

# **City of Grandville, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2006**

# City of Grandville, Michigan

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# City of Grandville, Michigan

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## Independent Auditor's Report

To the Mayor and City Council  
City of Grandville, Michigan

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 Grandville, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grandville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Grandville, Michigan as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Mayor and City Council  
City of Grandville, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grandville, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 29, 2006

# City of Grandville, Michigan

## Management's Discussion and Analysis

Our discussion and analysis of the City of Grandville, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 7,308,987	\$ 8,228,481	\$ 7,613,281	\$ 7,851,419	\$ 14,922,268	\$ 16,079,900
Noncurrent assets	27,575,112	29,718,126	20,099,388	19,795,942	47,674,500	49,514,068
Total assets	34,884,099	37,946,607	27,712,669	27,647,361	62,596,768	65,593,968
<b>Liabilities</b>						
Current liabilities	1,563,513	1,605,469	820,285	794,800	2,383,798	2,400,269
Long-term liabilities	5,771,737	5,932,946	3,467,383	3,737,357	9,239,120	9,670,303
Total liabilities	7,335,250	7,538,415	4,287,668	4,532,157	11,622,918	12,070,572
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	21,662,351	23,838,126	12,540,018	11,869,098	34,202,369	35,707,224
Restricted	1,875,937	2,190,504	542,000	542,000	2,417,937	2,732,504
Unrestricted	4,010,561	4,379,562	10,342,983	10,704,106	14,353,544	15,083,668
Total net assets	<u>\$ 27,548,849</u>	<u>\$ 30,408,192</u>	<u>\$ 23,425,001</u>	<u>\$ 23,115,204</u>	<u>\$ 50,973,850</u>	<u>\$ 53,523,396</u>

# City of Grandville, Michigan

## Management's Discussion and Analysis (Continued)

The City's combined net assets decreased 4.8 percent from a year ago - decreasing from \$53,523,396 to \$50,973,850. As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - decreased by \$369,001 for the governmental activities. This represents a decrease of approximately 8.4 percent. In 2005, there was a \$1.5 million reimbursement from the Water Fund for capital expenditures made by the General Fund in prior years. The current level of unrestricted net assets for our governmental activities stands at \$4,010,561.

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$15,000 this year. The City reacted by continuing to utilize its fund balance reserves to maintain an expenditure level that enhances the quality of life enjoyed by our citizens.
- City property tax revenue increased 4 percent from 2005.

The following table shows the changes of the net assets during the current year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 2,007,944	\$ 2,207,576	\$ 4,979,848	\$ 4,858,197	\$ 6,987,792	\$ 7,065,773
Operating grants and contributions	1,236,478	1,285,185	-	-	1,236,478	1,285,185
Capital grants and contributions	497,261	-	-	82,940	497,261	82,940
General revenue:						
Property taxes	5,591,828	5,366,546	-	-	5,591,828	5,366,546
State-shared revenue	1,313,273	1,328,105	-	-	1,313,273	1,328,105
Unrestricted investment earnings	359,671	228,570	305,792	168,566	665,463	397,136
Franchise fees	133,259	127,478	-	-	133,259	127,478
Other revenue	69,246	40,688	-	-	69,246	40,688
Special item	-	1,500,000	-	-	-	1,500,000
Total revenue	11,208,960	12,084,148	5,285,640	5,109,703	16,494,600	17,193,851

# City of Grandville, Michigan

## Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Program Expenses</b>						
General government	\$ 2,098,165	\$ 2,236,901	\$ -	\$ -	\$ 2,098,165	\$ 2,236,901
Judicial	639,144	680,994	-	-	639,144	680,994
Public safety	4,021,169	3,945,531	-	-	4,021,169	3,945,531
Public works	5,458,311	5,336,115	-	-	5,458,311	5,336,115
Recreation and culture	1,574,748	1,667,766	-	-	1,574,748	1,667,766
Interest on long-term debt	276,766	330,061	-	-	276,766	330,061
Water and sewer	-	-	4,975,843	4,752,733	4,975,843	4,752,733
Total program expenses	14,068,303	14,197,368	4,975,843	4,752,733	19,044,146	18,950,101
<b>Change in Net Assets</b>	<b>\$ (2,859,343)</b>	<b>\$ (2,113,220)</b>	<b>\$ 309,797</b>	<b>\$ 356,970</b>	<b>\$ (2,549,546)</b>	<b>\$ (1,756,250)</b>

### Governmental Activities

The City's total governmental revenues decreased by approximately \$875,000. The decrease, which represents 7 percent, was primarily due to a \$1.5 million reimbursement in 2005 from the Water Fund for capital expenditures made by the General Fund in prior years.

Expenses decreased by approximately \$129,000 during the year. Decreases were led by the general government.

### Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water to City residents by purchasing directly from the Wyoming City Water System. We provide sewage treatment through a City-owned and operated sewage treatment plant.

### The City's Funds

Our analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2006 include the General Fund, the Major and Local Streets Funds, and the Revolving Fund, which accounts for special assessment receipts and disbursements to other funds.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of \$3,906,058, approximately 45 percent of the total General Fund budget. The City planned General Fund expenditures to exceed revenues as it continues to reduce its fund balance. The City's goal is to limit unreserved fund balance to 15 percent of normal expenditures.

# **City of Grandville, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account events during the year. The most significant change was to reflect an increase in parks and recreation expenditures. Other changes were made to increase expenditure authorizations for police, fire, and the 911 dispatch center. City department overall expenditure levels stayed under budget by \$491,332 or under 5 percent, due to deliberately conservative mid-year budget constraint programs led by all City department heads.

### **Capital Asset and Debt Administration**

The City continued to invest in capital assets by adhering to its five-year capital plan. During the year, the City invested \$1,217,493 in major and local street construction. Water infrastructure improvements were completed in the amount of \$862,389. The motor pool also completed a building addition costing \$82,710.

The City entered into a development agreement to create its first Brownfield Redevelopment Authority. This allowed the City to apply for and receive a \$1,000,000 site redevelopment loan that will be repaid by tax increment revenues as the site is improved by the developer.

