



CITY OF GRAND HAVEN, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF GRAND HAVEN

TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Governmental-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Net Position - Fiduciary Funds	21
Statement of Changes in Net Position - Fiduciary Funds	22
Combining Statement of Net Position - Component Units	23
Combining Statement of Activities - Component Units	24
Notes to the Financial Statements	25-54
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	55
Defined Benefit Pension Plan	
Schedule of Changes in Employers Net Pension Liability and Other Ratios	56
Schedule of Employer Contributions	57
Retiree Health Other Post-Employment Benefits Plan	
Schedule of Changes in Employers Net OPEB Liability and Other Ratios	58
Schedule of Employer Contributions	59
Schedule of Investment Returns	59
Notes to Required Supplementary Information	59
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	62-63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	64-65
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Major Streets	66
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Local Streets	67
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Housing	68
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – 2014 Capital Improvement Bonds	69
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – 2008 UTGO Bond	70

CITY OF GRAND HAVEN

TABLE OF CONTENTS

	<u>PAGE</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – 2015 Infrastructure Bonds	71
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – 2014 Capital Improvement Bonds	72
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – 2015 Infrastructure Bonds	73
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Brownfield Redevelopment - Debt Service	74
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – 2008 UTGO – Debt Service	75
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Public Improvements – Capital Projects	76
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Fire Truck – Capital Projects	77
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – 2014 Capital Improvement Bonds	78
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – 2015 Infrastructure Bonds	79
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Cemetery Perpetual Care	80
Nonmajor Enterprise Funds	
Combining Statement of Net Position	81
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	82
Combining Statement of Cash Flows	83
Internal Service Funds	
Combining Statement of Net Position	84
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	85
Combining Statement of Cash Flows	86
Agency Funds	
Combining Statement of Assets and Liabilities	88-89
Component Units	
Economic Development Corporation	
Balance Sheet/Statement of Net Position	90
Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	91
Main Street Downtown Development Authority	
Balance Sheet/Statement of Net Position	92
Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	93
Brownfield Redevelopment Authority	
Balance Sheet/Statement of Net Position	94
Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	95
CONTROL AND COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	97-98



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INDEPENDENT AUDITORS' REPORT

October 30, 2017

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, 2017, 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, 2017, 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 10 and the required supplementary information on pages 55 through 59 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 30, 2017, 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.

Urodeuxeld 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, 2017. 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 value continues to rise in Grand Haven. It is presently higher than before the Great Recession. Moderate increases in property value are anticipated. A reduction of 3.8% in the fiscal year was due to a Michigan tax Tribunal decision, a one-time issue.
- The City provides financial and administrative support for the Harbor Transit Multi-modal Transportation System, the Grand Haven-Spring Lake Sewer Authority, the Northwest Ottawa Water System and the Ottawa County Central Dispatch Authority. This added effort provides a lower cost for these services for all. The City Finance Department also provides accounting and finance services to Spring Lake Township on a contractual basis. The contract provides 40 hours per week of service to Spring Lake Township. The broader exposure to accounting and finance issues has been excellent in staff training and experience.
- Improved monthly financial reporting to City Council and City administration continues.
- The City issued 2017 Infrastructure Refunding Bonds in the summer of 2017 after the fiscal year end, reducing future interest costs in excess of \$717,700. These bonds refund the 2008 Infrastructure Bonds.
- The iconic catwalk on the Grand Haven south pier was slated for permanent removal, however a local fund drive provides primary support for the removal, repair and restoration of the catwalk during FY 2016-17 and FY 2017-18. It is planned to be replaced in 2018.
- The Grand Avenue reconstruction project began in the spring of 2016 using 2015 LTGO Infrastructure Bond proceeds and completed in October 2017, after the end of the fiscal year.

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*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules have been provided herein 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 \$113,086,484 at the close of the most recent fiscal year.

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

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$21,201,151	\$23,941,020	\$28,242,352	\$29,165,187	\$ 49,443,503	\$ 53,106,207
Capital assets	56,034,724	55,501,978	54,654,201	54,518,195	110,688,925	110,020,173
Total assets	77,235,875	79,442,998	82,896,553	83,683,382	160,132,428	163,126,380
Deferred outflows of						
Resources	3,264,634	5,754,676	2,660,527	4,457,132	5,925,161	10,211,808
Current and other liabilities	1,733,649	2,373,967	2,069,787	10,456,145	3,803,436	12,830,112
Long-term liabilities	34,278,282	36,237,542	14,889,387	15,526,644	49,167,669	51,764,186
Total liabilities	36,011,931	38,611,509	16,959,174	25,982,789	52,971,105	64,594,298
Net position						
Net investment in capital						
assets	38,905,994	37,469,326	52,933,161	45,143,136	91,839,155	82,612,462
Restricted	9,318,028	5,438,108	-	7,746,525	9,318,028	13,184,633
Unrestricted	(3,735,444)	3,678,731	15,664,745	9,268,064	11,929,301	12,946,795
Total net position	\$44,488,578	\$46,586,165	\$68,597,906	\$62,157,725	\$113,086,484	\$108,743,890

The total net position of the City increased by \$4,342,594. The business-type activities increase in net position of \$6,440,181 is primarily due to Board of Light and Power profitability. The governmental activities decrease in net position of \$2,097,587 is primarily due to budgeted expenses in excess of revenues.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue						
Program revenue						
Charges for services	\$1,860,940	\$2,082,868	\$43,049,146	\$42,919,982	\$44,910,086	\$45,002,850
Operating grants and contributions	1,998,716	2,144,343	342,173	150,366	2,340,889	2,294,709
Capital grants and contributions	336,383	116,488	48,736	1,513	385,119	118,001
General revenue						
Property taxes	7,420,237	7,538,707	-	-	7,420,237	7,538,707
State revenues	988,232	927,568	-	-	988,232	927,568
Unrestricted investment earnings	161,590	280,157	-	-	161,590	280,157
Other	388,500	175,782	-	-	388,500	175,782
Total revenues	13,154,598	13,265,913	43,440,055	43,071,861	56,594,653	56,337,774
Expenses						
General government	6,792,750	5,026,891	-	-	6,792,750	5,026,891
Public safety	3,854,443	6,251,851	-	-	3,854,443	6,251,851
Public works	4,811,698	7,164,224	-	-	4,811,698	7,164,224
Culture and recreation	596,917	990,341	-	-	596,917	990,341
Interest	653,663	736,254	-	-	653,663	736,254
Board of Light & Power	-	-	30,951,632	34,028,382	30,951,632	34,028,382
Sewer	-	-	2,081,201	1,654,480	2,081,201	1,654,480
Water	-	-	1,590,767	1,620,655	1,590,767	1,620,655
Other business-type	-	-	918,988	945,820	918,988	945,820
Total expenses	16,709,471	20,169,561	35,542,588	38,249,337	52,252,059	58,418,898
Change in net position before transfers	(3,554,873)	(6,903,648)	7,897,467	4,822,524	4,342,594	(2,081,124)
Transfers	1,457,286	1,582,152	(1,457,286)	(1,582,152)	-	-
Change in net position	(2,097,587)	(5,321,496)	6,440,181	3,240,372	4,342,594	(2,081,124)
Net position-beginning of year	46,586,165	51,907,661	62,157,725	58,917,353	108,743,890	110,825,014
Net position-end of year	\$44,488,578	\$46,586,165	\$68,597,906	\$62,157,725	\$113,086,484	\$108,743,890

Governmental activities. During the year the City invested \$4,811,698 or 29% of governmental activities expenses in public works. Public safety was \$3,854,443 or 23% of governmental activities expenses while general government, culture and recreation, and interest on long-term debt made up the remaining 48% of governmental activities expenses.

Business-type activities. Business-type activities increased the City's net position by \$6,440,181 for the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$3,240,372.

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 \$17,266,103, a decrease of \$2,679,443 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,427,268 while total fund balance was \$4,494,530. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The City Council has adopted a minimum fund balance policy in which the total fund balance of the General Fund will be equal to at least 25 percent of the previous year's expenditures. At June 30, 2017, fund balance represents 42% of total general fund expenditures.

The fund balance of the City's general fund decreased by \$2,299,744 during the current fiscal year.

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

Unrestricted net position of the Board of Light and Power, sewer and water funds at the end of the year amounted to \$14,237,409, \$1,626,119 and 117,898 respectively. The Board of Light and Power had an increase of \$5,625,499, the sewer fund had an increase in net position for the year of \$184,861 and the water fund had an increase of \$758,426. 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:

- Property tax revenue for general operations decreased due to decreases in taxable value. This is a one-time reduction due to property tax reduction directed by the Michigan Tax Tribunal.
- Building permits revenue was originally budgeted at \$280,000, amended to \$320,000 and came in at \$322,276.
- Enforcement activities were up and fines increased over the original budget by \$7,406.
- The administrative fees (indirect costs) structure was modified to compare audited operating expenses for each operating fund less transfers out and non-operating expenses).
- Miscellaneous services revenue increased from an original budget of \$285,000 to an amended budget of \$442,170 to an actual result of \$450,753. Increases in community center utilities & custodial services and mini golf revenue, caused the major increases.
- Revenue from accounting & finance services provided to Spring Lake Township totaled \$83,029, planning services \$27,500.
- Public Safety expenses amended budget was \$4,682,725 and resulted in actual costs of \$4,352,240 for the year.
- DPW ran \$244,222 under the amended budget for the year.
- General government ran \$211,028 under the amended budget for the year.
- Culture and recreation ran \$87,548 under the original budget for the year.
- Total General Fund expenditures and transfers out ran \$850,617 under the amended budget for the year.

Enterprise Funds:

- In the City Sewer (Collection) Fund, a construction asset transfer related to sewer lines in the Grand Avenue project of \$218,643 occurred. Total revenue over expenditures was \$205,657.
- In the City Water (Distribution) Fund, capital asset purchases of \$416,090 from the Grand Avenue project were posted.. Total revenue over expenditures was 780,281.
- When a surplus of cash occurs in either the City Sewer or Water Funds, the City plans to spend it with infrastructure bond funds rather than reserving it for other purpose. In this way the City extends the value and scope of the infrastructure bond funds which are funded by millage.
- The Marina Fund has a total of \$346,520 in loans from the Public Improvements Fund due to Phase 1 dock costs incurred in 2007. It paid over \$150,000 on a loan from the General Fund during the year and closed that debt.
- An intensive study of Motorpool revenue and expenses showed that revenue was undercharged in recent years by \$250,000 against the original budget.due to a timesheet-based use of equipment and vehicles. Operating expenses also dropped \$183,886 against the original budget. This allowed reimbursement of a \$150,000 interfund loan to the Public Improvement Fund.

Component Units:

- The DDA-TIF relies on an annual \$131,389 transfer from the General Fund to pay annual debt service expenses. It is anticipated to continue for the foreseeable future, increasing if the property values in the DDA do not increase as initially planned. However, the 2006 DDA-TIF Bond was refunded by the 2015 DDA-TIF Refunding Bond which saves approximately \$25,000 a year in interest costs.
- The Grand Landing Brownfield TIF has exhausted its resources except for annual taxation and some additional miscellaneous revenue. In FY 2016-17, the Debt Support Fund was tapped to assist with debt service payments. The original 2006 Grand Landing Brownfield TIF Bond was refunded by the 2016 Brownfield Refunding Bond in February 2016, achieving over \$500,000 in debt service cost savings over the remaining life of the bond.
- The Boat Storage Brownfield TIF Bond will post the last debt service payment in the fall of 2017. A Local Site Remediation Revolving Loan Fund will be created in FY 2017-18 from captured taxes on this property for Brownfield use.

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, 2017, amounted to \$110,688,925 (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	\$ 8,443,746	\$ 531,603	\$ 8,975,349
Construction in progress	1,094,947	1,005,383	2,100,330
Structures & improvements	4,778,465	4,854,715	9,633,180
Machinery, equipment, vehicles & fixtures	2,776,634	231,936	3,008,570
Buildings	9,824,801	-	9,824,801
Parking facilities	4,647,959	-	4,647,959
Infrastructure	24,468,172	-	24,468,172
Production and treatment	-	7,657,404	7,657,404
Transmission and distribution	-	40,151,406	40,151,406
General plant	-	221,754	221,754
Total	\$56,034,724	\$54,654,201	\$110,688,925

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	Business-	
	Activities	type	Total
	Activities	Activities	
Accrued employee benefits	\$ 1,352,774	\$ 624,133	\$ 1,976,907
Capital lease obligations	1,044,464	-	1,044,464
Bond premiums	775,306	-	775,306
Bonds payable	15,308,960	1,721,040	17,030,000
Total	\$18,481,504	\$2,345,173	\$20,826,677

The City entered into no new debt during the year and reduced debt by \$8,695,641.

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 2017-18 fiscal year:

- Property values in the aggregate are expected to increase 1% per year for 5 years, a very conservative estimate for future budget planning.
- Wages and fringe benefits are continually reviewed for budgeting and staffing decisions. A contract with the Police Officer's Labor Council was negotiated by the deadline of June 30, 2017 and runs through June 30, 2020. The Service Employees International Union (DPW) contract was negotiated in June 2016 and runs through June, 2019. This stability will assist budgeting in coming years.
- Health benefits costs continue to be difficult to forecast, especially with the additional burdens and processes established by law. We forecast an average increase of 6% per year for the foreseeable future.
- Standard & Poor's AA-stable rating continues, an indication of quality management and conservative fiscal operations.

