u>2,532,197</u>	<u>1,917,229</u>	<u>1,083,217</u>	<u>5,532,643</u>
Total non-current assets	<u>2,626,197</u>	<u>2,098,991</u>	<u>1,111,517</u>	<u>5,836,705</u>
Total assets	<u>2,743,754</u>	<u>2,162,980</u>	<u>1,258,050</u>	<u>6,164,784</u>
Deferred outflows of resources				
Pension contributions and deficit investment returns	<u>8,177</u>	<u>-</u>	<u>-</u>	<u>8,177</u>
Liabilities				
Current liabilities				
Accounts payable	6,399	6,865	13,035	26,299
Accrued liabilities	7,249	-	-	7,249
Due to other governments	-	10,700	-	10,700
Due to other funds	<u>350,418</u>	<u>-</u>	<u>315,788</u>	<u>666,206</u>
Total current liabilities	<u>364,066</u>	<u>17,565</u>	<u>328,823</u>	<u>710,454</u>
Long-term liabilities				
Accrued compensated absences	3,812	-	-	3,812
Other post-employment benefits	5,122	-	-	5,122
Net pension liability	<u>78,532</u>	<u>-</u>	<u>-</u>	<u>78,532</u>
Total long-term liabilities	<u>87,466</u>	<u>-</u>	<u>-</u>	<u>87,466</u>
Total liabilities	<u>451,532</u>	<u>17,565</u>	<u>328,823</u>	<u>797,920</u>
Net position				
Net investment in capital assets	2,626,197	2,098,991	1,111,517	5,836,705
Unrestricted (deficit)	<u>(325,798)</u>	<u>46,424</u>	<u>(182,290)</u>	<u>(461,664)</u>
Total net position	<u>\$ 2,300,399</u>	<u>\$ 2,145,415</u>	<u>\$ 929,227</u>	<u>\$ 5,375,041</u>

CITY OF GRAND HAVEN
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Marina</u>	<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 299,729	\$ 126,234	\$ 124,782	\$ 550,745
Operating expense				
Operating	410,174	104,566	69,700	584,440
Administrative and general	-	7,110	-	7,110
Depreciation	144,724	185,447	54,610	384,781
Total operating expense	<u>554,898</u>	<u>297,123</u>	<u>124,310</u>	<u>976,331</u>
Operating income (loss)	<u>(255,169)</u>	<u>(170,889)</u>	<u>472</u>	<u>(425,586)</u>
Non-operating revenue (expense)				
Investment earnings	67	49,497	(5)	49,559
Other	-	-	25,454	25,454
Interest expense	-	-	(1,794)	(1,794)
Total non-operating revenue (expense)	<u>67</u>	<u>49,497</u>	<u>23,655</u>	<u>73,219</u>
Income (loss) before other items	(255,102)	(121,392)	24,127	(352,367)
Transfers and other items				
Contribution in aid of construction	112,139	-	-	112,139
Changes in net position	(142,963)	(121,392)	24,127	(240,228)
Net position, beginning of year, as restated	<u>2,443,362</u>	<u>2,266,807</u>	<u>905,100</u>	<u>5,615,269</u>
Net position, end of year	<u>\$ 2,300,399</u>	<u>\$ 2,145,415</u>	<u>\$ 929,227</u>	<u>\$ 5,375,041</u>

CITY OF GRAND HAVEN
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Marina</u>	<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 690,623	\$ 125,207	\$ 123,912	\$ 939,742
Payments to employees	(146,920)	-	-	(146,920)
Payments to suppliers	(618,278)	(99,353)	94,678	(622,953)
Net cash provided by (used in) operating activities	<u>(74,575)</u>	<u>25,854</u>	<u>218,590</u>	<u>169,869</u>
Cash flows from capital and related financing activities				
Interest expense	-	-	(7,300)	(7,300)
Contribution in aid of construction	112,139	-	-	112,139
Principal paid on bonds and notes	-	-	(131,331)	(131,331)
Acquisitions of capital assets	(124,074)	(48,001)	-	(172,075)
Net cash provided by (used in) capital and related financing activities	<u>(11,935)</u>	<u>(48,001)</u>	<u>(138,631)</u>	<u>(198,567)</u>
Cash flows from investing activities				
Interest income	67	49,497	(5)	49,559
Net increase (decrease) in cash and pooled investments	(86,443)	27,350	79,954	20,861
Cash and pooled investments, beginning of year	<u>152,113</u>	<u>18,661</u>	<u>47,448</u>	<u>218,222</u>
Cash and pooled investments, end of year	<u>\$ 65,670</u>	<u>\$ 46,011</u>	<u>\$ 127,402</u>	<u>\$ 239,083</u>
Cash flows from operating activities				
Operating income (loss)	\$ (255,169)	\$ (170,889)	\$ 472	\$ (425,586)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	144,724	185,447	54,610	384,781
Miscellaneous revenue	-	-	25,454	25,454
Deferred outflows of resources	(5,497)	-	-	(5,497)
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	9,100	(1,082)	(870)	7,148
Due from other governmental units	381,794	55	-	381,849
Prepaid expenses	(1,441)	288	-	(1,153)
Accounts payable	(222,762)	1,335	292	(221,135)
Accrued liabilities	1,933	-	-	1,933
Due to other funds	(149,582)	-	138,632	(10,950)
Due to other governments	-	10,700	-	10,700
Compensated absences	(766)	-	-	(766)
Net pension liability	20,743	-	-	20,743
Net OPEB obligation	2,348	-	-	2,348
Net cash provided by (used in) operating activities	<u>\$ (74,575)</u>	<u>\$ 25,854</u>	<u>\$ 218,590</u>	<u>\$ 169,869</u>