### **Economic Factors and Next Year's Budgets and Rates**

The City anticipates that there will be a continued decline in state revenue-sharing income coupled with increased unfunded mandates by both the state and federal government. This will undoubtedly shift tax burdens even more to the local level. Property tax revenue is anticipated to increase, but will not likely be enough to offset decreases in revenue sharing and inflationary increases such as employee health care. The City will address this issue by strictly adhering to the maintenance of department budgets and by developing budget alternatives that can be implemented upon notification of any mid-year revenue decreases. Finally, the City will continue to utilize its excess unrestricted General Fund balance.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of City finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City manager or City finance director.

# City of Grandville, Michigan

## Statement of Net Assets June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 1,823,193	\$ 384,539	\$ 2,207,732	\$ 649,930
Investments (Note 3)	4,577,457	6,050,241	10,627,698	1,329,968
Receivables - Net (Note 4)	908,337	1,178,501	2,086,838	18,299
Restricted assets (Note 7)	-	542,000	542,000	-
Capital assets - Net (Note 5):				
Assets subject to depreciation	25,981,136	16,018,086	41,999,222	201,207
Assets not subject to depreciation	1,497,603	276,802	1,774,405	165,542
Bond issuance costs - Net of amortization	96,373	-	96,373	-
Intangible assets (Note 5)	-	3,262,500	3,262,500	-
<b>Total assets</b>	<b>34,884,099</b>	<b>27,712,669</b>	<b>62,596,768</b>	<b>2,364,946</b>
<b>Liabilities</b>				
Accounts payable	469,976	444,628	914,604	238,946
Accrued and other liabilities	490,104	27,551	517,655	188
Long-term liabilities:				
Due in one year:				
Compensated absences	414,606	60,619	475,225	-
Long-term debt (Note 7)	188,827	287,487	476,314	-
Due in more than one year:				
Compensated absences	144,176	-	144,176	-
Long-term debt (Note 7)	5,627,561	3,467,383	9,094,944	1,000,000
<b>Total liabilities</b>	<b>7,335,250</b>	<b>4,287,668</b>	<b>11,622,918</b>	<b>1,239,134</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	21,662,351	12,540,018	34,202,369	366,749
Restricted:				
Cemetery	450,476	-	450,476	-
Drug forfeitures	130,962	-	130,962	-
Roads	1,248,557	-	1,248,557	-
Other purposes	45,942	-	45,942	-
Revenue bond reserve	-	542,000	542,000	-
Unrestricted	4,010,561	10,342,983	14,353,544	759,063
<b>Total net assets</b>	<b>\$ 27,548,849</b>	<b>\$ 23,425,001</b>	<b>\$ 50,973,850</b>	<b>\$ 1,125,812</b>

# City of Grandville, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,098,165	\$ 1,019,650	\$ -	\$ 40,752
Judicial	639,144	361,555	51,780	-
Public safety	4,021,169	315,962	46,255	-
Public works	5,458,311	117,930	1,093,396	456,509
Recreation and culture	1,574,748	192,847	45,047	-
Interest on long-term debt	276,766	-	-	-
Total governmental activities	14,068,303	2,007,944	1,236,478	497,261
Business-type activities - Water and sewer	4,975,843	4,979,848	-	-
Total primary government	<u>\$ 19,044,146</u>	<u>\$ 6,987,792</u>	<u>\$ 1,236,478</u>	<u>\$ 497,261</u>
Component units:				
Downtown Development Authority	\$ 130,919	\$ 1,390	\$ -	\$ -
Brownfield Redevelopment Authority	645,952	-	-	-
Total component units	<u>\$ 776,871</u>	<u>\$ 1,390</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
 Property taxes  
 State-shared revenues  
 Unrestricted investment earnings  
 Franchise fees  
 Miscellaneous

Total general revenues

## Change in Net Assets

Net Assets - July 1, 2005

Net Assets - June 30, 2006

**Statement of Activities**  
**Year Ended June 30, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,037,763)	\$ -	\$ (1,037,763)	\$ -
(225,809)	-	(225,809)	-
(3,658,952)	-	(3,658,952)	-
(3,790,476)	-	(3,790,476)	-
(1,336,854)	-	(1,336,854)	-
(276,766)	-	(276,766)	-
(10,326,620)	-	(10,326,620)	-
-	4,005	4,005	-
(10,326,620)	4,005	(10,322,615)	-
-	-	-	(129,529)
-	-	-	(645,952)
-	-	-	(775,481)
5,591,828	-	5,591,828	299,232
1,313,273	-	1,313,273	-
359,671	305,792	665,463	54,776
133,259	-	133,259	-
69,246	-	69,246	-
7,467,277	305,792	7,773,069	354,008
(2,859,343)	309,797	(2,549,546)	(421,473)
30,408,192	23,115,204	53,523,396	1,547,285
<b>\$ 27,548,849</b>	<b>\$ 23,425,001</b>	<b>\$ 50,973,850</b>	<b>\$ 1,125,812</b>