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, 2017

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
Assets				
Cash and pooled investments	\$ 19,242,938	\$ 15,158,562	\$ 34,401,500	\$ 422,621
Accounts receivable	375,377	5,110,668	5,486,045	256,178
Due from other governments	442,909	2,310,722	2,753,631	-
Taxes receivable	3,343	-	3,343	231
Special assessments receivable	274,434	115,520	389,954	299,349
Internal balances	636,896	(636,896)	-	-
Capital lease receivable	-	-	-	1,442,216
Prepaid items	192,573	97,664	290,237	1,161
Inventory	32,681	6,086,112	6,118,793	-
Bond discount	-	-	-	20,086
Capital assets				
Land	8,443,746	531,603	8,975,349	-
Construction in progress	1,094,947	1,005,383	2,100,330	-
Depreciable capital assets, net	46,496,031	53,117,215	99,613,246	-
Total assets	77,235,875	82,896,553	160,132,428	2,441,842
Deferred outflows of resources				
Pension related	3,264,634	2,660,527	5,925,161	27,885
Deferred charge on refunding	-	-	-	291,449
Total deferred outflows of resources	3,264,634	2,660,527	5,925,161	319,334
Liabilities				
Accounts payable	1,209,918	1,611,578	2,821,496	86,140
Accrued liabilities	348,922	458,209	807,131	1,845
Accrued interest payable	174,809	-	174,809	130,636
Noncurrent liabilities				
Accrued compensated absences	1,352,774	624,133	1,976,907	-
Other post-employment benefits obligation	371,634	60,529	432,163	-
Net pension liability	15,425,144	12,483,685	27,908,829	131,791
Bond premium	775,306	-	775,306	447,383
Due within one year	836,248	116,170	952,418	1,692,335
Due in more than one year	15,517,176	1,604,870	17,122,046	13,969,584
Total liabilities	36,011,931	16,959,174	52,971,105	16,459,714
Net position				
Net investment in capital assets	38,905,994	52,933,161	91,839,155	-
Restricted for				
Debt service	2,312,325	-	2,312,325	-
Streets	431,246	-	431,246	-
Capital projects	4,721,497	-	4,721,497	-
Permanent trust				
Cemetery - nonexpendable portion	1,852,960	-	1,852,960	-
Unrestricted (deficit)	(3,735,444)	15,664,745	11,929,301	(13,698,538)
Total net position	\$ 44,488,578	\$ 68,597,906	\$ 113,086,484	\$ (13,698,538)

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

CITY OF GRAND HAVEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
General government	\$ 6,792,750	\$ 258,546	\$ 702,840	\$ 334,360
Public safety	3,854,443	219,983	5,893	-
Public works	4,811,698	929,734	1,289,983	2,023
Culture and recreation	596,917	452,677	-	-
Interest on long-term debt	653,663	-	-	-
Total governmental activities	16,709,471	1,860,940	1,998,716	336,383
Business-type activities				
Board of Light and Power	30,951,632	38,231,330	248,821	-
Sewer	2,081,201	2,195,240	50,835	286
Water	1,590,767	1,916,157	17,003	-
Other business-type activities	918,988	706,419	25,514	48,450
Total business-type activities	35,542,588	43,049,146	342,173	48,736
Total primary government	\$ 52,252,059	\$ 44,910,086	\$ 2,340,889	\$ 385,119
Component Units				
Economic Development Corporation	\$ 22,943	\$ -	\$ -	\$ -
Main Street Downtown Development Authority	665,657	-	20,782	240,183
Brownfield Redevelopment Authority	310,352	-	816,201	60,911
Total component units	\$ 998,952	\$ -	\$ 836,983	\$ 301,094

(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, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (12,513,432)	\$ 7,897,467	\$ (4,615,965)	\$ 139,125
General revenues				
Property taxes	7,420,237	-	7,420,237	929,640
State shared revenues	988,232	-	988,232	-
Unrestricted investment earnings	161,590	-	161,590	52,038
Other general revenues	388,500	-	388,500	159,799
Transfers - internal activities	<u>1,457,286</u>	<u>(1,457,286)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>10,415,845</u>	<u>(1,457,286)</u>	<u>8,958,559</u>	<u>1,141,477</u>
Change in net position	(2,097,587)	6,440,181	4,342,594	1,280,602
Net position, beginning of year	<u>46,586,165</u>	<u>62,157,725</u>	<u>108,743,890</u>	<u>(14,979,140)</u>
Net position, end of year	<u>\$ 44,488,578</u>	<u>\$ 68,597,906</u>	<u>\$ 113,086,484</u>	<u>\$ (13,698,538)</u>

(Concluded)

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

CITY OF GRAND HAVEN

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 4,011,930	\$ 13,135,407	\$ 17,147,337
Accounts receivable	241,213	111,376	352,589
Due from other governments	189,360	253,379	442,739
Taxes receivable	3,343	-	3,343
Special assessments receivable	261,430	13,004	274,434
Due from other funds	326,226	588,169	914,395
Prepaid items	18,073	15,143	33,216
Inventory	13,846	-	13,846
Total assets	<u>\$ 5,065,421</u>	<u>\$ 14,116,478</u>	<u>\$ 19,181,899</u>
Liabilities, deferred inflows and fund balances			
Liabilities			
Accounts payable	\$ 144,697	\$ 1,015,833	\$ 1,160,530
Accrued liabilities	124,851	14,072	138,923
Due to other funds	25,779	302,462	328,241
Total liabilities	<u>295,327</u>	<u>1,332,367</u>	<u>1,627,694</u>
Deferred inflows of resources			
Unavailable revenue	<u>275,564</u>	<u>12,538</u>	<u>288,102</u>
Fund balances			
Non-spendable			
Prepaid items	18,073	15,143	33,216
Permanent fund corpus	-	1,852,960	1,852,960
Inventory	13,846	-	13,846
Restricted			
Streets	-	429,442	429,442
Public works	-	7,597,621	7,597,621
Debt service funds	-	2,312,137	2,312,137
Committed			
Capital projects	-	564,270	564,270
Budget stabilization	2,544,469	-	2,544,469
Assigned			
Future years expenditures	490,874	-	490,874
Unassigned	1,427,268	-	1,427,268
Total fund balances	<u>4,494,530</u>	<u>12,771,573</u>	<u>17,266,103</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,065,421</u>	<u>\$ 14,116,478</u>	<u>\$ 19,181,899</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, 2017

Fund balances - total governmental funds	\$ 17,266,103
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Amounts reported for *governmental activities* in the statement of net position are different because:

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

Add - land	8,443,746
Add - construction in progress	1,094,947
Add - capital assets (net of accumulated depreciation)	44,009,913

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	288,102
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Pension contributions and other pension deferred outflows are not reported in the funds.

Add - deferred outflows	3,211,249
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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	4,347,275
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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	(1,337,942)
Deduct - other post-employment benefits	(358,498)
Deduct - long-term debt	(16,353,424)
Deduct - bond premium	(775,306)
Deduct - net pension liability	(15,172,778)
Deduct - accrued interest on long-term debt	(174,809)

Net position of governmental activities	<u>\$ 44,488,578</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues			
Taxes	\$ 5,811,561	\$ 1,622,819	\$ 7,434,380
Intergovernmental revenues			
Federal	2,428	109,633	112,061
State	994,125	1,010,877	2,005,002
Local	73,362	493,628	566,990
Special assessments	16,657	35,728	52,385
Licenses and permits	620,598	-	620,598
Charges for services	1,656,294	2,023	1,658,317
Fines	110,322	-	110,322
Investment earnings	101,312	60,278	161,590
Miscellaneous	366,175	80,921	447,096
Total revenues	<u>9,752,834</u>	<u>3,415,907</u>	<u>13,168,741</u>
Expenditures			
Current			
General government	2,745,916	656,025	3,401,941
Public safety	4,347,348	-	4,347,348
Public works	2,917,549	2,875,343	5,792,892
Culture and recreation	707,452	-	707,452
Debt service			
Principal	12,449	773,924	786,373
Interest	13,211	647,856	661,067
Capital outlay	-	1,408,397	1,408,397
Total expenditures	<u>10,743,925</u>	<u>6,361,545</u>	<u>17,105,470</u>
Revenues over (under) expenditures	<u>(991,091)</u>	<u>(2,945,638)</u>	<u>(3,936,729)</u>
Other financing sources (uses)			
Transfers in	2,177,649	7,886,956	10,064,605
Transfers out	(3,486,302)	(5,321,017)	(8,807,319)
Total other financing sources (uses)	<u>(1,308,653)</u>	<u>2,565,939</u>	<u>1,257,286</u>
Net changes in fund balances	(2,299,744)	(379,699)	(2,679,443)
Fund balances, beginning of year	<u>6,794,274</u>	<u>13,151,272</u>	<u>19,945,546</u>
Fund balances, end of year	<u>\$ 4,494,530</u>	<u>\$ 12,771,573</u>	<u>\$ 17,266,103</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, 2017

Net changes in fund balances - total governmental funds	\$ (2,679,443)
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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	2,571,139
Deduct - net book value of disposed assets	(147,414)
Deduct - depreciation expense	(2,052,734)

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	(14,143)
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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	786,373
Add - bond premium amortization	117,549

Some expenses and changes in deferred outflows 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 accrued employee benefits	95,399
Add - decrease in net pension liability	1,455,778
Deduct - decrease in deferred outflows	(2,438,973)
Add - decrease in other post-employment benefit liability	231,281
Add - decrease in accrued interest	7,404

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.

Deduct - decrease in net position from the internal service funds	<u>(29,803)</u>
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Change in net position of governmental activities	<u>\$ (2,097,587)</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, 2017

	Enterprise Funds					Governmental Activities
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds	Enterprise Fund Total	Internal Service Funds
Assets						
Current assets						
Cash and pooled investments	\$ 13,036,594	\$ 1,670,762	\$ 308,517	\$ 142,689	\$ 15,158,562	\$ 2,095,601
Accounts receivable	4,491,836	259,519	275,440	83,873	5,110,668	22,788
Due from other governments	2,259,980	-	-	50,742	2,310,722	170
Special assessments receivable	-	115,520	-	-	115,520	-
Due from other funds	-	-	-	-	-	50,742
Prepaid items	64,832	16,630	11,648	4,554	97,664	159,357
Inventory	5,990,264	8,447	87,401	-	6,086,112	18,835
Total current assets	25,843,506	2,070,878	683,006	281,858	28,879,248	2,347,493
Noncurrent assets						
Capital assets						
Land	222,281	5,260	-	304,062	531,603	-
Construction in progress	652,732	117,438	228,618	6,595	1,005,383	-
Depreciable capital assets, net	26,292,305	8,313,840	13,602,853	4,908,217	53,117,215	2,486,118
Total noncurrent assets	27,167,318	8,436,538	13,831,471	5,218,874	54,654,201	2,486,118
Total assets	53,010,824	10,507,416	14,514,477	5,500,732	83,533,449	4,833,611
Deferred outflows of resources						
Pension related	2,457,570	83,109	102,093	17,755	2,660,527	53,385
Liabilities						
Current liabilities						
Accounts payable	1,375,549	78,962	118,671	38,396	1,611,578	49,388
Accrued liabilities	437,840	7,574	5,308	7,487	458,209	209,999
Due to other funds	148,129	7,837	1,693	479,237	636,896	-
Current portion of long-term debt	-	-	116,170	-	116,170	-
Total current liabilities	1,961,518	94,373	241,842	525,120	2,822,853	259,387
Long-term liabilities						
Accrued compensated absences	577,454	22,968	20,323	3,388	624,133	14,832
Net pension liability	11,524,695	392,569	482,299	84,122	12,483,685	252,366
Other post-employment benefits obligation	-	17,958	38,907	3,664	60,529	13,136
Bonds payable, net of current portion	-	-	1,604,870	-	1,604,870	-
Total long-term liabilities	12,102,149	433,495	2,146,399	91,174	14,773,217	280,334
Total liabilities	14,063,667	527,868	2,388,241	616,294	17,596,070	539,721
Net position						
Net investment in capital assets	27,167,318	8,436,538	12,110,431	5,218,874	52,933,161	2,486,118
Unrestricted	14,237,409	1,626,119	117,898	(316,681)	15,664,745	1,861,157
Total net position	\$ 41,404,727	\$ 10,062,657	\$ 12,228,329	\$ 4,902,193	\$ 68,597,906	\$ 4,347,275

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, 2017

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds		
Operating revenues						
Charges for services	\$ 38,231,330	\$ 2,195,240	\$ 1,916,157	\$ 706,419	\$ 43,049,146	\$ 5,191,137
Total operating revenue	<u>38,231,330</u>	<u>2,195,240</u>	<u>1,916,157</u>	<u>706,419</u>	<u>43,049,146</u>	<u>5,191,137</u>
Operating expenses						
Operating costs and expenses	20,971,435	1,735,646	1,130,021	499,518	24,336,620	5,047,359
Distribution	2,730,158	-	-	-	2,730,158	-
Customer accounts	1,175,689	-	-	-	1,175,689	-
Administrative and general	2,027,622	170,013	171,609	9,327	2,378,571	231,702
Depreciation	4,046,728	163,923	206,974	399,233	4,816,858	278,949
Total operating expenses	<u>30,951,632</u>	<u>2,069,582</u>	<u>1,508,604</u>	<u>908,078</u>	<u>35,437,896</u>	<u>5,558,010</u>
Operating income (loss)	<u>7,279,698</u>	<u>125,658</u>	<u>407,553</u>	<u>(201,659)</u>	<u>7,611,250</u>	<u>(366,873)</u>
Non-operating revenues (expenses)						
Gain (loss) on disposal of capital assets	-	-	(587)	-	(587)	(33,953)
Special assessments	-	286	-	-	286	-
Investment earnings	146,397	50,835	261	1,229	198,722	6,797
Other	102,424	-	16,742	24,285	143,451	164,226
Interest expense	-	(11,619)	(81,576)	(10,910)	(104,105)	-
Total non-operating revenues (expenses)	<u>248,821</u>	<u>39,502</u>	<u>(65,160)</u>	<u>14,604</u>	<u>237,767</u>	<u>137,070</u>
Income (loss) before other items	<u>7,528,519</u>	<u>165,160</u>	<u>342,393</u>	<u>(187,055)</u>	<u>7,849,017</u>	<u>(229,803)</u>
Transfers and other items						
Contribution in aid of construction	-	-	-	48,450	48,450	-
Transfers in	-	218,644	507,769	10,000	736,413	200,000
Transfers out	(1,903,020)	(198,943)	(91,736)	-	(2,193,699)	-
Total transfers and other items	<u>(1,903,020)</u>	<u>19,701</u>	<u>416,033</u>	<u>58,450</u>	<u>(1,408,836)</u>	<u>200,000</u>
Changes in net position	5,625,499	184,861	758,426	(128,605)	6,440,181	(29,803)
Net position, beginning of year	<u>35,779,228</u>	<u>9,877,796</u>	<u>11,469,903</u>	<u>5,030,798</u>	<u>62,157,725</u>	<u>4,377,078</u>
Net position, end of year	<u>\$ 41,404,727</u>	<u>\$ 10,062,657</u>	<u>\$ 12,228,329</u>	<u>\$ 4,902,193</u>	<u>\$ 68,597,906</u>	<u>\$ 4,347,275</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, 2017