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

JUNE 30, 2015

Assets	Motor Pool	Insurance	Health Benefits	Total
Current assets				
Cash and pooled investments	\$ 284,036	\$ 1,112,763	\$ 1,420,679	\$ 2,817,478
Accounts receivable	-	-	103	103
Due from other governments	34	-	-	34
Due from other funds	19,678	-	-	19,678
Prepaid items	70	187,631	40,326	228,027
Inventory	26,271	-	-	26,271
	<u>330,089</u>	<u>1,300,394</u>	<u>1,461,108</u>	<u>3,091,591</u>
Total current assets				
Non-current assets				
Capital assets				
Depreciable capital assets, net	2,266,678	-	-	2,266,678
	<u>2,266,678</u>	<u>-</u>	<u>-</u>	<u>2,266,678</u>
Total assets	<u>2,596,767</u>	<u>1,300,394</u>	<u>1,461,108</u>	<u>5,358,269</u>
Deferred outflows of resources				
Pension contributions and deficit investment returns	28,366	-	-	28,366
	<u>28,366</u>	<u>-</u>	<u>-</u>	<u>28,366</u>
Liabilities				
Current liabilities				
Accounts payable	27,007	-	1,200	28,207
Accrued liabilities	2,914	-	156,538	159,452
	<u>29,921</u>	<u>-</u>	<u>157,738</u>	<u>187,659</u>
Total current liabilities				
Long-term liabilities				
Accrued compensated absences	8,725	-	-	8,725
Other post-employment benefits	17,178	-	-	17,178
Net pension liability	272,386	-	-	272,386
	<u>298,289</u>	<u>-</u>	<u>-</u>	<u>298,289</u>
Total long-term liabilities				
Total liabilities	<u>328,210</u>	<u>-</u>	<u>157,738</u>	<u>485,948</u>
Net position				
Net investment in capital assets	2,266,678	-	-	2,266,678
Unrestricted	30,245	1,300,394	1,303,370	2,634,009
	<u>2,296,923</u>	<u>1,300,394</u>	<u>1,303,370</u>	<u>4,900,687</u>
Total net position	<u>\$ 2,296,923</u>	<u>\$ 1,300,394</u>	<u>\$ 1,303,370</u>	<u>\$ 4,900,687</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Motor Pool</u>	<u>Insurance</u>	<u>Health Benefits</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 910,278	\$ 519,066	\$ 2,932,876	\$ 4,362,220
Operating expense				
Operating	906,802	406,804	2,986,172	4,299,778
Administrative and general	-	-	222,297	222,297
Depreciation	<u>256,656</u>	<u>-</u>	<u>-</u>	<u>256,656</u>
Total operating expense	<u>1,163,458</u>	<u>406,804</u>	<u>3,208,469</u>	<u>4,778,731</u>
Operating income (loss)	<u>(253,180)</u>	<u>112,262</u>	<u>(275,593)</u>	<u>(416,511)</u>
Non-operating revenue (expense)				
Investment earnings	1,568	1,032	4,534	7,134
Other	<u>50,376</u>	<u>-</u>	<u>67,345</u>	<u>117,721</u>
Total non-operating revenue (expense)	<u>51,944</u>	<u>1,032</u>	<u>71,879</u>	<u>124,855</u>
Changes in net position	(201,236)	113,294	(203,714)	(291,656)
Net position, beginning of year, as restated	<u>2,498,159</u>	<u>1,187,100</u>	<u>1,507,084</u>	<u>5,192,343</u>
Net position, end of year	<u>\$ 2,296,923</u>	<u>\$ 1,300,394</u>	<u>\$ 1,303,370</u>	<u>\$ 4,900,687</u>