# City of Grandville, Michigan

## Governmental Funds Balance Sheet June 30, 2006

	General Fund	Major Streets Fund	Local Streets Fund	Revolving Fund	Other Governmental Funds - Nonmajor	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents (Note 3)	\$ 1,664,776	\$ 80,464	\$ 5,857	\$ -	\$ 19,591	\$ 1,770,688
Investments (Note 3)	2,084,970	1,266,006	92,145	-	308,243	3,751,364
Receivables - Net (Note 4)	341,290	140,744	48,499	361,364	4,776	896,673
Total assets	<u>\$ 4,091,036</u>	<u>\$ 1,487,214</u>	<u>\$ 146,501</u>	<u>\$ 361,364</u>	<u>\$ 332,610</u>	<u>\$ 6,418,725</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 275,014	\$ 60,494	\$ 12,173	\$ -	\$ -	\$ 347,681
Accrued and other liabilities	129,250	307,109	5,382	-	201	441,942
Deferred revenue (Note 4)	-	-	-	360,284	-	360,284
Total liabilities	404,264	367,603	17,555	360,284	201	1,149,907
<b>Fund Balances</b>						
Reserved:						
Cemetery	450,476	-	-	-	-	450,476
Drug forfeitures	130,962	-	-	-	-	130,962
Other purposes	45,942	-	-	-	-	45,942
Designated - Postemployment benefits	281,532	-	-	-	-	281,532
Unreserved - Reported in:						
General Fund	2,777,860	-	-	-	-	2,777,860
Special Revenue Funds	-	1,119,611	128,946	-	332,409	1,580,966
Capital Projects Funds	-	-	-	1,080	-	1,080
Total fund balances	<u>3,686,772</u>	<u>1,119,611</u>	<u>128,946</u>	<u>1,080</u>	<u>332,409</u>	<u>5,268,818</u>
Total liabilities and fund balances	<u>\$ 4,091,036</u>	<u>\$ 1,487,214</u>	<u>\$ 146,501</u>	<u>\$ 361,364</u>	<u>\$ 332,610</u>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						26,276,987
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures						360,284
Bond issuance costs - Net of amortization recorded in governmental activities						96,373
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(5,816,388)
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds						(43,712)
Internal Service Funds are included as part of governmental activities						1,965,269
Compensated absences included as a liability in governmental activities						(558,782)
Net assets of governmental activities						<u>\$ 27,548,849</u>

# City of Grandville, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	General Fund	Major Streets Fund	Local Streets Fund	Revolving Fund	Other Governmental Funds - Nonmajor	Total Governmental Funds
<b>Revenue</b>						
Property taxes	\$ 4,870,304	\$ 541,218	\$ 180,306	\$ -	\$ -	\$ 5,591,828
Licenses and permits	179,530	-	-	-	-	179,530
State sources	1,514,782	733,721	269,837	-	-	2,518,340
Local sources	-	44,094	-	-	-	44,094
Special assessment collections	-	-	-	185,157	-	185,157
Fines and forfeitures	571,186	-	-	-	-	571,186
Charges for services	800,007	-	-	-	5,850	805,857
Interest income	216,087	55,957	8,178	32,793	13,993	327,008
Rental income	5,945	-	-	-	415,910	421,855
Cable revenue	133,259	-	-	-	-	133,259
Other	52,926	27,447	-	-	-	80,373
<b>Total revenue</b>	<b>8,344,026</b>	<b>1,402,437</b>	<b>458,321</b>	<b>217,950</b>	<b>435,753</b>	<b>10,858,487</b>
<b>Expenditures</b>						
Current:						
General government	2,055,653	-	-	5,224	-	2,060,877
Judicial	602,980	-	-	-	-	602,980
Public safety	3,906,058	-	-	-	-	3,906,058
Public works	475,194	1,674,797	717,951	-	37,464	2,905,406
Recreation and culture	1,651,835	-	-	-	-	1,651,835
Debt service	-	-	-	-	546,819	546,819
<b>Total expenditures</b>	<b>8,691,720</b>	<b>1,674,797</b>	<b>717,951</b>	<b>5,224</b>	<b>584,283</b>	<b>11,673,975</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(347,694)</b>	<b>(272,360)</b>	<b>(259,630)</b>	<b>212,726</b>	<b>(148,530)</b>	<b>(815,488)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	270,865	-	-	126	270,991
Transfers out	-	-	-	(270,991)	-	(270,991)
Proceeds from issuance of debt	-	-	-	-	5,190,000	5,190,000
Premium on issuance of debt	-	-	-	-	116,730	116,730
Payment to refunded bond escrow agent	-	-	-	-	(5,205,285)	(5,205,285)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>270,865</b>	<b>-</b>	<b>(270,991)</b>	<b>101,571</b>	<b>101,445</b>
<b>Net Change in Fund Balances</b>	<b>(347,694)</b>	<b>(1,495)</b>	<b>(259,630)</b>	<b>(58,265)</b>	<b>(46,959)</b>	<b>(714,043)</b>
<b>Fund Balances - July 1, 2005</b>	<b>4,034,466</b>	<b>1,121,106</b>	<b>388,576</b>	<b>59,345</b>	<b>379,368</b>	<b>5,982,861</b>
<b>Fund Balances - June 30, 2006</b>	<b>\$ 3,686,772</b>	<b>\$ 1,119,611</b>	<b>\$ 128,946</b>	<b>\$ 1,080</b>	<b>\$ 332,409</b>	<b>\$ 5,268,818</b>

# City of Grandville, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (714,043)
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, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which depreciation exceeds capital outlays in the current period	(2,249,258)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(86,174)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	170,000
Extinguishment of debt is an expenditure in the governmental funds, but not in the statement of activities	4,950,000
Decrease in interest expense incurred on outstanding bond principal payments that are recorded when earned in the statement of activities	8,623
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	5,979
Bond proceeds (net of bond premium and loss on refunding) are not reported as financing sources on the statement of activities	(5,051,444)
Amortization recorded on bond premium and loss on refunding in the statement of activities	(4,944)
Bond issuance costs (net of current year amortization) were capitalized and recorded as an asset on the statement of activities	96,373
Internal Service Funds are also included as governmental activities	<u>15,545</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (2,859,343)</u></b>

# City of Grandville, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2006

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Totals	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 76,058	\$ 308,481	\$ 384,539	\$ 52,505
Investments (Note 3)	1,196,671	4,853,570	6,050,241	826,093
Receivables - Net (Note 4)	488,613	689,888	1,178,501	11,664
Total current assets	1,761,342	5,851,939	7,613,281	890,262
Noncurrent assets:				
Restricted assets (Note 7)	-	542,000	542,000	-
Capital assets (Note 5)	8,196,507	8,098,381	16,294,888	1,201,752
Intangible assets (Note 5)	-	3,262,500	3,262,500	-
Total noncurrent assets	8,196,507	11,902,881	20,099,388	1,201,752
Total assets	9,957,849	17,754,820	27,712,669	2,092,014
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	252,730	191,898	444,628	122,295
Accrued and other liabilities	6,651	20,900	27,551	4,450
Provision for compensated absences	13,735	46,884	60,619	-
Current portion of long-term debt (Note 7)	-	287,487	287,487	-
Total current liabilities	273,116	547,169	820,285	126,745
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)				
	-	3,467,383	3,467,383	-
Total liabilities	273,116	4,014,552	4,287,668	126,745
<b>Net Assets</b>				
Investment in capital assets - Net of related debt	8,196,507	4,343,511	12,540,018	1,201,752
Restricted - Revenue bond reserve	-	542,000	542,000	-
Unrestricted	1,488,226	8,854,757	10,342,983	763,517
Total net assets	<b>\$ 9,684,733</b>	<b>\$ 13,740,268</b>	<b>\$ 23,425,001</b>	<b>\$ 1,965,269</b>