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Board of Light and Power	Municipal Sewer	Municipal Water	Nonmajor Enterprise Funds		
Cash flows from operating activities						
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,243,719
Receipts from customers and users	38,590,122	2,214,274	1,887,088	673,366	43,364,850	-
Payments to employees	(4,642,523)	(124,556)	(363,541)	(136,614)	(5,267,234)	(195,906)
Payments to suppliers	(22,109,361)	(1,716,046)	(955,612)	(653,449)	(25,434,468)	(1,239,605)
Claims paid	-	-	-	-	-	(3,818,236)
Net cash provided by (used in) operating activities	11,838,238	373,672	567,935	(116,697)	12,663,148	(10,028)
Cash flows from non-capital financing activities						
Transfers in	(1,920,034)	218,644	507,769	10,000	(1,183,621)	200,000
Transfers out	(160,018)	(198,943)	(91,736)	-	(450,697)	-
Net cash provided by (used in) non-capital financing activities	(2,080,052)	19,701	416,033	10,000	(1,634,318)	200,000
Cash flows from capital and related financing activities						
Interest paid on long-term debt	(206,122)	(11,619)	(81,576)	(10,910)	(310,227)	-
Contribution in aid of construction	-	-	-	48,450	48,450	-
Principal paid on long-term debt	(7,540,000)	-	(114,019)	-	(7,654,019)	-
Acquisitions of capital assets	(4,177,990)	(227,440)	(494,096)	(53,909)	(4,953,435)	(474,656)
Net cash provided by (used in) capital and related financing activities	(11,924,112)	(239,059)	(689,691)	(16,369)	(12,869,231)	(474,656)
Cash flows from investing activities						
Interest received	146,397	50,831	259	1,229	198,716	6,796
Net cash provided by (used in) investing activities	146,397	50,831	259	1,229	198,716	6,796
Net increase (decrease) in cash and pooled investments	(2,019,529)	205,145	294,536	(121,837)	(1,641,685)	(277,888)
Cash and pooled investments, beginning of year	15,056,123	1,465,617	13,981	264,526	16,800,247	2,373,489
Cash and pooled investments, end of year	\$ 13,036,594	\$ 1,670,762	\$ 308,517	\$ 142,689	\$ 15,158,562	\$ 2,095,601
Cash flows from operating activities						
Operating income (loss)	\$ 7,439,716	\$ 125,658	\$ 407,553	\$ (201,659)	\$ 7,771,268	\$ (366,873)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	4,046,728	163,923	206,974	399,233	4,816,858	278,949
Miscellaneous revenue	102,424	286	16,742	24,285	143,737	164,226
Deferred outflows of resources	1,650,448	27,443	100,617	18,097	1,796,605	51,069
Change in operating assets and liabilities which provided (used) cash						
Accounts receivable	242,366	(21,505)	(45,811)	16,843	191,893	(21,413)
Special assessments receivable	-	40,253	-	-	40,253	-
Due from other funds	-	-	-	-	-	(21,128)
Due from other governmental units	-	-	-	(49,896)	(49,896)	8
Prepaid items	1,191	3,033	2,927	(3,720)	3,431	13,994
Inventory	(279,942)	(638)	576	-	(280,004)	2,806
Deposit with others	(324,171)	-	-	-	(324,171)	-
Accounts payable	(747,800)	(22,389)	(1,762)	(9,201)	(781,152)	29,120
Accrued liabilities	242,754	(735)	(508)	(588)	240,923	68,467
Other liabilities	14,002	-	-	(286,866)	(272,864)	-
Due to other governmental units	-	-	-	-	-	(150,000)
Due to other funds	-	2,754	770	-	3,524	-
Compensated absences	(28,453)	(8,416)	(1,961)	(1,203)	(40,033)	(2,268)
Net pension liability	(515,114)	67,169	(114,268)	(21,332)	(583,545)	(54,956)
Net OPEB obligation	(5,911)	(3,164)	(3,914)	(690)	(13,679)	(2,029)
Net cash provided by (used in) operating activities	\$ 11,838,238	\$ 373,672	\$ 567,935	\$ (116,697)	\$ 12,663,148	\$ (10,028)

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, 2017

	Retiree Health Care	Agency Funds
Assets		
Cash and pooled investments	\$ 396,174	\$ 5,193,562
Funds on deposit with MERS	1,948,271	-
Accounts receivables	-	182,373
Due from other governmental units	19,553	-
	<hr/>	<hr/>
Total assets	<u>2,363,998</u>	<u>\$ 5,375,935</u>
Liabilities		
Accounts payable	-	88,500
Accrued liabilities	-	261,206
Due to other governmental units	-	46
Trust deposits	-	5,026,183
	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>\$ 5,375,935</u>
Net position		
Restricted for other post-employment benefits	<u>\$ 2,363,998</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, 2017

	Retiree Health Care
Additions	
Employer contributions	\$ 900,012
Interest income	<u>197,518</u>
Total additions	<u>1,097,530</u>
Deductions	
Insurance payments	535,595
Changes in net position	561,935
Net position, beginning of year	<u>1,802,063</u>
Net position, end of year	<u><u>\$ 2,363,998</u></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, 2017

	<u>Economic Development Corporation</u>	<u>Main Street Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 222,410	\$ 75,990	\$ 124,221	\$ 422,621
Accounts receivable	113,396	95,870	46,912	256,178
Taxes receivable	-	-	231	231
Special assessments receivable	-	299,349	-	299,349
Capital lease receivable	-	1,442,216	-	1,442,216
Prepaid items	-	828	333	1,161
Bond discount	-	20,086	-	20,086
Total assets	<u>335,806</u>	<u>1,934,339</u>	<u>171,697</u>	<u>2,441,842</u>
Deferred outflows of resources				
Pension related	-	27,885	-	27,885
Deferred charge on refunding	-	62,239	229,210	291,449
Total deferred outflows of resources	<u>-</u>	<u>90,124</u>	<u>229,210</u>	<u>319,334</u>
Liabilities				
Accounts payable	-	86,121	19	86,140
Accrued liabilities	-	1,845	-	1,845
Accrued interest	-	86,973	43,663	130,636
Long-term debt				
Net pension liability	-	131,791	-	131,791
Bond premium	-	-	447,383	447,383
Due within one year	-	320,000	1,372,335	1,692,335
Due in more than one year	-	7,660,000	6,309,584	13,969,584
Total liabilities	<u>-</u>	<u>8,286,730</u>	<u>8,172,984</u>	<u>16,459,714</u>
Net position (deficit)				
Unrestricted	<u>\$ 335,806</u>	<u>\$ (6,262,267)</u>	<u>\$ (7,772,077)</u>	<u>\$ (13,698,538)</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, 2017

	<u>Economic Development Corporation</u>	<u>Main Street Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
Expenses				
Economic Development Corp	\$ 22,943	\$ -	\$ -	\$ 22,943
Main Street Downtown Development Authority	-	665,657	-	665,657
Brownfield Redevelopment Authority	-	-	310,352	310,352
Total expenses	<u>22,943</u>	<u>665,657</u>	<u>310,352</u>	<u>998,952</u>
Revenues				
Program revenues				
Operating grants and contributions	-	20,782	816,201	836,983
Capital grants	-	240,183	60,911	301,094
General revenues				
Property taxes	-	397,869	531,771	929,640
Unrestricted investment earnings	3,965	47,537	536	52,038
Miscellaneous	<u>2,865</u>	<u>71,593</u>	<u>85,341</u>	<u>159,799</u>
Total revenues	<u>6,830</u>	<u>777,964</u>	<u>1,494,760</u>	<u>2,279,554</u>
Change in net position	(16,113)	112,307	1,184,408	1,280,602
Net position (deficit), beginning of year	<u>351,919</u>	<u>(6,374,574)</u>	<u>(8,956,485)</u>	<u>(14,979,140)</u>
Net position (deficit), end of year	<u>\$ 335,806</u>	<u>\$ (6,262,267)</u>	<u>\$ (7,772,077)</u>	<u>\$ (13,698,538)</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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Blended Component Unit

The City of Grand Haven Building Authority was established on April 12, 1993 under State Law (Act 31 of 1948, as amended) to effect improvements within the City. The Building Authority is a blended component unit as its relationship with the City permeates the financial operations of the City. The Building Authority's governing body is selected by City Council and currently includes the City Manager, the City Clerk and the Finance Director. A separate report is not prepared for the Building Authority. The Building Authority paid the final debt service payment on the community center building authority bond in October 2014. The Building Authority is currently inactive but is available for future use as necessary.

Discretely Presented Component Units

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

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

Recommended in December 2004, the City Council adopted the MSDDA's Tax Increment Financing (TIF) and Development Plan which set forth guidelines for downtown public improvements. In January 2006, the City issued \$3,345,000 in Downtown TIF bonds for the first project series, being improvements to parking lots on Franklin Street between Harbor Avenue and Third Street. 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, 2017

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 2018. 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 continues 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 general 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.

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, 2017

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 \$1,017,225 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, the Village of Spring Lake and Spring Lake Township. HTMMTS is governed by a Board of Trustees containing 11 members. The HTMMTS Articles of Incorporation require the Members to have two members serving 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, 2017, the City distributed tax revenues of \$304,267 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 dollar amount of Board of Light and Power’s commitments for participation in the various MPPA projects of \$40,000,000 increases from \$2,100,000 in 2017 to \$2,900,000 in 2025 at which point the commitments decline to zero in 2040.

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, 2017

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

Electricity purchase from/through MPPA	\$ (654,975)
Payments to MPPA for electricity transmission	289,345
Payments to MPPA for renewable energy	2,057,358
Payments to MPPA for other	390,117

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 \$589,655 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.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

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

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

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

Statutory Authority

State statutes authorize the City to invest in:

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

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, 2017

Capital Assets

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

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received. The amount reported for infrastructure includes only assets added since 2003.

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

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

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

	<u>Years</u>
Structures and improvements	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 penalty 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.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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.

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. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

Net Position and Fund Balance Flow Assumptions

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

The City Council has adopted a minimum fund balance policy in which the total fund balance of the general fund will be equal to at least 25 percent of the previous year's expenditures. If the 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. At year-end, the fund balance of the general fund was approximately 43% of the previous year's expenditures.

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

Interfund Transactions

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

Compensated Absences

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

Long-Term Obligations

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

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

Pensions

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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"). 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.

During the year ended June 30, 2017, the City incurred expenditures in the general and special revenue funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General Fund			
Police – DARE	\$ 57,485	\$ 58,038	\$ (553)
Debt service principal	-	12,449	(12,449)
Transfers out	3,471,190	3,486,302	(15,112)
Major Streets Fund			
Trunkline – Traffic Signals	7,000	7,381	(381)
Local Streets Fund			
Traffic Services	26,500	27,536	(1,036)
Pavement Marking	16,500	23,514	(7,014)

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	\$19,242,938	\$15,158,562	\$5,589,736	\$422,621	\$40,413,857
Funds on deposit with MERS	-	-	1,948,271	-	1,948,271
	\$19,242,938	\$15,158,562	\$7,538,007	\$422,621	\$42,362,128

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

Deposits	\$30,309,457
Investments	12,042,638
Petty cash	<u>10,033</u>
Total	<u>\$42,362,128</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.

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	\$ 463,555	Unrated	
Funds on deposit with MERS	N/A	1,948,271	Unrated	
Fixed income securities:				
Oakland County EDC	12/1/25	180,000	A-	S&P
Michigan State Strategic Fund	4/1/31	410,000	Unrated	
Michigan State Strategic Fund	4/1/35	165,000	Unrated	
US Government and agency securities/pools				
FFCB bond 1.25%	1/21/20	543,945	Aaa	Moody's
FFCB bond 1.92%	4/19/22	495,975	Aaa	Moody's
FHLB bond 1.0%	8/24/21	495,590	Aaa	Moody's
FHLB bond 1.0%	9/28/18	499,670	AAA	Moody's
FHLB bond 1.0%	9/28/18	499,670	AAA	Moody's
FHLMC bond .875%	10/26/18	749,970	AAA	Moody's
FNMA pool 2%	6/25/39	331,313	Unrated	
FNMA pool 2.25%	7/25/43	389,060	Unrated	
FHLMC pool 2.5%	7/15/42	488,036	Unrated	
FHLMC pool 2.5%	12/15/41	131,858	Unrated	
FHLMC bond 1.25%	5/24/19	248,935	Aaa	Moody's
FNMA bond 1.35%	10/28/19	994,370	Aaa	Moody's
FNMA pool 2.5%	3/25/28	273,190	Unrated	
GNMA pool 3.5%	2/16/38	134,103	Unrated	
GNMA pool 2.0%	1/16/45	403,363	Unrated	
FHLMC pool 2.0%	10/15/46	185,183	Unrated	
FNMA pool 3%	12/25/43	282,145	Unrated	
FHLMC pool 3%	7/15/31	275,796	Unrated	
FNMA pool 3.5%	10/25/39	140,813	Unrated	
FHLMC pool 3%	12/15/41	337,658	Unrated	
GNMA pool 3.5%	8/20/40	245,930	Unrated	
FHLMC pool 3.5%	4/15/44	318,495	Unrated	
FNMA pool 4%	11/25/19	13,016	Unrated	
FNMA pool 4%	6/25/41	309,255	Unrated	
FNMA pool 2.5%	3/25/39	88,473	Unrated	
Total		<u>\$12,042,638</u>		

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Investment and deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$28,009,130 of the City's bank balance of \$31,539,428 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.

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 \$12,042,638 of investments, the City has custodial credit risk of \$9,630,812 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, \$2,411,826 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.

The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of year-end.