CITY OF GRAND HAVEN
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Motor Pool</u>	<u>Insurance</u>	<u>Health Benefits</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from internal services provided	\$ 941,139	\$ 519,066	\$ 3,017,093	\$ 4,477,298
Payments to employees	(216,187)	-	-	(216,187)
Payments to suppliers	(654,473)	(493,745)	(227,510)	(1,375,728)
Claims paid	-	-	(2,814,984)	(2,814,984)
Net cash provided by (used in) operating activities	70,479	25,321	(25,401)	70,399
Cash flows from capital and related financing activities				
Acquisitions of capital assets	(933,944)	-	-	(933,944)
Cash flows from investing activities				
Interest income	1,568	1,032	4,534	7,134
Net increase (decrease) in cash and pooled investments	(861,897)	26,353	(20,867)	(856,411)
Cash and pooled investments, beginning of year	1,145,933	1,086,410	1,441,546	3,673,889
Cash and pooled investments, end of year	\$ 284,036	\$ 1,112,763	\$ 1,420,679	\$ 2,817,478
Cash flows from operating activities				
Operating income (loss)	\$ (253,180)	\$ 112,262	\$ (275,593)	\$ (416,511)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	256,656	-	-	256,656
Miscellaneous revenue	50,376	-	67,345	117,721
Deferred outflows of resources	(19,145)	-	-	(19,145)
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	197	-	778	975
Due from other funds	(19,678)	-	83,439	63,761
Due from other governmental units	(34)	-	-	(34)
Prepaid expenses	(70)	(79,662)	(5,664)	(85,396)
Inventory	1,353	-	-	1,353
Accounts payable	(13,733)	(1,733)	451	(15,015)
Accrued liabilities	526	-	103,843	104,369
Due to other governments	-	(5,546)	-	(5,546)
Compensated absences	(11,227)	-	-	(11,227)
Net pension liability	73,471	-	-	73,471
Net OPEB obligation	4,967	-	-	4,967
Net cash provided by (used in) operating activities	\$ 70,479	\$ 25,321	\$ (25,401)	\$ 70,399

CITY OF GRAND HAVEN

AGENCY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2015

	<u>Payroll Tax Collection</u>	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Harbor Transit Multi-Modal Transportation System</u>
Assets				
Cash	\$ 117,564	\$ 10,840	\$ 68,532	\$ 731,839
Accounts receivables	<u>72,880</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 190,444</u>	<u>\$ 10,840</u>	<u>\$ 68,532</u>	<u>\$ 731,839</u>
Total assets				
Liabilities				
Accounts Payable	\$ -	\$ 10,572	\$ -	\$ -
Accrued liabilities	190,444	-	-	-
Due to other governmental units	-	268	-	-
Trust deposits	<u>-</u>	<u>-</u>	<u>68,532</u>	<u>731,839</u>
	<u>\$ 190,444</u>	<u>\$ 10,840</u>	<u>\$ 68,532</u>	<u>\$ 731,839</u>
Total liabilities				

Grand Haven- Spring Lake Sewer Authority	Northwest Ottawa Water Treatment Plant	Total
\$ 1,848,629	\$ 1,611,338	\$ 4,388,742
<u>-</u>	<u>-</u>	<u>72,880</u>
<u>\$ 1,848,629</u>	<u>\$ 1,611,338</u>	<u>\$ 4,461,622</u>
\$ -	\$ -	\$ 10,572
-	-	190,444
-	-	268
<u>1,848,629</u>	<u>1,611,338</u>	<u>4,260,338</u>
<u>\$ 1,848,629</u>	<u>\$ 1,611,338</u>	<u>\$ 4,461,622</u>