# City of Grandville, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2006

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Totals	
<b>Operating Revenue</b>				
Sale of water	\$ 1,649,743	\$ -	\$ 1,649,743	\$ -
Sewage disposal charges	-	3,209,410	3,209,410	-
Interest and penalty charges	15,039	14,269	29,308	-
Installation fees	5,289	77,839	83,128	-
Other charges for services	6,206	2,053	8,259	609,365
	<u>1,676,277</u>	<u>3,303,571</u>	<u>4,979,848</u>	<u>609,365</u>
Total operating revenue				
<b>Operating Expenses</b>				
Cost of water produced/purchased	853,936	-	853,936	-
Cost of sewage treatment	-	803,950	803,950	-
Cost of labor	274,174	891,459	1,165,633	102,674
Administrative costs, supplies, and other	193,082	948,627	1,141,709	291,716
Depreciation and amortization	261,462	516,630	778,092	237,799
	<u>1,582,654</u>	<u>3,160,666</u>	<u>4,743,320</u>	<u>632,189</u>
Total operating expenses				
<b>Operating Income (Loss)</b>	93,623	142,905	236,528	(22,824)
<b>Nonoperating Revenue (Expense)</b>				
Investment income	56,271	249,521	305,792	32,663
Interest expense	-	(232,523)	(232,523)	-
Gain on sale of equipment	-	-	-	5,706
	<u>56,271</u>	<u>16,998</u>	<u>73,269</u>	<u>38,369</u>
Total nonoperating revenue				
<b>Change in Net Assets</b>	149,894	159,903	309,797	15,545
<b>Net Assets - Beginning of year</b>	<u>9,534,839</u>	<u>13,580,365</u>	<u>23,115,204</u>	<u>1,949,724</u>
<b>Net Assets - End of year</b>	<u><u>\$ 9,684,733</u></u>	<u><u>\$ 13,740,268</u></u>	<u><u>\$ 23,425,001</u></u>	<u><u>\$ 1,965,269</u></u>

# City of Grandville, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2006

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Totals	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,554,046	\$ 3,258,137	\$ 4,812,183	\$ -
Payments to suppliers	(946,522)	(1,796,869)	(2,743,391)	(185,022)
Payments to employees	(272,332)	(939,021)	(1,211,353)	(105,287)
Internal activity - Receipts from other funds	-	-	-	603,677
Net cash provided by operating activities	335,192	522,247	857,439	313,368
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(857,278)	(189,234)	(1,046,512)	(261,367)
Proceeds from the disposal of fixed assets	-	-	-	19,403
Principal and interest paid on capital debt	-	(522,522)	(522,522)	-
Net cash used in capital and related financing activities	(857,278)	(711,756)	(1,569,034)	(241,964)
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	56,271	249,521	305,792	32,663
Purchase of investment securities	-	-	-	(78,615)
Proceeds from sale and maturities of investment securities	481,154	70,282	551,436	-
Net cash provided by (used in) investing activities	537,425	319,803	857,228	(45,952)
<b>Net Increase in Cash and Cash Equivalents</b>	15,339	130,294	145,633	25,452
<b>Cash and Cash Equivalents - Beginning of year</b>	60,719	178,187	238,906	27,053
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 76,058</b>	<b>\$ 308,481</b>	<b>\$ 384,539</b>	<b>\$ 52,505</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 93,623	\$ 142,905	\$ 236,528	\$ (22,824)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	261,462	516,630	778,092	237,799
Changes in assets and liabilities:				
Receivables	(122,231)	(45,434)	(167,665)	(5,688)
Accounts payable	100,496	(44,292)	56,204	106,694
Accrued and other liabilities	1,842	(47,562)	(45,720)	(2,613)
Net cash provided by operating activities	<b>\$ 335,192</b>	<b>\$ 522,247</b>	<b>\$ 857,439</b>	<b>\$ 313,368</b>

There were no noncash transactions during the year.

# City of Grandville, Michigan

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## Fiduciary Funds Statement of Assets and Liabilities June 30, 2006

	<u>Agency Funds</u>
<b>Assets - Cash and cash equivalents (Note 3)</b>	<b><u>\$ 134,078</u></b>
<b>Liabilities</b>	
Accrued and other liabilities	\$ 90,701
Due to other governmental units	<u>43,377</u>
 Total liabilities	 <b><u>\$ 134,078</u></b>

# City of Grandville, Michigan

## Component Units Statement of Net Assets June 30, 2006

	Downtown Development Authority	Brownfield Redevelopment Authority	Totals
<b>Assets</b>			
Cash (Note 3)	\$ 84,530	\$ 565,400	\$ 649,930
Investments	1,329,968	-	1,329,968
Accrued interest receivable	18,299	-	18,299
Capital assets (Note 5):			
Assets subject to depreciation	165,542	-	165,542
Assets not subject to depreciation	201,207	-	201,207
Total assets	<u>1,799,546</u>	<u>565,400</u>	<u>2,364,946</u>
<b>Liabilities</b>			
Accounts payable	27,594	211,352	238,946
Accrued and other liabilities	188	-	188
Long-term liabilities - Due in more than one year - Long-term debt (Note 7)	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total liabilities	<u>27,782</u>	<u>1,211,352</u>	<u>1,239,134</u>
<b>Net Assets</b>			
Investment in capital assets - Net of related debt	366,749	-	366,749
Unrestricted	<u>1,405,015</u>	<u>(645,952)</u>	<u>759,063</u>
Total net assets	<u>\$ 1,771,764</u>	<u>\$ (645,952)</u>	<u>\$ 1,125,812</u>