- U.S. Government agency bonds and notes are valued using quoted market prices (Level 1 inputs).
- Money market funds, funds on deposit with MERS, US Government agency pools and municipal bonds are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities				
Capital assets, not being depreciated				
Land	\$8,457,148	\$ -	\$ 13,402	\$8,443,746
Construction in progress	3,598,622	1,379,106	3,882,781	1,094,947
Total capital assets, not being depreciated	12,055,770	1,379,106	3,896,183	9,538,693
Capital assets, being depreciated				
Structures and improvements	11,119,824	37,629	390,751	10,766,702
Machinery, equipment, vehicles and Fixtures	6,108,222	540,346	525,268	6,123,300
Buildings	11,313,514	3,460,019	339,511	14,434,022
Parking facilities	9,267,520	-	129,125	9,138,395
Infrastructure	39,098,316	1,511,475	-	40,609,791
Total capital assets, being depreciated	76,907,396	5,549,469	1,384,655	81,072,210
Less accumulated depreciation:				
Structures and improvements	5,968,356	364,179	344,298	5,988,237
Machinery, equipment, vehicles and Fixtures	3,453,255	383,802	490,391	3,346,666
Buildings	4,515,900	346,198	252,877	4,609,221
Parking facilities	4,349,380	270,181	129,125	4,490,436
Infrastructure	15,174,297	967,322	-	16,141,619
Total accumulated depreciation	33,461,188	2,331,682	1,216,691	34,576,179
Net capital assets, being depreciated	43,446,208	3,217,787	167,964	46,496,031
Governmental activities capital assets, net	\$55,501,978	\$4,596,893	\$4,064,147	\$56,034,724
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 531,603	\$ -	\$ -	\$ 531,603
Construction in progress	394,352	1,294,061	683,030	1,005,383
Total capital assets, not being depreciated	925,955	1,294,061	683,030	1,536,986
Capital assets being depreciated				
Structures and improvements	10,086,231	43,024	1,316	10,127,939
Machinery, equipment, vehicles and fixtures	472,816	61,134	-	533,950
Production and treatment	103,514,222	1,004,075	-	104,518,297
Transmission and distribution	66,251,722	3,213,300	4,740	69,460,282
General plant	2,025,716	22,167	-	2,047,883
Total capital assets, being depreciated	182,350,707	4,343,700	6,056	186,688,351

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2017</u>
Less accumulated depreciation for:				
Structures and improvements	\$ 4,889,513	\$ 383,744	\$ 33	\$ 5,273,224
Machinery, equipment, vehicles and fixtures	270,811	31,203	-	302,014
Production and treatment	94,149,125	2,711,768	-	96,860,893
Transmission and distribution	27,727,163	1,585,865	4,152	29,308,876
General plant	1,721,852	104,277	-	1,826,129
Total accumulated depreciation	128,758,464	4,816,857	4,185	133,571,136
Net capital assets, being depreciated	53,592,243	(473,157)	1,871	53,117,215
Business-type activities capital assets, net	\$54,518,198	\$ 820,904	\$684,901	\$54,654,201

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

Governmental activities

General government	\$ 413,678
Public safety	682,026
Public works	851,408
Culture and recreation	105,622
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	278,948

Total depreciation expense - governmental activities **\$2,331,682**

Business-type activities

Board of Light and Power	\$4,046,728
Sewer	163,923
Water	206,973
Other business-type	399,233

Total depreciation expense – business- type activities **\$4,816,857**

5. INTERFUND TRANSACTIONS

Internal balances for the year ended June 30, 2017 are as follows:

	<u>Due to</u>					
<u>Due from</u>	<u>General Fund</u>	<u>Board of Light and Power</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
General fund	\$ -	\$148,129	\$ -	\$ -	\$178,097	\$326,226
Non-major funds	25,779	-	7,837	1,693	603,602	638,911
	<u>\$25,779</u>	<u>\$148,129</u>	<u>\$7,837</u>	<u>\$1,693</u>	<u>\$781,699</u>	<u>\$965,137</u>

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Transfers in and out for the year ended June 30, 2017 are as follows:

	Transfers out					
<u>Transfers in</u>	<u>General Fund</u>	<u>Board of Light and Power</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
General fund	\$ -	\$1,903,020	\$107,265	\$91,736	\$ 75,628	\$ 2,177,649
Non-major funds	3,486,302	-	-	-	4,610,654	8,096,956
Sewer fund	-	-	-	-	218,644	218,644
Water fund	-	-	91,678	-	416,091	507,769
	\$3,486,302	\$1,903,020	\$198,943	\$91,736	\$5,321,017	\$11,001,018

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, 2017.

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental Activities					
\$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%	\$7,330,000	\$ -	\$375,000	\$6,955,000	\$410,000
\$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%	2,429,941	-	150,981	2,278,960	153,830
\$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%	6,305,000	-	230,000	6,075,000	240,000
\$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%	1,074,856	-	30,392	1,044,464	32,418
Total debt	17,139,797	-	786,373	16,353,424	836,248
Bond premiums	892,855	-	117,549	775,306	-
Accrued employee benefits	1,450,441	405,228	502,895	1,352,774	-
Total Governmental Activities	\$19,483,093	\$405,228	\$1,406,817	\$18,481,504	\$836,248

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
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%	\$7,210,000	\$ -	\$7,210,000	\$ -	\$ -
\$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%	1,835,059	-	114,019	1,721,040	116,170
\$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%	330,000	-	330,000	-	-
Total debt	9,375,059	-	7,654,019	1,721,040	116,170
Accrued employee benefits	664,166	182,025	222,058	624,133	-
Total Business-type Activities	\$10,039,225	\$182,025	\$7,876,077	\$2,345,173	\$116,170
Component Units					
\$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%	\$5,305,000	\$ -	\$150,000	\$5,155,000	\$160,000
\$710,000 2005 Tax Increment Bonds due in annual installments of \$35,000 to \$70,000 through October 2017; interest at 3.69%	140,000	-	70,000	70,000	70,000
\$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%	1,165,000	-	1,165,000	-	-
\$1,000,000 2011 Brownfield Redevelopment Bonds due in annual installments of \$100,174 through May 2021; interest at 2.0%	318,031	-	61,112	256,919	62,335
\$2,960,000 2015 General Obligation Refunding Bonds due in annual installments of \$135,000 to \$380,000 through October 2026; interest at 2.3%	2,960,000	-	135,000	2,825,000	160,000

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
\$7,355,000 2016 Brownfield Redevelopment Bonds due in annual installments of \$1,240,000 to \$1,750,000 through November 2021; interest at 3.0% to 4.0%	\$ 7,355,000	\$ -	\$ -	\$ 7,355,000	\$1,240,000
Total debt	17,243,031	-	1,581,112	15,661,919	1,692,335
Issuance discounts	(21,973)	-	(1,887)	(20,086)	-
Issuance premiums	633,328	-	185,945	447,383	-
Total Component Units	\$17,854,386	\$ -	\$1,765,170	\$16,089,216	\$1,692,335

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2017 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 836,248	\$ 633,899	\$ 116,170	\$ 65,334	\$ 1,692,335	\$ 588,132
2019	892,135	606,401	118,322	63,012	1,758,581	535,645
2020	947,708	575,275	124,775	59,462	1,879,853	480,197
2021	1,007,457	540,461	129,078	54,470	2,116,150	411,269
2022	1,074,043	500,682	135,532	49,308	490,000	291,694
2023-2027	6,444,622	1,812,405	752,956	161,606	4,885,000	1,193,610
2028-2032	3,638,859	633,145	344,207	20,735	1,940,000	616,252
2033-2037	1,512,352	116,764	-	-	900,000	80,438
Total	\$16,353,424	\$5,419,032	\$1,721,040	\$473,927	\$15,661,919	\$4,197,237

7. LEASES RECEIVABLE

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 44,763	\$ 43,542
2019	48,960	42,410
2020	51,758	41,130
2021	57,353	39,743
2022	61,550	38,165
2023-2027	383,285	161,916
2028-2032	542,754	94,824
2033-2037	251,793	12,378
Total	\$1,442,216	\$474,108

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

8. PENSION PLANS

Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

Pension benefits approved by the City Council are provided to all full time employees based on division/bargaining unit. Benefits provided include a multiplier of from 2.25 to 2.5 times final average compensation. Vesting period of 6 years. Normal retirement age is 60 with early retirement at 50 to 55 with from 15 to 25 years of service. Final average compensation is calculated based on a 3 year average.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2016):

	Total City
Active plan members	201
Inactive employees or beneficiaries currently receiving benefits	193
Inactive employees entitled but not yet receiving benefits	46
Total	440

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was from 12.85 to 20.46% of annual covered payroll depending on position and classification. Participating employees are required to contribute from 0 to 11.72% percent of covered payroll to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2016, 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, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% (3-4% for 2014)

Salary Increases: base wage inflation of 3.75% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5 for 2014)

Investment rate of return: 7.75%, net of investment expense, including inflation (8.25% for 2014)

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

The actuarial assumptions used in the valuation were based on the results of the 2015 actuarial experience study.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	57.5%	6.27%	3.60%
Global Fixed Income	20.0%	3.43%	0.68%
Real Assets	12.5%	5.48%	0.69%
Diversifying Strategies	10.0%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			8.00%

Discount rate. The discount rate used to measure the total pension liability is 8.00% which declined by .25% from the prior year. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2015	\$ 98,174,993	\$68,045,340	\$30,129,653
Changes for the Year:			
Service cost	1,938,291	-	1,938,291
Interest	7,719,273	-	7,719,273
Change in benefits	(27,927)	-	(27,927)
Differences between expected and actual experience	(1,279,520)	-	(1,279,520)
Change in assumptions	-	-	-
Contributions: employer	-	1,528,835	(1,528,835)
Contributions: employee	-	1,399,568	(1,399,568)
Net investment Income	-	7,662,061	(7,662,061)
Benefit payments, including refunds	(5,306,454)	(5,306,454)	-
Administrative expense	-	(151,314)	151,314
Other changes	-	-	-
Net changes	3,043,663	5,132,696	(2,089,033)
Balance at December 31, 2016	\$101,218,656	\$73,178,036	\$28,040,620

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total Pension Liability	\$113,463,898	\$101,218,656	\$90,991,898
Fiduciary Net Position	73,178,036	73,178,036	73,178,036
Net Pension Liability	\$ 40,285,862	\$ 28,040,620	\$17,813,862

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2017 the City recognized pension expense of \$3,741,524. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	\$ (381,693)
Differences in assumptions	2,670,831
Excess (deficit) investment returns	2,671,333
Contributions subsequent to the measurement date*	992,575
Total	\$5,953,046

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2018.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported as deferred outflows and inflows of resources related to City pensions (excluding contributions subsequent to the measurement date) will be recognized in pension expense as follows:

2018	\$1,978,626
2019	1,978,626
2020	1,723,044
2021	(719,826)
2022	-
Thereafter	-
Total	<u>\$4,960,471</u>

Defined Contribution Plans

The City provides an externally managed IRS Section 457 plan which provides pension benefits to qualified employees. The City does not contribute to the plan. Participants may elect to contribute up to the legal maximum. The plan provisions and contribution amounts were established by the City Council and may be amended by the Council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The balance of employee contributions and earnings are held in trust for employees by an organization separate from the City.

The City provides a defined contribution pension plan (externally managed IRS Section 401a plan), which provides pension benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City's contribution for employees eligible to participate in the plans vests immediately. Participants contribute from 2% of covered wages which is matched by the City. City contributions were \$59,434 and participant contributions were \$59,434 to the plan during the year. The plan provisions and contribution amounts were established by the City Council and may be amended by the Council.

The Board of Light and Power provides a defined contribution pension plan (the Plan) that provides pension benefits to all fulltime employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate after six months of employment. Employees are required to contribute 1% and the Board contributes 2% of each participant's compensation to the Plan. The Board's contributions are fully vested after four years of service. During the year employees contributed \$21,862 and the Board contributed \$43,724 to the plan.

9. OTHER POST-EMPLOYMENT BENEFITS

Defined Benefit Plan

Plan description

The City administers a single-employer defined benefit healthcare plan (the "Plan"). In addition to retirement benefits, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with the City's policy, the City provides health care benefits to retirees in accordance with the pension ordinance. For retirees below age 65, the City pays 75 percent to 80 percent of the annual premium (depending on the bargaining unit) and the retiree pays the 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, 2017, the date of the last plan valuation, the Plan covered 179 members (105 active plan members and 74 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.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Contributions

The Plan was established and is being funded under the authority of the City Council and under agreements with unions representing various classes of employees. The Plan's funding policy is that the employer will contribute any discretionary contributions. There are no long-term contracts for contributions to the Plan. The plan has no legally required reserves.

The contribution requirements of the plan members and the City are determined and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. For the current year the City's annual required contribution (ARC) was \$859,095 while actual contributions were \$1,035,595.

OPEB Liability under GASB 45

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The most recent actuarial valuation of the Retiree Health Plan was performed as of June 30, 2017. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation and asset with the plan.

Annual required contribution	\$ 859,095
Interest on Net OPEB obligation*	50,936
Adjustment to annual required contribution*	(121,425)
Annual OPEB cost (expense)	788,606
Contribution made	1,035,595
Change in net OPEB obligation	(246,989)
Net OPEB liability, beginning of year	679,152
Net OPEB liability, end of year	<u>\$ 432,163</u>

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation (Asset)</u>
6/30/15	\$681,035	56%	\$774,128
6/30/16	680,391	114%	679,152
6/30/17	788,606	131%	432,163

Schedule of Funding Progress*

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Market</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 (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>
6/30/17	\$2,363,998	\$6,855,662	\$(4,491,664)	34%	\$6,232,128	72%

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.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

The actuarial required contribution represents a level of funding, if paid on an ongoing basis, is projected to cover normal costs and the amortization of any unfunded actuarial accrued liability over a period not to exceed 30 years.

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.

Benefits provided

In accordance with the collective bargaining agreements, retirees receive an employer-paid benefit toward health and life insurance premiums for the retiree and spouse. For employees hired before October 1, 2013 based on hire date the Plan pay from 75% to 80% of the premium payment until age 65 and 0-10% thereafter.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2017):

Retirees and beneficiaries receiving benefits	74
Active plan members	<u>105</u>
Total	<u>179</u>

The plan is closed to new participants.

Contributions

The Plan was established and is being funded under the authority of the City Council and under agreements with unions representing various classes of employees. The Plan's funding policy is that the employer will contribute any discretionary contributions. There are no long-term contracts for contributions to the Plan. The plan has no legally required reserves.

Net OPEB Liability

The total OPEB liability in the June 30, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.99%

Salary Increases: 2.0%

Investment rate of return: 4.51%, net of investment expense, including inflation

20 – year Aa Municipal Bond rate: 3.11%

Healthcare cost trend rates: 8%

Mortality: As set forth in IRS Regulations for 2016 (1.430(h)(3)) for Non-annuitants, separately for males and females as well as annuitants and non-annuitants. Based on RP-2000 Tables with Scale AA.

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

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%
Cash	0.0%	0.00%

The City, as plan sponsor and investment fiduciary, has chosen for the Plan an asset mix intended to meet or exceed a long-term rate of return of 7.5%.