CITY OF GRAND HAVEN

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

JUNE 30, 2015

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Assets			
Cash and pooled investments	\$ 297,500	\$ -	\$ 297,500
Accounts receivable	<u>145,473</u>	<u>-</u>	<u>145,473</u>
Total assets	<u>\$ 442,973</u>	<u>-</u>	<u>442,973</u>
 Liabilities and fund balances			
Liabilities			
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>
 Fund balances			
Unassigned	<u>442,973</u>	<u>(442,973)</u>	
Total liabilities and fund balances	<u>\$ 442,973</u>		
 Net position			
Unrestricted		<u>\$ 442,973</u>	<u>\$ 442,973</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Investment earnings	\$ 3,997	\$ -	\$ 3,997
Miscellaneous	<u>60</u>	<u>-</u>	<u>60</u>
Total revenues	<u>4,057</u>	<u>-</u>	<u>4,057</u>
Expenditures/expenses			
Operations	<u>37,583</u>	<u>-</u>	<u>37,583</u>
Net changes in fund balances	(33,526)	33,526	
Change in net position		(33,526)	(33,526)
Fund balances/net position, beginning of year	<u>476,499</u>		<u>476,499</u>
Fund balances/net position, end of year	<u>\$ 442,973</u>		<u>\$ 442,973</u>

CITY OF GRAND HAVEN

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

JUNE 30, 2015

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 90,822	\$ -	\$ 90,822
Accounts receivable	104,245	-	104,245
Due from other governments	6,518	-	6,518
Special assessments receivable	87,314	-	87,314
Capital lease receivable	1,513,558	-	1,513,558
Prepaid items	2,690	-	2,690
Bond discount	-	38,637	38,637
Total assets	<u>\$ 1,805,147</u>	<u>38,637</u>	<u>1,843,784</u>
Deferred outflows of resources			
Pension contributions and deficit investment returns	-	11,472	11,472
Liabilities, deferred inflows and fund balances			
Liabilities			
Accounts payable	\$ 114,543	-	114,543
Accrued liabilities	711	-	711
Accrued interest	-	104,494	104,494
Long-term debt			
Due within one year	-	190,000	190,000
Due in more than one year	-	8,165,000	8,165,000
Net pension liability	-	110,159	110,159
Total liabilities	<u>115,254</u>	<u>8,569,653</u>	<u>8,684,907</u>
Deferred inflows of resources			
Unavailable revenue	1,600,905	(1,600,905)	-
Fund balances			
Unassigned	88,988	(88,988)	
Total liabilities, deferred inflows and fund balances	<u>\$ 1,805,147</u>		
Net position			
Unrestricted (deficit)		<u>\$ (8,442,028)</u>	<u>\$ (6,829,651)</u>

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

Fund balance - general fund	\$ 88,988
Add bond discount	38,637
Add deferred outflows of resources	11,472
Deduct accrued interest	(104,494)
Deduct long-term debt	(8,355,000)
Deduct net pension liability	(110,159)
Add long-term deferred assessment receivables	1,600,905
Net position	<u>\$ (6,829,651)</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 361,717	\$ -	\$ 361,717
Intergovernmental revenues			
Federal	62,271	-	62,271
Local	128,100	-	128,100
Operating grants and contributions	24,547	-	24,547
Special assessments	67,180	(95,154)	(27,974)
Investment earnings	50,185	-	50,185
Miscellaneous	<u>79,458</u>	<u>-</u>	<u>79,458</u>
Total revenues	<u>773,458</u>	<u>(95,154)</u>	<u>678,304</u>
Expenditures/expenses			
Salaries	95,215	52,741	147,956
Administration	23,382	-	23,382
Operations	139,073	-	139,073
Debt service			
Principal	180,000	(180,000)	-
Interest	362,705	(1,738)	360,967
Bond discount amortization	<u>-</u>	<u>2,625</u>	<u>2,625</u>
Total expenditures/expenses	<u>800,375</u>	<u>(126,372)</u>	<u>674,003</u>
Net changes in fund balances	(26,917)	26,917	
Change in net position		4,301	4,301
Fund balances/net position, beginning of year, as restated	<u>115,905</u>		<u>(6,833,952)</u>
Fund balances/net position, end of year	<u>\$ 88,988</u>		<u>\$ (6,829,651)</u>

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

Net change in fund balance - general fund	\$ (26,917)
Add principal payments on debt	180,000
Deduct decrease in unavailable revenues	(95,154)
Add decrease in accrued interest	1,738
Deduct amortization of bond discount	(2,625)
Deduct increase in net pension liability	(55,343)
Add increase in deferred outflows	<u>2,602</u>
Change in net position	<u>\$ 4,301</u>