# City of Grandville, Michigan

## Component Units Statement of Activities Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Downtown Development Authority	\$ 130,919	\$ 1,390	\$ -	\$ -	\$ (129,529)	\$ -	\$ (129,529)
Brownfield Redevelopment Authority	<u>645,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(645,952)</u>	<u>(645,952)</u>
Total component units	<u><b>\$ 776,871</b></u>	<u><b>\$ 1,390</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	(129,529)	(645,952)	(775,481)
General revenues:							
Property taxes					299,232	-	299,232
Unrestricted investment earnings					<u>54,776</u>	<u>-</u>	<u>54,776</u>
Total general revenues					<u>354,008</u>	<u>-</u>	<u>354,008</u>
<b>Change in Net Assets</b>					224,479	(645,952)	(421,473)
<b>Net Assets - July 1, 2005</b>					<u>1,547,285</u>	<u>-</u>	<u>1,547,285</u>
<b>Net Assets (Deficit) - June 30, 2006</b>					<u><b>\$ 1,771,764</b></u>	<u><b>\$ (645,952)</b></u>	<u><b>\$ 1,125,812</b></u>

## **Note I - Summary of Significant Accounting Policies**

The accounting policies of the City of Grandville, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Grandville:

### **Reporting Entity**

The City of Grandville is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

### **Blended Component Units**

- a. The 59th District Court has been blended into the General Fund of the City's financial statements. Although the Court operates under the direction of the district judge, it is reported as if it were part of the primary government because of the fiduciary responsibility the City retains relative to the operations of the Court.
- b. The City of Grandville's Building Authority is governed by a four-member board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to monitor and finance the construction of the City's public buildings.

### **Discretely Presented Component Units**

The following component units are reported within the component units column in the government-wide financial statements. They are reported in a separate column to emphasize that they are legally separate from the City. No separate reports are issued for these funds.

- a. The Downtown Development Authority was created to correct and prevent deterioration, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

## **Note I - Summary of Significant Accounting Policies (Continued)**

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

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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 are 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 revenue.

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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from income taxes, property taxes, state-shared revenue, and other sources.

**Major Streets Fund** - The Major Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

## **Note I - Summary of Significant Accounting Policies (Continued)**

**Local Streets Fund** - The Local Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

**Revolving Fund** - The Revolving Fund accounts for the resources of special assessment proceeds that are used for use on special assessment districts.

The City reports the following major proprietary funds:

**Water and Sewer Funds** - The Water and Sewer Funds account for the activities of the water distribution system and sewage collection system. These funds are financed primarily by user charges.

Additionally, the City reports the following fund types:

**Internal Service Fund** - The Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the City on a cost-reimbursement basis.

**Fiduciary Funds** - Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. These include the Recreation Fund, the 59<sup>th</sup> District Court, and the County and School Tax Fund. The Recreation Fund, the 59<sup>th</sup> District Court, and the County and School Tax Fund are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Nonmajor Governmental Funds** - Nonmajor governmental funds consist of a Special Revenue Storm Sewer Trunkage and a General Debt Service Fund. Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions. Debt Service Funds are used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after December 1, 1989.

## **Note I - Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services and charges to other funds. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of equipment and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

## **Note I - Summary of Significant Accounting Policies (Continued)**

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on February 28 of the following year, at which time they are added to the county tax rolls. The 2005 valuation of the City totaled \$650 million, on which taxes were levied at 8.454 mills for the City's operating purposes. Property tax revenue amounted to \$5,591,828 (including delinquent taxes) in the current year and was recorded in the General Fund, Major Streets Fund, and Local Streets Fund.

**Inventories and Prepaid Items** - Inventories in the proprietary funds would be valued at cost, on a first-in, first-out basis, which would approximate market value. Normally, expenditures are not divided between years by the recording of prepaid expenses.

**Restricted Assets** - The restricted assets in the Sewer Fund consist of assets restricted pursuant to the resolutions for the 1996 Sewage System Revenue Bonds.

The reserved fund balance in the General Fund consists of monies (a) accumulated from drug forfeitures and are restricted by the State of Michigan to be used for future drug prevention programs; (b) to be spent on Metro H.S. Police Academy, and (c) to be used for cemetery care. Fund balance resulting from the issuance of bonds and related interest income (net of accounts payable from restricted assets) have been reserved in the Debt Service Fund. Net assets have also been restricted in the Enterprise Funds pursuant to the revenue bond resolutions for future revenue bond debt service.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense capitalized as part of the cost of assets under construction.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	10 to 50 years
Water and sewer distribution systems	10 to 100 years
Land improvements	15 to 20 years
Buildings and building improvements	7 to 45 years
Vehicles	3 to 15 years
Office furnishings	5 to 20 years
Other tools and equipment	5 to 40 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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 while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** - Comparative data is not included in the City's financial statements.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2001, 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 the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at June 30, 2005	\$	(51)
Building permit revenue		131,583
Related expenses:		
Direct costs		123,291
Estimated indirect costs		8,329
		<hr/>
Total construction code expenses		131,620
		<hr/>
Cumulative shortfall at June 30, 2006	\$	<u>(88)</u>

**Budgetary Information** - The annual budget is prepared by City management and is adopted by the City Council approximately 30 days before the start of the beginning of the fiscal year. A public hearing on the budget shall be held before its final adoption, at such time and place as the Council shall direct, and notice of the public hearing shall be published at least one week in advance by the clerk. Subsequent amendments are approved by the City Council in a similar process. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchased orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or services rendered. The amount of encumbrances is not calculated as of June 30, 2006.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

## **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the total fund level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund, Major Streets Fund, and Local Streets Fund budgets, as adopted by the City Council, is included in the fund financial statements. A comparison of actual results of operations to other funds' budgets can be obtained at City Hall.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The City did not have significant expenditure budget variances during the year.

**Fund Deficits** - At June 30, 2006, the City's Brownfield Redevelopment Authority Fund had a deficit of \$645,952. The deficit resulted from incurring expenditures for the project to be funded through a future property tax levy against the developer once the property has been redeveloped.