Concentrations. 100% of the Plan's investments are invested in the MERS total market portfolio.

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total OPEB liability is 7.5%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at December 31, 2015	\$6,300,692	\$1,253,420	\$5,047,272
Changes for the Year:			
Service cost	52,122	-	52,122
Interest	456,376	-	456,376
Change in benefits	-	-	-
Differences between expected and actual experience	79,952	-	79,952
Change in assumptions	-	-	-
Contributions: employer	-	500,000	(500,000)
Contributions: employee	-	535,595	(535,595)
Net investment Income	-	198,865	(198,865)
Benefit payments, including refunds	(535,595)	(535,595)	-
Administrative expense	-	(4,014)	4,014
Other changes	-	-	-
Net changes	52,855	694,851	(641,996)
Balance at December 31, 2016	\$6,353,547	\$1,948,271	\$4,405,276

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Sensitivity of the Net OPEB Liability to changes in the discount rate.

The following presents the net OPEB liability of the employer, calculated using the discount rate of 7.5%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease	Current Discount rate	1 % increase
Total OPEB liability	\$6,828,136	\$6,353,547	\$5,931,517
Fiduciary net position	1,948,271	1,948,271	1,948,271
Net OPEB liability	\$4,879,865	\$4,405,276	\$3,983,246
Plan fiduciary position as a percentage of the total OPEB liability	28.53%	30.66%	32.85%

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 8%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower (7%) or 1% higher (9%) than the current rate.

	1% Decrease	Current healthcare cost trend rate	1 % increase
Total OPEB liability	\$5,831,990	\$6,353,547	\$6,946,100
Fiduciary net position	1,948,271	1,948,271	1,948,271
Net OBEB liability	\$3,883,719	\$4,405,276	\$4,997,829

Subsequent reporting

Effective for the year ending June 30, 2018, the City will be required to implement a new reporting standard. This standard establishes new requirements for governments to report a "net OPEB liability" for the unfunded portion of its OPEB plan. Historically, governments have only been required to report a net OPEB obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net OPEB liability based on the funded status of the plan (actuarially accrued liability less plan assets). This liability will be reported on the accrual basis financial statements. Changes in this liability from year to year will largely be reflected on the accrual basis income statement, though certain amounts may be deferred and amortized over varying periods

Defined Contribution Plan

The City provides a Health Care Savings Plan ("HCSP"), which provides health insurance benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. In 2008 the HCSP was opened with a mandatory employee contribution rate of .25% of covered wages. Employees could elect to contribute up to 10%. In May 2011 MERS determined that the range was not allowed and froze contributions at the levels they were currently at. The City was not required to contribute. Employees hired after May 2011 are required to contribute 3% with a 3% City match, except for SEIU union employees who in the fall of 2013 voted to increase employee contributions to 5% with the City matching 3%. City contributions were \$109,523 and participant contributions were \$254,223 to the plan during the year. The plan provisions and contribution amounts were established and may be amended by MERS.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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 Municipal Underwriters of West Michigan, Inc. The City pays an annual premium to Municipal Underwriters of West Michigan, Inc. for liability insurance coverage. Municipal Underwriters of West Michigan, Inc. is self-sustaining through member premiums and provides, subject to certain deductibles, occurrences based coverage by internally insuring certain risks and reinsuring risks through commercial companies. A \$1,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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

The City is self-funded for medical, dental, optical and disability insurance. The claims liability of \$205,429 reported at June 30, 2017 is based on the requirements of accounting standards which require that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The activity of the self-funded insurance is accounted for in the self-insurance internal service fund. An independent administrator is contracted to process the daily claims. An excess coverage insurance policy covers individual claims in excess of \$75,000 per covered individual with a 125% aggregate. There were no changes in insurance coverage from the prior year. The City is responsible for paying administrative charges which are included in this fund. The revenues for this fund's operation are charges to various funds, employee withholdings, and co-payments. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation and recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Settled claims have not exceeded insurance coverage in the history of the self-insurance program, and there have been no significant reductions in insurance coverage from the prior year.

The changes in the claims liability for the years ended June 30, 2016 and 2017 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>
2017	\$137,585	\$3,955,191	\$3,887,347	\$205,429
2016	156,538	3,289,803	3,308,756	137,585

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

MPIA administers an actuarially based risk management fund and utilizes such funds deposited by the Board of Light and Power to defend and protect Board of Light and Power. MPIA has purchased commercial insurance for coverage in excess of the Board of Light and Power's self-insured reserve limits. MPIA assumes risk of loss within the scope of the memorandum of coverage to the extent of the coverage limits offered by the memorandum of coverage.

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

<u>Coverage</u>	<u>2017 Deductible</u>	<u>2016 Deductible</u>
Property, real and personal, including earthquake and flood excluding equipment breakdown	\$ 250,000	\$ 250,000
Equipment breakdown, excluding Sims #3	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
Public officials liability	50,000	50,000
Employee benefits liability	10,000	10,000
Crime	25,000	25,000
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 estimated risk retention reserves. At year-end the risk retention reserve balance held by the MPIA for the Board of Light and Power was \$2,259,980 which excluded assets set aside for estimated claims of \$69,500. The estimated claims at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation and recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Settled claims have not exceeded insurance coverage in any of the past three years, and changes in insurance coverage are reflected above.

The claims liability for the Board of Light and Power as reported by the MPIA for the years ended June 30, 2017 and 2016 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, 2017 and 2016 were \$65,906 and \$0, respectively.

11. DEFERRED SPECIAL ASSESSMENTS RECEIVABLE

The Brownfield Redevelopment Authority component unit has outstanding deferred special assessments receivable totaling \$5,984,814 at June 30, 2017. 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, 2017.

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

12. TAX ABATEMENTS

The City entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2017 the City abated property tax revenues of approximately \$262,500.

13. 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.

14. COMMITMENTS

The Board of Light and Power has entered into long-term contracts to purchase a minimum of 120,000 tons of coal annually through December 31, 2017.

The Board of Light and Power has entered into an agreement to transfer a portion of electric revenue generated at the Grand Landing location to help fund payment of component unit debt. These transfers resumed during 2016 and are contingent upon electric sales revenue and future development at the Grand Landing location. The agreement provides for contingent transfers through 2019.

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

At June 30, 2017, the City had outstanding commitments for various construction projects of approximately \$132,700.

15. RELATED PARTY TRANSACTIONS

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

CITY OF GRAND HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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, 2016	\$(485,858)
Current year building permit revenues	322,277
Related expenses	
Direct costs	(328,096)
Estimated indirect costs	<u>(43,545)</u>
Cumulative shortfall – June 30, 2017	<u><u>\$(535,222)</u></u>

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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes				
Property taxes	\$ 5,552,154	\$ 5,713,860	\$ 5,811,561	\$ 97,701
Intergovernmental revenues				
Federal	-	2,425	2,428	3
State	980,330	948,744	994,125	45,381
Local	38,000	65,475	73,362	7,887
Special assessments	17,500	23,500	16,657	(6,843)
Licenses and permits	514,700	610,710	620,598	9,888
Charges for services	1,502,968	1,643,516	1,656,294	12,778
Fines	99,000	97,000	110,322	13,322
Investment earnings	280,000	205,500	101,312	(104,188)
Miscellaneous	39,000	631,250	366,175	(265,075)
Total revenues	<u>9,023,652</u>	<u>9,941,980</u>	<u>9,752,834</u>	<u>(189,146)</u>
Expenditures				
Current				
General government	2,888,835	2,956,944	2,745,916	211,028
Public safety	4,127,320	4,682,725	4,347,348	335,377
Public works	2,840,309	3,161,771	2,917,549	244,222
Culture and recreation	779,470	795,000	707,452	87,548
Debt service				
Principal	-	-	12,449	(12,449)
Interest and fiscal charges	13,210	13,210	13,211	(1)
Total expenditures	<u>10,649,144</u>	<u>11,609,650</u>	<u>10,743,925</u>	<u>865,725</u>
Revenues over (under) expenditures	<u>(1,625,492)</u>	<u>(1,667,670)</u>	<u>(991,091)</u>	<u>676,579</u>
Other financing sources (uses)				
Gain (loss) on sale of capital assets	-	(140,000)	-	140,000
Transfers in	2,230,280	2,220,650	2,177,649	(43,001)
Transfers out	(3,405,770)	(3,471,190)	(3,486,302)	(15,112)
Total other financing sources (uses)	<u>(1,175,490)</u>	<u>(1,390,540)</u>	<u>(1,308,653)</u>	<u>81,887</u>
Net changes in fund balance	<u>(2,800,982)</u>	<u>(3,058,210)</u>	<u>(2,299,744)</u>	<u>758,466</u>
Fund balance, beginning of year	<u>6,794,274</u>	<u>6,794,274</u>	<u>6,794,274</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,993,292</u>	<u>\$ 3,736,064</u>	<u>\$ 4,494,530</u>	<u>\$ 758,466</u>

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, 2017

	2014	2015	2016
Total pension liability			
Service cost	\$ 1,714,380	\$ 1,784,375	\$ 1,938,291
Interest	6,872,845	6,970,006	7,719,273
Changes in benefit terms	-	(8,167)	(27,927)
Difference between expected and actual experience	-	1,069,871	(1,279,520)
Changes in assumptions	-	4,451,385	-
Benefit payments including employee refunds	(4,522,352)	(5,086,362)	(5,306,454)
Other	-	217,812	-
Net change in total pension liability	<u>4,064,873</u>	<u>9,398,920</u>	<u>3,043,663</u>
Total pension liability, beginning of year	<u>84,711,200</u>	<u>88,776,073</u>	<u>98,174,993</u>
Total pension liability, end of year	<u><u>\$ 88,776,073</u></u>	<u><u>\$ 98,174,993</u></u>	<u><u>\$ 101,218,656</u></u>
Plan Fiduciary Net Position			
Contributions-employer	\$ 1,230,140	\$ 1,351,197	\$ 1,528,835
Contributions-employee	1,017,387	1,188,014	1,399,568
Net Investment income	4,384,730	(1,056,807)	7,662,061
Benefit payments including employee refunds	(4,522,352)	(5,086,362)	(5,306,454)
Administrative expense	(160,769)	(155,709)	(151,314)
Net change in plan fiduciary net position	<u>1,949,136</u>	<u>(3,759,667)</u>	<u>5,132,696</u>
Plan fiduciary net position, beginning of year	<u>69,855,871</u>	<u>71,805,007</u>	<u>68,045,340</u>
Plan fiduciary net position, end of year	<u><u>\$ 71,805,007</u></u>	<u><u>\$ 68,045,340</u></u>	<u><u>\$ 73,178,036</u></u>
Total net pension liability	<u><u>\$ 16,971,066</u></u>	<u><u>\$ 30,129,653</u></u>	<u><u>\$ 28,040,620</u></u>
Plan fiduciary net position as a percentage of the total pension liability	81%	69%	72%
Covered employee payroll	\$ 11,071,127	\$ 11,535,426	\$ 12,103,488
Employer's net pension liability as a percentage of covered employee payroll	65%	38%	43%

CITY OF GRAND HAVEN

DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2017

	2015	2016	2017
Actuarially determined contributions	\$ 1,285,986	\$ 1,533,911	\$ 1,528,835
Contributions in relation to the actuarially determined contribution	1,285,986	1,533,911	1,528,835
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 11,071,127	\$ 11,535,426	\$ 12,103,488
Contributions as a percentage of covered employee payroll	11.6%	13.3%	12.6%
Notes to schedule			
Actuarial cost method	Entry Age		
Amortization method	Level percentage of payroll, open		
Remaining amortization period	25 years		
Asset valuation method	5 year smoothed (10 year smoothed in 2014)		
Inflation	2.5% (3.5% 2014)		
Salary increases	3.75% TO 14.5% (4.5% IN 2014)		
Investment rate of return	7.75% (8.25% 2014)		
Retirement age	Varies depending on plan adoption		
Mortality	RP-2014 mortality tables of a 50% Male and 50% Female blend (50% female/ 50% male 1994 groupannuity mortality table 2014)		

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 52,122
Interest	456,376
Changes in benefit terms	-
Difference between expected and actual experience	79,952
Changes in assumptions	-
Benefit payments including employee refunds	(535,595)
Other	-
Net change in total OPEB liability	<u>52,855</u>
Total OPEB liability, beginning of year	<u>6,300,692</u>
Total OPEB liability, end of year	<u><u>\$ 6,353,547</u></u>
 Plan Fiduciary Net Position	
Contributions-employer	\$ 500,000
Contributions/benefit payments made from general operating funds	535,595
Net Investment income	198,865
Benefit payments including employee refunds	(535,595)
Administrative expense	(4,014)
Other	-
Net change in plan fiduciary net position	<u>694,851</u>
Plan fiduciary net position, beginning of year	<u>1,253,420</u>
Plan fiduciary net position, end of year	<u><u>\$ 1,948,271</u></u>
 Employer net OPEB liability	 <u><u>\$ 4,405,276</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 31%
 Covered employee payroll	 \$ 6,232,128
 Employer's net OPEB liability as a percentage of covered employee payroll	 71%

CITY OF GRAND HAVEN
DEFINED BENEFIT OPEB PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Actuarial determined contributions	\$ 859,095
Contributions in relation to the actuarially determined contribution	<u>1,035,595</u>
Contribution deficiency (excess)	<u><u>\$ (176,500)</u></u>
Covered employee payroll	\$ 6,232,128
Contributions as a percentage of covered employee payroll	17%
Notes to schedule	
Actuarial cost method	Entry Age
Amortization method	Level percent, closed
Remaining amortization period	7 years
Asset valuation method	Market value
Inflation	2.99%
Healthcare cost trend rates	8.00%
Salary increases	2.00%
Investment rate of return	4.51%
Retirement age	Varies depending on plan adoption
Mortality	RP-2000 tables with Scale AA

SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Annual money-weighted rate of return net of investment expense	12.2%

Above returns are based on a measurement date of June 30.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

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

Pension and OPEB data

The data presented on the schedule of changes in employers net pension liability schedule is based on a December 31 measurement date.

The data presented on the schedule of changes in employers net OPEB liability schedule is based on a June 30 measurement date.