CITY OF GRAND HAVEN

BROWNFIELD REDEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 1,199,186	\$ -	\$ 1,199,186
Taxes receivable	139	-	139
Prepaid items	<u>201</u>	<u>-</u>	<u>201</u>
Total assets	<u>\$ 1,199,526</u>	<u>-</u>	<u>1,199,526</u>
Liabilities, deferred inflows and fund balances			
Liabilities			
Accrued interest	\$ -	69,531	\$ 69,531
Long-term debt			
Due within one year	-	1,199,914	1,199,914
Due in more than one year	-	9,208,031	9,208,031
Bond premium	<u>-</u>	<u>12,657</u>	<u>12,657</u>
Total liabilities	<u>-</u>	<u>10,490,133</u>	<u>10,490,133</u>
Deferred inflows of resources			
Unavailable revenue	<u>139</u>	<u>(139)</u>	<u>-</u>
Fund balances			
Unassigned	<u>1,199,387</u>	<u>(1,199,387)</u>	
Total liabilities, deferred inflows and fund balances	<u>\$ 1,199,526</u>		
Net position			
Unrestricted (deficit)		<u>\$ (9,290,746)</u>	<u>\$ (9,290,607)</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 392,615	\$ -	\$ 392,615
Intergovernmental revenues			
Special assessments	39,224	-	39,224
Investment earnings	(17,303)	-	(17,303)
Miscellaneous	18,710	21	18,731
	<u>433,246</u>	<u>21</u>	<u>433,267</u>
Total revenues	433,246	21	433,267
Expenditures/expenses			
Operations	86,935	-	86,935
Debt Service			
Principal	1,103,739	(1,103,739)	-
Interest	437,769	(7,267)	430,502
Bond discount amortization	-	(2,109)	(2,109)
	<u>1,628,443</u>	<u>(1,113,115)</u>	<u>515,328</u>
Total expenditures/expenses	1,628,443	(1,113,115)	515,328
Net changes in fund balances	(1,195,197)	1,195,197	
Change in net position		(82,061)	(82,061)
Fund balances/net position, beginning of year	<u>2,394,584</u>		<u>(9,208,546)</u>
Fund balances/net position, end of year	<u>\$ 1,199,387</u>		<u>\$ (9,290,607)</u>

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

Net change in fund balance - general fund	\$ (1,195,197)
Add principal payments on debt	1,103,739
Add increase in unavailable revenues	21
Add decrease in accrued interest	7,267
Add amortization of bond premium	2,109
Change in net position	<u>\$ (82,061)</u>

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INTERNAL CONTROL AND COMPLIANCE



Vredeveld Haefner LLC

CPA's and Consultants

4001 Granada Ct.

Grand Rapids, MI 49534

FAX (616) 828-0307

Douglas J. Vredeveld, CPA

(616) 446-7474

Peter S. Haefner, CPA

(616) 460-9388

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

October 26, 2015

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Grand Haven, Michigan (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ordedald Haefner LLC

CITY OF GRAND HAVEN

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2015

Finding 2015-001

CONDITION: The Board of Light and Power (Board) does not have the ability to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

CRITERIA: The ability to prepare the Board's financial statements in accordance GAAP is a responsibility of the Board's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting the Board's financial statements, including the related footnotes (i.e., external financial reporting.)

CAUSE OF CONDITION: The Board has not implemented a system of controls which provides for preparation of the financial statement in accordance with GAAP.

POTENTIAL EFFECT OF CONDITION: As a result of this condition the Board was unable to prepare the Board's financial statements in accordance with GAAP.

RECOMMENDATION: We recommend that the Board implement controls to provide for the preparation of the financial statements in accordance with GAAP.

MANAGEMENT RESPONSE: The Board has outsourced the preparation of the year-end annual financial statements to its external auditors for some time. Accordingly, management has again carefully reviewed all adjusting journal entries, financial statements, and associated notes, approves of them, and accepts responsibility for their content and presentation. The Board will be implementing measures to address this identified weakness and is committed to gaining the necessary abilities and controls internally to prepare its financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Finding 2015-002

CONDITION: The Board has not implemented a system of controls to assure the timely accounting for, and reconciliation of, general ledger account balances with supporting documentation. We noted specifically that reconciliation of a bank account balance was not performed in a timely manner and that several year-end liability account balances were not in agreement with supporting detail.

CRITERIA: A good system of controls includes timely posting and reconciliation of accounting system account balances to supporting documents.

CAUSE OF CONDITION: The Board has not implemented a system of controls which provides for timely accounting for, and reconciliation of, general ledger account balances with supporting documentation.

POTENTIAL EFFECT OF CONDITION: This condition results in inaccurate account balances reported throughout the year.

RECOMMENDATION: We recommend the Board implement a system of controls to assure timely posting and reconciliation of accounting system account balances to supporting documents.

MANAGEMENT RESPONSE: The Board is committed to implementing measures to address these noted deficiencies and implement an improved system of controls to assure timely posting and reconciliation of all accounting system balances to supporting documents.