## **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated 13 banks for the deposits of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in Treasury bills, bonds, and securities of the United States government; bank accounts and CDs; commercial paper rated superior; United States government or federal agency obligation repurchase agreements; bankers' acceptances of United States banks; and government investment pools. In addition, the City limits the percentage of funds which may be invested in each type. The City's deposits and investment policies are in accordance with statutory authority.

### Note 3 - Deposits and Investments (Continued)

The City holds cash and investments on behalf of its component units. These cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$7,964,385 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Custodial Credit Risk of Investments

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. The City does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. government or agency bond or note	\$ 3,932,170	Counterparty's trust

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with not more than a 270-day maturity. In addition, Treasury bills, bonds, and securities of the United States or an agency or instrumentality of the United States must have a remaining maturity of two years or less, unless purchased for a debt retirement or other long-term investment account. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government or agency bond or note	\$ 3,932,170	12.7 months

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 1,167,460	AAA	Moody's
Bank investment pool	1,055,200	Not rated	
U.S. agency bonds	1,978,960	AAA	Moody's
Mutual fund	7,929	AAA	Moody's

#### Concentration of Credit Risk

Per the City's investment policy, not more than 25 percent of total City funds classified as investments may be invested in commercial paper or investment pools and not more than 10 percent may be invested in repurchase agreements or bankers' acceptances. Of the City's investments, more than 5 percent of the City's total investments are in the following: FHLB U.S. agency bonds at 16.05 percent; FNMA U.S. agency bonds at 16.06 percent; Freddie Mac at 15.98 percent; and U.S. Treasury note at 15.71 percent.

# City of Grandville, Michigan

## Notes to Financial Statements June 30, 2006

### Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor, Internal Service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Revolving Fund	Water Fund	Sewer Fund	Nonmajor and Other Funds	Total
Receivables:								
Special assessments	\$ -	\$ -	\$ -	\$ 360,284	\$ -	\$ -	\$ -	\$ 360,284
Accounts	44,682	-	-	-	467,187	689,888	-	1,201,757
Intergovernmental	250,174	121,151	44,555	-	-	-	-	415,880
Interest and other	46,434	19,593	3,944	1,080	21,426	-	4,776	97,253
Less allowance for uncollectibles	-	-	-	-	-	-	-	-
Net receivables	<u>\$ 341,290</u>	<u>\$ 140,744</u>	<u>\$ 48,499</u>	<u>\$ 361,364</u>	<u>\$ 488,613</u>	<u>\$ 689,888</u>	<u>\$ 4,776</u>	2,075,174
								Internal service - Interest and other
								<u>11,664</u>
								Total government-wide receivables
								<u>\$ 2,086,838</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Special assessments	<u>\$ 360,284</u>

# City of Grandville, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 1,497,603	\$ -	\$ -	\$ 1,497,603
Capital assets being depreciated:				
Roads and sidewalks	72,733,786	1,532,845	-	74,266,631
Land improvements	1,014,706	32,055	-	1,046,761
Buildings and improvements	8,587,077	263,267	-	8,850,344
Office furnishings and equipment	4,147,888	243,440	(75,273)	4,316,055
Subtotal	86,483,457	2,071,607	(75,273)	88,479,791
Accumulated depreciation:				
Roads and sidewalks	52,636,290	3,705,030	-	56,341,320
Land improvements	810,812	24,835	-	835,647
Buildings and improvements	2,120,501	248,378	-	2,368,879
Office furnishings and equipment	2,695,331	319,055	(61,577)	2,952,809
Subtotal	58,262,934	4,297,298	(61,577)	62,498,655
Net capital assets being depreciated	28,220,523	(2,225,691)	(13,696)	25,981,136
Net capital assets	<u>\$ 29,718,126</u>	<u>\$ (2,225,691)</u>	<u>\$ (13,696)</u>	<u>\$ 27,478,739</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	234,998	261,802	(234,998)	261,802
Subtotal	249,998	261,802	(234,998)	276,802
Capital assets being depreciated:				
Water and sewer distribution systems	15,711,460	1,019,709	-	16,731,169
Buildings and building improvements	6,872,401	-	-	6,872,401
Other tools and equipment	2,205,537	-	-	2,205,537
Subtotal	24,789,398	1,019,709	-	25,809,107
Accumulated depreciation:				
Water and sewer distribution systems	5,262,852	406,012	-	5,668,864
Buildings and building improvements	2,002,625	146,513	-	2,149,138
Other tools and equipment	1,894,977	78,042	-	1,973,019
Subtotal	9,160,454	630,567	-	9,791,021
Net capital assets being depreciated	15,628,944	389,142	-	16,018,086
Net capital assets	<u>\$ 15,878,942</u>	<u>\$ 650,944</u>	<u>\$ (234,998)</u>	<u>\$ 16,294,888</u>

# City of Grandville, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 37,288
Judicial	48,664
Public safety	137,865
Public works	3,705,400
Recreation and culture	130,282
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>237,799</u>
Total governmental activities	<u>\$ 4,297,298</u>

Business-type activities:

Water Fund	\$ 261,462
Sewer Fund	<u>369,105</u>
Total business-type activities	<u>\$ 630,567</u>

As of June 30, 2006, the City had \$3,262,500 in unamortized intangible assets. The entire balance relates to sewage disposal rights. Amortization expense of \$112,500 was recognized in business-type activities.

**Construction Commitments** - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Watermain improvements	\$ 216,114	\$ 129,866
Watermain replacements and street improvements	<u>374,613</u>	<u>73,956</u>
Total	<u>\$ 590,727</u>	<u>\$ 203,822</u>

# City of Grandville, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets (Continued)

Capital asset activity of the City's component unit was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
<b>Component Unit</b>				
Capital assets not being depreciated -				
Land	\$ 201,207	\$ -	\$ -	\$ 201,207
Capital assets being depreciated -				
Land improvements	427,518	13,000	-	440,518
Accumulated depreciation - Land improvements	<u>252,146</u>	<u>22,830</u>	<u>-</u>	<u>274,976</u>
Net capital assets being depreciated	<u>175,372</u>	<u>(9,830)</u>	<u>-</u>	<u>165,542</u>
Net capital assets	<u>\$ 376,579</u>	<u>\$ (9,830)</u>	<u>\$ -</u>	<u>\$ 366,749</u>

Depreciation expense of \$22,830 of the component unit related solely to public works.