The pension and OPEB schedules are being accumulated prospectively until 10 years of information is presented.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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CITY OF GRAND HAVEN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Special Revenue						
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Housing</u>	<u>2014 Capital Improvement Bonds</u>	<u>2008 UTGO</u>	<u>2015 Infrastructure Bonds</u>	<u>2014 Capital Improvement Bonds</u>
Assets							
Cash and pooled investments	\$ 460,263	\$ 399,268	\$ 34,742	\$ -	\$ 831,369	\$ 2,862,129	\$ -
Accounts receivable	28,562	4,046	11,470	-	524	-	-
Due from other governments	156,527	46,867	49,985	-	-	-	-
Special assessments receivable	11,162	1,842	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Prepaid items	902	902	-	-	-	-	-
Total assets	<u>\$ 657,416</u>	<u>\$ 452,925</u>	<u>\$ 96,197</u>	<u>\$ -</u>	<u>\$ 831,893</u>	<u>\$ 2,862,129</u>	<u>\$ -</u>
Liabilities, deferred inflows and fund balances							
Liabilities							
Accounts payable	\$ 201,578	\$ 437,927	\$ 47,192	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	8,124	5,948	-	-	-	-	-
Due to other funds	7,825	5,679	47,309	-	-	241,649	-
Total liabilities	<u>217,527</u>	<u>449,554</u>	<u>94,501</u>	<u>-</u>	<u>-</u>	<u>241,649</u>	<u>-</u>
Deferred inflows of resources							
Unavailable revenue	10,593	1,421	-	-	524	-	-
Fund balances (deficit)							
Non-spendable							
Prepaid items	902	902	-	-	-	-	-
Permanent fund corpus	-	-	-	-	-	-	-
Restricted							
Streets	428,394	1,048	-	-	-	-	-
Public works	-	-	1,696	-	831,369	2,620,480	-
Debt service funds	-	-	-	-	-	-	-
Committed							
Capital projects	-	-	-	-	-	-	-
Total fund balances	<u>429,296</u>	<u>1,950</u>	<u>1,696</u>	<u>-</u>	<u>831,369</u>	<u>2,620,480</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 657,416</u>	<u>\$ 452,925</u>	<u>\$ 96,197</u>	<u>\$ -</u>	<u>\$ 831,893</u>	<u>\$ 2,862,129</u>	<u>\$ -</u>

<u>Debt Service</u>			<u>Capital Projects</u>				<u>Permanent</u>		
<u>2015</u> <u>Infrastructure</u> <u>Bonds</u>	<u>Brownfield</u> <u>Redevelopment</u> <u>Bonds</u>	<u>2008</u> <u>UTGO</u> <u>Bonds</u>	<u>Public</u> <u>Improvement</u>	<u>Fire</u> <u>Truck</u>	<u>2014 Capital</u> <u>Improvement</u> <u>Bonds</u>	<u>2015</u> <u>Infrastructure</u> <u>Bonds</u>	<u>Cemetery</u> <u>Perpetual</u> <u>Care</u>	<u>Total</u>	
\$ -	\$ 2,312,137	\$ -	\$ 3,818,559	\$ 564,270	\$ -	\$ -	\$ 1,852,670	\$ 13,135,407	
-	-	-	66,484	-	-	-	290	111,376	
-	-	-	-	-	-	-	-	253,379	
-	-	-	-	-	-	-	-	13,004	
-	-	-	346,520	-	-	241,649	-	588,169	
-	-	188	13,151	-	-	-	-	15,143	
<u>\$ -</u>	<u>\$ 2,312,137</u>	<u>\$ 188</u>	<u>\$ 4,244,714</u>	<u>\$ 564,270</u>	<u>\$ -</u>	<u>\$ 241,649</u>	<u>\$ 1,852,960</u>	<u>\$ 14,116,478</u>	
\$ -	\$ -	\$ -	\$ 87,487	\$ -	\$ -	\$ 241,649	\$ -	\$ 1,015,833	
-	-	-	-	-	-	-	-	14,072	
-	-	-	-	-	-	-	-	302,462	
-	-	-	87,487	-	-	241,649	-	1,332,367	
-	-	-	-	-	-	-	-	12,538	
-	-	188	13,151	-	-	-	-	15,143	
-	-	-	-	-	-	-	1,852,960	1,852,960	
-	-	-	-	-	-	-	-	429,442	
-	-	-	4,144,076	-	-	-	-	7,597,621	
-	2,312,137	-	-	-	-	-	-	2,312,137	
-	-	-	-	564,270	-	-	-	564,270	
-	2,312,137	188	4,157,227	564,270	-	-	1,852,960	12,771,573	
<u>\$ -</u>	<u>\$ 2,312,137</u>	<u>\$ 188</u>	<u>\$ 4,244,714</u>	<u>\$ 564,270</u>	<u>\$ -</u>	<u>\$ 241,649</u>	<u>\$ 1,852,960</u>	<u>\$ 14,116,478</u>	

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue						
	Major Streets	Local Streets	Housing	2014 Capital Improvement Bonds	2008 UTGO	2015 Infrastructure Bonds	2014 Capital Improvement Bonds
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 726,215	\$ 501,761	\$ -
Intergovernmental revenues							
Federal	-	-	109,633	-	-	-	-
State	735,796	246,730	28,351	-	-	-	-
Local	124,018	-	45,455	-	-	-	-
Special assessments	421	1,602	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Investment earnings	993	305	53	13	3,577	(7,825)	-
Miscellaneous	-	11,316	33,084	-	-	4,964	-
Total revenues	<u>861,228</u>	<u>259,953</u>	<u>216,576</u>	<u>13</u>	<u>729,792</u>	<u>498,900</u>	<u>-</u>
Expenditures							
Current							
General government	-	-	-	-	-	75	-
Public works	2,147,820	571,848	155,675	-	-	-	-
Debt service							
Principal	-	17,943	-	-	-	-	150,981
Interest	-	19,042	-	-	-	-	92,114
Capital outlay	-	540,623	-	-	-	-	-
Total expenditures	<u>2,147,820</u>	<u>1,149,456</u>	<u>155,675</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>243,095</u>
Revenues over (under) expenditures	<u>(1,286,592)</u>	<u>(889,503)</u>	<u>60,901</u>	<u>13</u>	<u>729,792</u>	<u>498,825</u>	<u>(243,095)</u>
Other financing sources (uses)							
Transfers in	1,643,659	521,285	2,500	426,587	-	-	243,095
Transfers out	(120,000)	-	(65,309)	(495,032)	(671,100)	(2,125,010)	-
Total other financing sources (uses)	<u>1,523,659</u>	<u>521,285</u>	<u>(62,809)</u>	<u>(68,445)</u>	<u>(671,100)</u>	<u>(2,125,010)</u>	<u>243,095</u>
Net changes in fund balances	237,067	(368,218)	(1,908)	(68,432)	58,692	(1,626,185)	-
Fund balances (deficit), beginning of year	<u>192,229</u>	<u>370,168</u>	<u>3,604</u>	<u>68,432</u>	<u>772,677</u>	<u>4,246,665</u>	<u>-</u>
Fund balances, end of year	<u>\$ 429,296</u>	<u>\$ 1,950</u>	<u>\$ 1,696</u>	<u>\$ -</u>	<u>\$ 831,369</u>	<u>\$ 2,620,480</u>	<u>\$ -</u>

Debt Service			Capital Projects					Permanent	
2015 Infrastructure Bonds	Brownfield Redevelopment Bonds	2008 UTGO Bonds	Public Improvement	Fire Truck	2014 Capital Improvement Bonds	2015 Infrastructure Bonds	Cemetery Perpetual Care	Total	
\$ -	\$ 394,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,622,819	
-	-	-	-	-	-	-	-	109,633	
-	-	-	-	-	-	-	-	1,010,877	
-	-	-	324,155	-	-	-	-	493,628	
-	-	-	-	-	-	-	-	2,023	
-	-	-	-	-	-	-	35,728	35,728	
-	17,325	-	27,247	5,951	-	-	12,639	60,278	
-	-	-	31,557	-	-	-	-	80,921	
-	412,168	-	382,959	5,951	-	-	48,367	3,415,907	
-	655,950	-	-	-	-	-	-	656,025	
-	-	-	-	-	-	-	-	2,875,343	
-	-	-	-	-	-	-	-	-	
230,000	-	375,000	-	-	-	-	-	773,924	
240,600	-	296,100	-	-	-	-	-	647,856	
-	-	-	662,380	-	197,894	7,500	-	1,408,397	
470,600	655,950	671,100	662,380	-	197,894	7,500	-	6,361,545	
(470,600)	(243,782)	(671,100)	(279,421)	5,951	(197,894)	(7,500)	48,367	(2,945,638)	
470,600	-	671,100	2,000,000	50,000	203,720	1,654,410	-	7,886,956	
-	-	-	(185,138)	-	-	(1,649,109)	(10,319)	(5,321,017)	
470,600	-	671,100	1,814,862	50,000	203,720	5,301	(10,319)	2,565,939	
-	(243,782)	-	1,535,441	55,951	5,826	(2,199)	38,048	(379,699)	
-	2,555,919	188	2,621,786	508,319	(5,826)	2,199	1,814,912	13,151,272	
\$ -	\$ 2,312,137	\$ 188	\$ 4,157,227	\$ 564,270	\$ -	\$ -	\$ 1,852,960	\$ 12,771,573	

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 593,641	\$ 915,080	\$ 735,796	\$ (179,284)
Local	381,000	316,450	124,018	(192,432)
Special assessments	50	400	421	21
Investment earnings	<u>100</u>	<u>860</u>	<u>993</u>	<u>133</u>
Total revenues	974,791	1,232,790	861,228	(371,562)
Expenditures				
Current				
Public works	<u>2,978,065</u>	<u>2,665,080</u>	<u>2,147,820</u>	<u>517,260</u>
Revenues over (under) expenditures	<u>(2,003,274)</u>	<u>(1,432,290)</u>	<u>(1,286,592)</u>	<u>145,698</u>
Other financing sources (uses)				
Transfers in	2,103,785	2,008,079	1,643,659	(364,420)
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,983,785</u>	<u>1,888,079</u>	<u>1,523,659</u>	<u>(364,420)</u>
Net changes in fund balance	(19,489)	455,789	237,067	(218,722)
Fund balance, beginning of year	<u>192,229</u>	<u>192,229</u>	<u>192,229</u>	<u>-</u>
Fund balance, end of year	<u>\$ 172,740</u>	<u>\$ 648,018</u>	<u>\$ 429,296</u>	<u>\$ (218,722)</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 199,516	\$ 199,516	\$ 246,730	\$ 47,214
Special assessments	500	2,400	1,602	(798)
Investment earnings	500	200	305	105
Miscellaneous	500	7,800	11,316	3,516
Total revenues	<u>201,016</u>	<u>209,916</u>	<u>259,953</u>	<u>50,037</u>
Expenditures				
Current				
Public works	668,100	662,085	571,848	90,237
Debt service				
Principal	-	-	17,943	(17,943)
Interest	36,985	36,985	19,042	17,943
Capital outlay	508,900	543,670	540,623	3,047
Total expenditures	<u>1,213,985</u>	<u>1,242,740</u>	<u>1,149,456</u>	<u>93,284</u>
Revenues over (under) expenditures	(1,012,969)	(1,032,824)	(889,503)	143,321
Other financing sources (uses)				
Transfers in	823,485	748,242	521,285	(226,957)
Net changes in fund balance	(189,484)	(284,582)	(368,218)	(83,636)
Fund balance, beginning of year	<u>370,168</u>	<u>370,168</u>	<u>370,168</u>	<u>-</u>
Fund balance, end of year	<u>\$ 180,684</u>	<u>\$ 85,586</u>	<u>\$ 1,950</u>	<u>\$ (83,636)</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
Federal	\$ 137,055	\$ 110,150	\$ 109,633	\$ (517)
State	50,700	27,979	28,351	372
Local	66,200	47,511	45,455	(2,056)
Investment earnings	-	20	53	33
Miscellaneous	<u>6,000</u>	<u>33,083</u>	<u>33,084</u>	<u>1</u>
Total revenues	259,955	218,743	216,576	(2,167)
Expenditures				
Current				
Public works	<u>166,019</u>	<u>159,310</u>	<u>155,675</u>	<u>3,635</u>
Revenues over (under) expenditures	<u>93,936</u>	<u>59,433</u>	<u>60,901</u>	<u>1,468</u>
Other financing sources (uses)				
Transfers in	2,500	34,500	2,500	(32,000)
Transfers out	<u>(91,280)</u>	<u>(81,150)</u>	<u>(65,309)</u>	<u>15,841</u>
Total other financing sources (uses)	<u>(88,780)</u>	<u>(46,650)</u>	<u>(62,809)</u>	<u>(16,159)</u>
Net changes in fund balance	5,156	12,783	(1,908)	(14,691)
Fund balance, beginning of year	<u>3,604</u>	<u>3,604</u>	<u>3,604</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,760</u>	<u>\$ 16,387</u>	<u>\$ 1,696</u>	<u>\$ (14,691)</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Investment earnings	\$ -	\$ -	\$ 13	\$ 13
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	-	-	13	13
Other financing sources (uses)				
Transfers in	-	426,750	426,587	
Transfers out	-	(495,336)	(495,032)	304
Total other financing sources (uses)	-	(68,586)	(68,445)	304
Net changes in fund balance	-	(68,586)	(68,432)	317
Fund balance, beginning of year	<u>68,432</u>	<u>68,432</u>	<u>68,432</u>	<u>-</u>
Fund balance, end of year	<u>\$ 68,432</u>	<u>\$ (154)</u>	<u>\$ -</u>	<u>\$ 317</u>

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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 663,670	\$ 726,215	\$ 726,215	\$ -
Investment earnings	-	3,400	3,577	177
Total revenues	663,670	729,615	729,792	177
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	663,670	729,615	729,792	177
Other financing sources (uses)				
Transfers out	(670,950)	(671,350)	(671,100)	250
Net changes in fund balance	(7,280)	58,265	58,692	427
Fund balance, beginning of year	<u>772,677</u>	<u>772,677</u>	<u>772,677</u>	-
Fund balance, end of year	<u>\$ 765,397</u>	<u>\$ 830,942</u>	<u>\$ 831,369</u>	<u>\$ 427</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, 2017

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 495,000	\$ 495,295	\$ 501,761	\$ 6,466
Investment earnings	-	10,000	(7,825)	(17,825)
Miscellaneous	-	-	4,964	4,964
Total revenues	495,000	505,295	498,900	(6,395)
Expenditures				
Current				
General government	-	-	75	(75)
Revenues over (under) expenditures	495,000	505,295	498,825	(6,470)
Other financing sources (uses)				
Transfers out	(2,269,400)	(2,386,071)	(2,125,010)	261,061
Net changes in fund balance	(1,774,400)	(1,880,776)	(1,626,185)	254,591
Fund balance, beginning of year	<u>4,246,665</u>	<u>4,246,665</u>	<u>4,246,665</u>	-
Fund balance, end of year	<u>\$ 2,472,265</u>	<u>\$ 2,365,889</u>	<u>\$ 2,620,480</u>	<u>\$ 254,591</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, 2017

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt service				
Principal	265,000	265,000	150,981	114,019
Interest	<u>161,750</u>	<u>161,750</u>	<u>92,114</u>	<u>69,636</u>
Total expenditures	<u>426,750</u>	<u>426,750</u>	<u>243,095</u>	<u>183,655</u>
Revenues over (under) expenditures	(426,750)	(426,750)	(243,095)	183,655
Other financing sources (uses)				
Transfers in	<u>426,750</u>	<u>426,750</u>	<u>243,095</u>	<u>(183,655)</u>
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt service				
Principal	230,000	230,000	230,000	-
Interest	<u>240,700</u>	<u>240,700</u>	<u>240,600</u>	<u>100</u>
Total expenditures	<u>470,700</u>	<u>470,700</u>	<u>470,600</u>	<u>100</u>
Revenues over (under) expenditures	(470,700)	(470,700)	(470,600)	100
Other financing source (uses)				
Transfers in	<u>470,700</u>	<u>470,700</u>	<u>470,600</u>	<u>(100)</u>
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

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

FOR THE YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 410,000	\$ 393,575	\$ 394,843	\$ 1,268
Investment earnings	<u>10,000</u>	<u>20,000</u>	<u>17,325</u>	<u>(2,675)</u>
Total revenues	420,000	413,575	412,168	(1,407)
Expenditures				
Current				
General government	<u>755,950</u>	<u>655,950</u>	<u>655,950</u>	<u>-</u>
Net changes in fund balance	(335,950)	(242,375)	(243,782)	(1,407)
Fund balance, beginning of year	<u>2,555,919</u>	<u>2,555,919</u>	<u>2,555,919</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,219,969</u>	<u>\$ 2,313,544</u>	<u>\$ 2,312,137</u>	<u>\$ (1,407)</u>

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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt service				
Principal	375,000	375,000	375,000	-
Interest	295,950	296,350	296,100	250
Total expenditures	<u>670,950</u>	<u>671,350</u>	<u>671,100</u>	<u>250</u>
Revenues over (under) expenditures	(670,950)	(671,350)	(671,100)	250
Other financing sources (uses)				
Transfers in	<u>670,950</u>	<u>671,350</u>	<u>671,100</u>	<u>(250)</u>
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	<u>188</u>	<u>188</u>	<u>188</u>	<u>-</u>
Fund balance, end of year	<u>\$ 188</u>	<u>\$ 188</u>	<u>\$ 188</u>	<u>\$ -</u>

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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ 14,800	\$ -	\$ (14,800)
Local	147,120	392,557	324,155	(68,402)
Investment earnings	50,000	5,000	27,247	22,247
Miscellaneous	-	35,000	31,557	(3,443)
Total revenues	197,120	447,357	382,959	(64,398)
Expenditures				
Capital outlay	897,550	1,180,716	662,380	518,336
Revenues over (under) expenditures	(700,430)	(733,359)	(279,421)	453,938
Other financing sources (uses)				
Transfers in	2,000,000	2,000,000	2,000,000	-
Transfers out	(50,000)	(185,139)	(185,138)	1
Total other financing sources (uses)	1,950,000	1,814,861	1,814,862	1
Net changes in fund balance	1,249,570	1,081,502	1,535,441	453,939
Fund balance, beginning of year	2,621,786	2,621,786	2,621,786	-
Fund balance, end of year	<u>\$ 3,871,356</u>	<u>\$ 3,703,288</u>	<u>\$ 4,157,227</u>	<u>\$ 453,939</u>

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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Investment earnings	\$ -	\$ 5,900	\$ 5,951	\$ 51
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	-	5,900	5,951	51
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Net changes in fund balance	50,000	55,900	55,951	51
Fund balance, beginning of year	508,319	508,319	508,319	-
Fund balance, end of year	<u>\$ 558,319</u>	<u>\$ 564,219</u>	<u>\$ 564,270</u>	<u>\$ 51</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
Capital outlay	-	198,000	197,894	106
Revenues over (under) expenditures	-	(198,000)	(197,894)	106
Other financing sources (uses)				
Transfers in	-	203,725	203,720	(5)
Net changes in fund balance	-	5,725	5,826	101
Fund balance (deficit), beginning of year	(5,826)	(5,826)	(5,826)	-
Fund balance, end of year	<u>\$ (5,826)</u>	<u>\$ (101)</u>	<u>\$ -</u>	<u>\$ 101</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Capital outlay	-	-	7,500	(7,500)
Revenues over (under) expenditures	-	-	(7,500)	(7,500)
Other financing sources (uses)				
Transfers in	1,798,700	1,915,371	1,654,410	(260,961)
Transfers out	(1,798,700)	(1,915,371)	(1,649,109)	266,262
Total other financing sources (uses)	-	-	5,301	5,301
Net changes in fund balance	-	-	(2,199)	(2,199)
Fund balance, beginning of year	<u>2,199</u>	<u>2,199</u>	<u>2,199</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,199</u>	<u>\$ 2,199</u>	<u>\$ -</u>	<u>\$ (2,199)</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, 2017

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Charges for services	\$ 25,000	\$ 30,000	\$ 35,728	\$ 5,728
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>12,639</u>	<u>2,639</u>
Total revenues	35,000	40,000	48,367	8,367
Expenditures				
Current				
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	35,000	40,000	48,367	8,367
Other financing sources (uses)				
Transfers out	<u>(4,000)</u>	<u>(4,500)</u>	<u>(10,319)</u>	<u>(5,819)</u>
Net changes in fund balance	31,000	35,500	38,048	2,548
Fund balance, beginning of year	<u>1,814,912</u>	<u>1,814,912</u>	<u>1,814,912</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,845,912</u>	<u>\$ 1,850,412</u>	<u>\$ 1,852,960</u>	<u>\$ 2,548</u>

CITY OF GRAND HAVEN

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF NET POSITION

JUNE 30, 2017

			Chinook Pier Rental	
Assets	<u>Marina</u>	<u>Airport</u>	<u>Rental</u>	<u>Total</u>
Current assets				
Cash and pooled investments	\$ 79,504	\$ 7,956	\$ 55,229	\$ 142,689
Accounts receivable	50,752	13,816	19,305	83,873
Due from other governments	2,292	48,450	-	50,742
Prepaid items	<u>-</u>	<u>4,554</u>	<u>-</u>	<u>4,554</u>
Total current assets	<u>132,548</u>	<u>74,776</u>	<u>74,534</u>	<u>281,858</u>
Non-current assets				
Capital assets				
Land	94,000	181,762	28,300	304,062
Construction in progress	6,595	-	-	6,595
Depreciable capital assets, net	<u>2,343,686</u>	<u>1,592,695</u>	<u>971,836</u>	<u>4,908,217</u>
Total non-current assets	<u>2,444,281</u>	<u>1,774,457</u>	<u>1,000,136</u>	<u>5,218,874</u>
Total assets	<u>2,576,829</u>	<u>1,849,233</u>	<u>1,074,670</u>	<u>5,500,732</u>
Deferred outflows of resources				
Pension related	<u>17,755</u>	<u>-</u>	<u>-</u>	<u>17,755</u>
Liabilities				
Current liabilities				
Accounts payable	12,099	10,052	16,245	38,396
Accrued liabilities	6,052	1,435	-	7,487
Due to other funds	<u>348,449</u>	<u>-</u>	<u>130,788</u>	<u>479,237</u>
Total current liabilities	<u>366,600</u>	<u>11,487</u>	<u>147,033</u>	<u>525,120</u>
Long-term liabilities				
Accrued compensated absences	3,388	-	-	3,388
Other post-employment benefits	3,664	-	-	3,664
Net pension liability	<u>84,122</u>	<u>-</u>	<u>-</u>	<u>84,122</u>
Total long-term liabilities	<u>91,174</u>	<u>-</u>	<u>-</u>	<u>91,174</u>
Total liabilities	<u>457,774</u>	<u>11,487</u>	<u>147,033</u>	<u>616,294</u>
Net position				
Net investment in capital assets	2,444,281	1,774,457	1,000,136	5,218,874
Unrestricted	<u>(307,471)</u>	<u>63,289</u>	<u>(72,499)</u>	<u>(316,681)</u>
Total net position	<u>\$ 2,136,810</u>	<u>\$ 1,837,746</u>	<u>\$ 927,637</u>	<u>\$ 4,902,193</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Marina</u>	<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 426,194	\$ 160,714	\$ 119,511	\$ 706,419
Operating expense				
Operating	275,803	138,449	85,266	499,518
Administrative and general	-	9,327	-	9,327
Depreciation	<u>161,217</u>	<u>183,406</u>	<u>54,610</u>	<u>399,233</u>
Total operating expense	<u>437,020</u>	<u>331,182</u>	<u>139,876</u>	<u>908,078</u>
Operating income (loss)	<u>(10,826)</u>	<u>(170,468)</u>	<u>(20,365)</u>	<u>(201,659)</u>
Non-operating revenue (expense)				
Investment earnings	35	1,182	12	1,229
Other	-	-	24,285	24,285
Interest expense	<u>-</u>	<u>-</u>	<u>(10,910)</u>	<u>(10,910)</u>
Total non-operating revenue (expense)	<u>35</u>	<u>1,182</u>	<u>13,387</u>	<u>14,604</u>
Income (loss) before other items	<u>(10,791)</u>	<u>(169,286)</u>	<u>(6,978)</u>	<u>(187,055)</u>
Transfers and other items				
Contribution in aid of construction	-	48,450	-	48,450
Transfers in	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total transfers and other items	<u>-</u>	<u>58,450</u>	<u>-</u>	<u>58,450</u>
Changes in net position	(10,791)	(110,836)	(6,978)	(128,605)
Net position, beginning of year	<u>2,147,601</u>	<u>1,948,582</u>	<u>934,615</u>	<u>5,030,798</u>
Net position, end of year	<u>\$ 2,136,810</u>	<u>\$ 1,837,746</u>	<u>\$ 927,637</u>	<u>\$ 4,902,193</u>

CITY OF GRAND HAVEN
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Marina</u>	<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 444,348	\$ 110,903	\$ 118,115	\$ 673,366
Payments to employees	(136,614)	-	-	(136,614)
Payments to suppliers	(312,745)	(147,449)	(193,255)	(653,449)
Net cash provided by (used in) operating activities	<u>(5,011)</u>	<u>(36,546)</u>	<u>(75,140)</u>	<u>(116,697)</u>
Cash flows from non-capital financing activities				
Transfers in	-	10,000	-	10,000
Cash flows from capital and related financing activities				
Interest expense	-	-	(10,910)	(10,910)
Contribution in aid of construction	-	48,450	-	48,450
Acquisitions of capital assets	(10,885)	(43,024)	-	(53,909)
Net cash provided by (used in) capital and related financing activities	<u>(10,885)</u>	<u>5,426</u>	<u>(10,910)</u>	<u>(16,369)</u>
Cash flows from investing activities				
Interest income	35	1,181	13	1,229
Net increase (decrease) in cash and pooled investments	<u>(15,861)</u>	<u>(19,939)</u>	<u>(86,037)</u>	<u>(121,837)</u>
Cash and pooled investments, beginning of year	<u>95,365</u>	<u>27,895</u>	<u>141,266</u>	<u>264,526</u>
Cash and pooled investments, end of year	<u>\$ 79,504</u>	<u>\$ 7,956</u>	<u>\$ 55,229</u>	<u>\$ 142,689</u>
Cash flows from operating activities				
Operating income (loss)	\$ (10,826)	\$ (170,468)	\$ (20,365)	\$ (201,659)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	161,217	183,406	54,610	399,233
Miscellaneous revenue	-	-	24,285	24,285
Deferred outflows of resources	18,097	-	-	18,097
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	19,600	(1,361)	(1,396)	16,843
Due from other governmental units	(1,446)	(48,450)	-	(49,896)
Prepaid expenses	210	(3,930)	-	(3,720)
Accounts payable	(14,749)	2,822	2,726	(9,201)
Accrued liabilities	(2,023)	1,435	-	(588)
Due to other funds	(151,866)	-	(135,000)	(286,866)
Compensated absences	(1,203)	-	-	(1,203)
Net pension liability	(21,332)	-	-	(21,332)
Net OPEB obligation	(690)	-	-	(690)
Net cash provided by (used in) operating activities	<u>\$ (5,011)</u>	<u>\$ (36,546)</u>	<u>\$ (75,140)</u>	<u>\$ (116,697)</u>

CITY OF GRAND HAVEN
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

Assets	Motor Pool	Insurance	Health Benefits	Total
Current assets				
Cash and pooled investments	\$ 399,218	\$ 816,965	\$ 879,418	\$ 2,095,601
Accounts receivable	22,207	-	581	22,788
Due from other governments	170	-	-	170
Due from other funds	50,742	-	-	50,742
Prepaid items	140	163,983	(4,766)	159,357
Inventory	<u>18,835</u>	<u>-</u>	<u>-</u>	<u>18,835</u>
Total current assets	491,312	980,948	875,233	2,347,493
Non-current assets				
Capital assets				
Depreciable capital assets, net	<u>2,486,118</u>	<u>-</u>	<u>-</u>	<u>2,486,118</u>
Total assets	<u>2,977,430</u>	<u>980,948</u>	<u>875,233</u>	<u>4,833,611</u>
Deferred outflows of resources				
Pension contributions and deficit investment returns	<u>53,385</u>	<u>-</u>	<u>-</u>	<u>53,385</u>
Liabilities				
Current liabilities				
Accounts payable	49,229	-	159	49,388
Accrued liabilities	<u>4,570</u>	<u>-</u>	<u>205,429</u>	<u>209,999</u>
Total current liabilities	<u>53,799</u>	<u>-</u>	<u>205,588</u>	<u>259,387</u>
Long-term liabilities				
Accrued compensated absences	14,832	-	-	14,832
Other post-employment benefits	13,136	-	-	13,136
Net pension liability	<u>252,366</u>	<u>-</u>	<u>-</u>	<u>252,366</u>
Total long-term liabilities	<u>280,334</u>	<u>-</u>	<u>-</u>	<u>280,334</u>
Total liabilities	<u>334,133</u>	<u>-</u>	<u>205,588</u>	<u>539,721</u>
Net position				
Net investment in capital assets	2,486,118	-	-	2,486,118
Unrestricted	<u>210,564</u>	<u>980,948</u>	<u>669,645</u>	<u>1,861,157</u>
Total net position	<u>\$ 2,696,682</u>	<u>\$ 980,948</u>	<u>\$ 669,645</u>	<u>\$ 4,347,275</u>