### Note 6 - Interfund Receivables, Payables, and Transfers

#### Interfund Transfers

	<u>Transfers Out - Revolving Fund</u>
Transfers in:	
Major Streets Fund	\$ 270,865
Other governmental funds	<u>126</u>
Total	<u>\$ 270,991</u>

The majority of the above interfund transfers are made from the Revolving Fund to the Major Streets Fund. The Revolving Fund accounts for special assessment receipts and disbursements to other funds for debt retirement.

# City of Grandville, Michigan

## Notes to Financial Statements June 30, 2006

### Note 7 - Long-term Debt

Covenants of the revenue bond resolutions provide for, among other things, guidance on rate setting (required anticipation of debt coverage ratio) and various restrictions on the transfer of funds, issuance of additional debt, creation of liens, and the sale and lease of property. In accordance with the revenue bond resolutions, cash of \$542,000 has been required to be restricted for a bond reserve.

Excluded from the governmental activities are special assessment bonds that were issued during fiscal year 2001. The bonds, totaling \$4,395,000, were issued to offset infrastructure expenditures incurred during fiscal years 1999 and 2000 related to a significant capital project. The bonds are payable solely from the collection of the special assessment and are not a general obligation of the City. While the City remains the paying agent and maintains information related to the bonds, the obligation is not reflected in the City's financial statements. The outstanding balance of these bonds at June 30, 2006 was \$1,925,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Payments and Refunding	Ending Balance	Due Within One Year
<b>Governmental Activities</b> - General obligation bonds					
2005 Refinanced Building Authority Bonds, maturing from 2006 through 2025, with interest ranging from 3.25% to 5.0% (shown net of bond premium and loss on refunding costs)	\$ -	\$ 5,056,388	\$ -	\$ 5,056,388	\$ 13,827
1999 Building Authority Bonds, maturing from 2004 through 2009, with interest ranging from 5% to 5.15%. This bond was partially refunded in the current year	5,880,000	-	(5,120,000)	760,000	175,000
Total governmental activities	5,880,000	5,056,388	(5,120,000)	5,816,388	188,827
<b>Business-type Activities</b> - Revenue bonds					
1996 Sewage System Bonds, maturing through 2016, with interest ranging from 5.1% to 5.7% (shown net of unamortized discount)	4,009,844	-	(254,974)	3,754,870	287,487
Total long-term-debt	\$ 9,889,844	\$ 5,056,388	\$ (5,374,974)	\$ 9,571,258	\$ 476,314

# City of Grandville, Michigan

## Notes to Financial Statements June 30, 2006

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bonds are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 188,827	\$ 257,401	\$ 446,228	\$ 287,487	\$ 219,715	\$ 507,202
2008	198,868	247,409	446,277	302,487	203,398	505,885
2009	208,910	236,875	445,785	322,487	186,118	508,605
2010	218,954	225,749	444,703	337,487	167,587	505,074
2011	234,206	215,439	449,645	357,487	147,885	505,372
2012-2016	1,360,629	885,600	2,246,229	2,147,435	395,714	2,543,149
2017-2021	1,728,291	533,075	2,261,366	-	-	-
2022-2025	1,677,703	145,707	1,823,410	-	-	-
Total	\$ 5,816,388	\$ 2,747,255	\$ 8,563,643	\$ 3,754,870	\$ 1,320,417	\$ 5,075,287

**Component Units** - In the current year, the Brownfield Redevelopment Authority was granted a loan from the State of Michigan for \$1,000,000. The bonds will begin repayment in 2011 at an interest rate of 2.0 percent and will be due in 2021. The debt will be repaid through a property tax levy against the developer once the property has been redeveloped. The developer has also signed a letter of credit dated April 27, 2006 that will pay the principal and interest on the bond if the developer defaults under the development agreement.

**Advance and Current Refundings** - During the year, the City issued \$5,190,000 in general obligation bonds with interest rates ranging from 3.25 percent to 5.0 percent. The proceeds of these bonds were used to advance refund \$4,950,000 of outstanding 1999 Building Authority bonds with interest rates ranging from 5.0 percent to 5.5 percent. The net proceeds of \$5,205,285, including issuance of net premium of \$116,730 (after payment of \$101,445 in underwriting fees, insurance, and other issuance costs) were used to purchase state and local government series investments and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. The advance refunding reduced total debt service payments by approximately \$500,000, which represents an economic gain of approximately \$336,000. The deferred amount on refunding is the difference between the reacquisition price of \$5,205,285 and the net carrying amount of the old debt of \$4,950,000.

The net deferred accounting loss on refunding of \$255,285 will be amortized using the straight-line method over the life of the new bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the City's long-term obligations.

At June 30, 2006, \$4,950,000 of bonds outstanding are considered defeased.

## **Note 8 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for coverage of certain employees' health claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and general liability insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City has purchased commercial insurance for coverage of health claims for all employees. The City is self-insured for dental claims. The City estimates the liability for dental claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not been reported. The estimated liability is insignificant and has not been recorded on the accompanying financial statements.

## **Note 9 - Pension Plans**

### **Defined Benefit Pension Plan**

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan; however, participation in the plan is closed to new employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the MMERS. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917.

### Note 9 - Pension Plans (Continued)

**Funding Policy** - The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of varying percents of gross wages as follows:

	<u>Percentage</u>
Administration	1.71
Police sergeants	4.40
Police rank and file	3.40
Wastewater	3.55

**Annual Pension Costs** - For the year ended June 30, 2006, the City's annual pension cost of \$312,037 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003 using the entry age normal cost method. Significant actuarial assumptions used include: (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.66 percent per year, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility from an 8 percent return over a five-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 23 years.