CITY OF GRAND HAVEN

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

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Motor Pool</u>	<u>Insurance</u>	<u>Health Benefits</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 1,251,401	\$ 15,640	\$ 3,924,096	\$ 5,191,137
Operating expense				
Operating	667,240	424,928	3,955,191	5,047,359
Administrative and general	-	-	231,702	231,702
Depreciation	278,949	-	-	278,949
Total operating expense	946,189	424,928	4,186,893	5,558,010
Operating income (loss)	305,212	(409,288)	(262,797)	(366,873)
Non-operating revenue (expense)				
Gain (loss) on disposal of capital assets	(33,953)	-	-	(33,953)
Investment earnings	140	4,315	2,342	6,797
Other	95,115	-	69,111	164,226
Total non-operating revenue (expense)	61,302	4,315	71,453	137,070
Income (loss) before other items	366,514	(404,973)	(191,344)	(229,803)
Transfers and other items				
Transfers in	200,000	-	-	200,000
Changes in net position	566,514	(404,973)	(191,344)	(29,803)
Net position, beginning of year	2,130,168	1,385,921	860,989	4,377,078
Net position, end of year	\$ 2,696,682	\$ 980,948	\$ 669,645	\$ 4,347,275

CITY OF GRAND HAVEN
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Motor Pool</u>	<u>Insurance</u>	<u>Health Benefits</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from internal services provided	\$ 1,304,461	\$ 15,640	\$ 3,923,618	\$ 5,243,719
Payments to employees	(195,906)	-	-	(195,906)
Payments to suppliers	(596,021)	(426,856)	(216,728)	(1,239,605)
Claims paid	-	-	(3,818,236)	(3,818,236)
Net cash provided by (used in) operating activities	512,534	(411,216)	(111,346)	(10,028)
Cash flows from non-capital financing activities				
Transfers in	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Cash flows from capital and related financing activities				
Acquisitions of capital assets	<u>(474,656)</u>	<u>-</u>	<u>-</u>	<u>(474,656)</u>
Cash flows from investing activities				
Interest income	<u>139</u>	<u>4,315</u>	<u>2,342</u>	<u>6,796</u>
Net increase (decrease) in cash and pooled investments	238,017	(406,901)	(109,004)	(277,888)
Cash and pooled investments, beginning of year	<u>161,201</u>	<u>1,223,866</u>	<u>988,422</u>	<u>2,373,489</u>
Cash and pooled investments, end of year	<u>\$ 399,218</u>	<u>\$ 816,965</u>	<u>\$ 879,418</u>	<u>\$ 2,095,601</u>
Cash flows from operating activities				
Operating income (loss)	\$ 305,212	\$ (409,288)	\$ (262,797)	\$ (366,873)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	278,949	-	-	278,949
Miscellaneous revenue	95,115	-	69,111	164,226
Deferred outflows of resources	51,069	-	-	51,069
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	(20,935)	-	(478)	(21,413)
Due from other funds	(21,128)	-	-	(21,128)
Due from other governmental units	8	-	-	8
Prepaid expenses	(70)	(1,928)	15,992	13,994
Inventory	2,806	-	-	2,806
Accounts payable	30,138	-	(1,018)	29,120
Accrued liabilities	623	-	67,844	68,467
Due to other funds	(150,000)	-	-	(150,000)
Compensated absences	(2,268)	-	-	(2,268)
Net pension liability	(54,956)	-	-	(54,956)
Net OPEB obligation	(2,029)	-	-	(2,029)
Net cash provided by (used in) operating activities	<u>\$ 512,534</u>	<u>\$ (411,216)</u>	<u>\$ (111,346)</u>	<u>\$ (10,028)</u>

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CITY OF GRAND HAVEN

AGENCY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2017

	<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	\$ 154,800	\$ 12,579	\$ 48,618	\$ 1,484,248
Accounts receivables	<u>182,373</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 337,173</u>	<u>\$ 12,579</u>	<u>\$ 48,618</u>	<u>\$ 1,484,248</u>
Liabilities				
Accounts Payable	\$ 75,967	\$ 12,533	\$ -	\$ -
Accrued liabilities	261,206	-	-	-
Due to other governmental units	-	46	-	-
Trust deposits	<u>-</u>	<u>-</u>	<u>48,618</u>	<u>1,484,248</u>
Total liabilities	<u>\$ 337,173</u>	<u>\$ 12,579</u>	<u>\$ 48,618</u>	<u>\$ 1,484,248</u>

Grand Haven- Spring Lake Sewer Authority	Northwest Ottawa Water Treatment Plant	<u>Total</u>
\$ 2,340,097	\$ 1,153,220	\$ 5,193,562
<u>-</u>	<u>-</u>	<u>182,373</u>
<u>\$ 2,340,097</u>	<u>\$ 1,153,220</u>	<u>\$ 5,375,935</u>
\$ -	\$ -	\$ 88,500
-	-	261,206
-	-	46
<u>2,340,097</u>	<u>1,153,220</u>	<u>5,026,183</u>
<u>\$ 2,340,097</u>	<u>\$ 1,153,220</u>	<u>\$ 5,375,935</u>

CITY OF GRAND HAVEN

ECONOMIC DEVELOPMENT CORPORATION BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Assets			
Cash and pooled investments	\$ 222,410	\$ -	\$ 222,410
Accounts receivable	<u>113,396</u>	<u>-</u>	<u>113,396</u>
Total assets	<u>\$ 335,806</u>	<u>-</u>	<u>335,806</u>
 Liabilities and fund balances			
Liabilities			
Accounts payable	\$ -	-	-
 Fund balances			
Unassigned	<u>335,806</u>	<u>(335,806)</u>	
Total liabilities and fund balances	<u>\$ 335,806</u>		
 Net position			
Unrestricted		<u>\$ 335,806</u>	<u>\$ 335,806</u>
Total net position		<u>\$ 335,806</u>	<u>\$ 335,806</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, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Investment earnings	\$ 3,965	\$ -	\$ 3,965
Miscellaneous	<u>2,865</u>	<u>-</u>	<u>2,865</u>
Total revenues	<u>6,830</u>	<u>-</u>	<u>6,830</u>
Expenditures/expenses			
Operations	<u>22,943</u>	<u>-</u>	<u>22,943</u>
Revenues over (under) expenditures/expenses	<u>(16,113)</u>	<u>-</u>	<u>(16,113)</u>
Net changes in fund balances	(16,113)	16,113	
Change in net position		(16,113)	(16,113)
Fund balances/net position, beginning of year	<u>351,919</u>		<u>351,919</u>
Fund balances/net position, end of year	<u><u>\$ 335,806</u></u>		<u><u>\$ 335,806</u></u>

CITY OF GRAND HAVEN

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

JUNE 30, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 75,990	\$ -	\$ 75,990
Accounts receivable	95,870	-	95,870
Special assessments receivable	299,349	-	299,349
Capital lease receivable	1,442,216	-	1,442,216
Prepaid items	828	-	828
Bond discount	-	20,086	20,086
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,914,253</u>	<u>20,086</u>	<u>1,934,339</u>
Deferred outflows of resources			
Pension related	-	27,885	27,885
Deferred charge on refunding	-	62,239	62,239
	<u> </u>	<u> </u>	<u> </u>
Total deferred outflows of resources	<u>-</u>	<u>90,124</u>	<u>90,124</u>
Liabilities, deferred inflows and fund balances			
Liabilities			
Accounts payable	\$ 86,121	-	86,121
Accrued liabilities	1,845	-	1,845
Accrued interest	-	86,973	86,973
Long-term debt			
Due within one year	-	320,000	320,000
Due in more than one year	-	7,660,000	7,660,000
Net pension liability	-	131,791	131,791
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>87,966</u>	<u>8,198,764</u>	<u>8,286,730</u>
Deferred inflows of resources			
Unavailable revenue	<u>1,741,608</u>	<u>(1,741,608)</u>	<u>-</u>
Fund balances			
Unassigned	<u>84,679</u>	<u>(84,679)</u>	
Total liabilities, deferred inflows and fund balances	<u>\$ 1,914,253</u>		
Net position (deficit)			
Unrestricted		<u>\$ (8,093,999)</u>	<u>\$ (6,262,267)</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			\$ 84,679
Add bond discount			20,086
Add deferred outflows of resources			90,124
Deduct accrued interest			(86,973)
Deduct long-term debt			(7,980,000)
Deduct net pension liability			(131,791)
Add long-term deferred assessment receivables			1,741,608
Net position (deficit)			<u>\$ (6,262,267)</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, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 397,869	\$ -	\$ 397,869
Intergovernmental revenues			
Federal	121,254	-	121,254
Local	160,910	-	160,910
Operating grants and contributions	20,782	-	20,782
Special assessments	76,780	(118,761)	(41,981)
Investment earnings	47,537	-	47,537
Miscellaneous	71,593	-	71,593
Total revenues	<u>896,725</u>	<u>(118,761)</u>	<u>777,964</u>
Expenditures/expenses			
Salaries	112,863	20,324	133,187
Administration	27,366	-	27,366
Operations	137,494	-	137,494
Debt service			
Principal	285,000	(285,000)	-
Interest	357,115	10,495	367,610
Total expenditures/expenses	<u>919,838</u>	<u>(254,181)</u>	<u>665,657</u>
Revenues over (under) expenditures/expenses	<u>(23,113)</u>	<u>135,420</u>	<u>112,307</u>
Other financing sources (uses)			
Transfers in	641,927	(641,927)	-
Transfers out	(641,927)	641,927	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(23,113)	23,113	
Change in net position		112,307	112,307
Fund balances/net position (deficit), beginning of year	<u>107,792</u>		<u>(6,374,574)</u>
Fund balances/net position (deficit), end of year	<u>\$ 84,679</u>		<u>\$ (6,262,267)</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the General Fund to the Change in Net Position on the Statement of Activities			
Net change in fund balance - general fund			\$ (23,113)
Add principal payments on debt			285,000
Deduct increase in unavailable revenues			(118,761)
Add decrease in accrued interest			2,388
Deduct amortization of bond discount			(1,887)
Deduct amortization of refunding charges			(10,996)
Deduct increase in net pension liability			(5,246)
Add increase in deferred outflows			(15,078)
Change in net position			<u>\$ 112,307</u>

CITY OF GRAND HAVEN

BROWNFIELD REDEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 124,221	\$ -	\$ 124,221
Accounts receivable	46,912	-	46,912
Taxes receivable	231	-	231
Prepaid items	<u>333</u>	<u>-</u>	<u>333</u>
Total assets	<u>\$ 171,697</u>	<u>-</u>	<u>171,697</u>
Deferred outflows of resources			
Deferred charge on refunding	<u>-</u>	<u>229,210</u>	<u>229,210</u>
Liabilities, deferred inflows and fund balances			
Liabilities			
Accounts payable	\$ 19	\$ -	19
Accrued interest	-	43,663	43,663
Long-term debt			
Due within one year	-	1,372,335	1,372,335
Due in more than one year	-	6,309,584	6,309,584
Bond premium	<u>-</u>	<u>447,383</u>	<u>447,383</u>
Total liabilities	<u>19</u>	<u>8,172,965</u>	<u>8,172,984</u>
Deferred inflows of resources			
Unavailable revenue	<u>231</u>	<u>(231)</u>	<u>-</u>
Fund balances			
Unassigned	<u>171,447</u>	<u>(171,447)</u>	
Total liabilities, deferred inflows and fund balances	<u>\$ 171,697</u>		
Net position (deficit)			
Unrestricted		<u>\$ (8,001,518)</u>	<u>\$ (7,772,077)</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	\$ 171,447
Add deferred outflows of resources	229,210
Deduct accrued interest	(43,663)
Deduct long-term debt	(7,681,919)
Deduct bond premium	(447,383)
Add long-term deferred assessment receivables	<u>231</u>
Net position (deficit)	<u>\$ (7,772,077)</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, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 531,771	\$ -	\$ 531,771
Intergovernmental revenues			
Local	816,168	-	816,168
Special assessments	60,911	-	60,911
Investment earnings	536	-	536
Miscellaneous	85,341	33	85,374
Total revenues	<u>1,494,727</u>	<u>33</u>	<u>1,494,760</u>
Expenditures/expenses			
Operations	90,199	-	90,199
Debt Service			
Principal	1,296,112	(1,296,112)	-
Interest	335,170	70,928	406,098
Bond premium amortization	-	(185,945)	(185,945)
Total expenditures/expenses	<u>1,721,481</u>	<u>(1,411,129)</u>	<u>310,352</u>
Revenues over (under) expenditures/expenses	<u>(226,754)</u>	<u>1,411,162</u>	<u>1,184,408</u>
Other financing sources (uses)			
Transfers in	1,631,616	(1,631,616)	-
Transfers out	(1,631,616)	1,631,616	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(226,754)	226,754	
Change in net position		1,184,408	1,184,408
Fund balances/net position (deficit), beginning of year	<u>398,201</u>		<u>(8,956,485)</u>
Fund balances/net position (deficit), end of year	<u>\$ 171,447</u>		<u>\$ (7,772,077)</u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
the General Fund to the Change in Net Position on the Statement of Activities:**

Net change in fund balance - general fund	\$ (226,754)
Add principal payments on debt	1,296,112
Add increase in unavailable revenues	33
Add decrease in accrued interest	24,338
Deduct amortization of refunding charges	(95,266)
Add amortization of bond premium	185,945
Change in net position	<u>\$ 1,184,408</u>

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INTERNAL CONTROL AND COMPLIANCE



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

October 30, 2017

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, 2017, 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 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Vredendael Haefner LLC