Three-year trend information as of June 30 follows:

	<u>Fiscal Year Ended June 30</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension costs (APC)	\$ 249,744	\$ 323,789	\$ 312,037
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

# City of Grandville, Michigan

## Notes to Financial Statements June 30, 2006

### Note 9 - Pension Plans (Continued)

	Actuarial Valuation as of December 31		
	2003	2004	2005
Actuarial value of assets	\$ 9,066,979	\$ 9,388,327	\$ 9,684,550
Actuarial accrued liability (AAL)			
(entry age)	12,291,023	13,513,285	14,671,555
Unfunded AAL (UAAL)	3,224,044	4,124,958	4,987,005
Funded ratio	74%	69%	66%
Covered payroll	1,943,595	1,905,565	1,574,234
UAAL as a percentage of covered payroll	166%	216%	317%

#### Defined Contribution Pension Plan

The City provides pension benefits to all of its full-time employees not participating in the defined benefit plan through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes 9 percent of employees' eligible earnings, as defined in the plan document, and employee contributions for each employee plus interest allocated to the employee's account are fully vested after five years of service.

The City's total payroll during the current year was \$2,884,551. The current year contribution was calculated based on covered payroll of \$2,884,551, resulting in an employer contribution of \$260,303 and employee contributions of \$92,294.

### Note 10 - Contingent Liabilities

The City has been named in a few claims and lawsuits regarding property tax appeals requesting damages of various amounts, the majority of which do not state a specific maximum. The proceedings have not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any. No liability has been provided for any of these matters in the June 30, 2006 financial statements.

## **Note 11 - Other Postemployment Benefits**

The City has elected to provide postemployment health benefits to all full-time employees upon retirement. Currently, 18 retirees are eligible for post-employment health benefits. The City includes pre-Medicare retirees in its insured health care plan, with no contribution required by the participant. For the fiscal year ended June 30, 2006, the City made payments for postemployment health benefits of approximately \$29,200.

The City's funding policy is on a pay-as-you-go basis, accounted for within the General Fund. During 2000, the City received an actuarial study to help quantify the potential long-term liability for retiree health care benefits.

As of December 31, 2001 (date of actuarial valuation), the unfunded actuarial accrued liability (UAAL) totaled \$459,608. Significant actuarial assumptions used in determining the UAAL are the same as those used for the defined benefit pension plan (see Note 9) with the additional assumption of projected health insurance premium increases of 4.5 percent compounded annually, attributable to inflation.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009. It should be noted that the City has already completed an actuarial evaluation (as discussed above) and internal contributions have been set aside by the City that exceed the actuarial recommended payments.

## **Required Supplemental Information**

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# City of Grandville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 4,737,016	\$ 4,737,016	\$ 4,870,304	\$ 133,288
Licenses and permits	150,500	150,500	179,530	29,030
State sources	1,416,798	1,416,798	1,514,782	97,984
Fines and forfeitures	688,000	688,000	571,186	(116,814)
Other charges for services	758,218	758,218	800,007	41,789
Interest income	91,500	91,500	216,087	124,587
Rental income	2,500	2,500	5,945	3,445
Cable revenue	120,000	120,000	133,259	13,259
Other	50,000	50,000	52,926	2,926
Total revenue	8,014,532	8,014,532	8,344,026	329,494
<b>Expenditures</b>				
General government:				
Legislative	36,746	36,746	30,740	6,006
Assessor	135,889	135,889	129,914	5,975
Attorney	265,000	265,000	361,365	(96,365)
Clerk	107,550	107,550	104,988	2,562
Treasurer	315,185	315,185	248,736	66,449
Executive	285,352	285,352	223,567	61,785
Probation	410,138	410,138	386,145	23,993
Court	38,896	38,896	42,844	(3,948)
Building inspection	100,000	100,000	119,961	(19,961)
General administration	465,424	465,424	407,393	58,031
Judicial	653,218	653,218	602,980	50,238
Public safety:				
Narcotics enforcement	9,500	9,500	5,935	3,565
911 dispatch center	406,962	431,962	372,138	59,824
Police	2,620,444	2,675,444	2,648,337	27,107
Fire	887,005	907,005	879,648	27,357
Public works:				
Sidewalk maintenance	105,446	105,446	101,609	3,837
Parking lot maintenance	47,149	47,149	43,242	3,907
Highways, streets, and bridges	288,500	288,500	289,864	(1,364)
Sanitation and other	92,092	92,092	40,479	51,613
Recreation and culture:				
Cemetery	322,928	322,928	279,870	43,058
Special projects	588,980	588,980	523,854	65,126
Planning and zoning	56,027	56,027	54,834	1,193
Parks and recreation	488,664	588,664	559,685	28,979
Library	125,291	141,291	129,674	11,617
Other	114,666	114,666	103,918	10,748
Total expenditures	8,967,052	9,183,052	8,691,720	491,332

# City of Grandville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Net Change in Fund Balance</b>	\$ (952,520)	\$ (1,168,520)	\$ (347,694)	\$ 820,826
<b>Fund Balance - July 1, 2005</b>	<u>2,686,264</u>	<u>3,150,859</u>	<u>4,034,466</u>	<u>883,607</u>
<b>Fund Balance - June 30, 2006</b>	<u><b>\$ 1,733,744</b></u>	<u><b>\$ 1,982,339</b></u>	<u><b>\$ 3,686,772</b></u>	<u><b>\$ 1,704,433</b></u>

Note: The General Fund budget was adopted on the basis of total revenue and expenditures. The amounts shown above are in greater detail than the budget adopted by the City Council and are shown for management analysis only.

# City of Grandville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Streets Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 540,436	\$ 540,436	\$ 541,218	\$ 782
State sources	800,231	800,231	733,721	(66,510)
Local sources	49,752	49,752	44,094	(5,658)
Interest and rental income	22,000	22,000	55,957	33,957
Other	270,000	270,000	27,447	(242,553)
Total revenue	1,682,419	1,682,419	1,402,437	(279,982)
<b>Expenditures - Public works</b>				
Administration	63,408	63,408	48,452	14,956
Snow removal	131,706	131,706	149,497	(17,791)
Signs and signals	162,836	162,836	160,337	2,499
Bridge	75,300	75,300	30,877	44,423
Street construction	1,090,000	1,134,000	1,021,941	112,059
Nonmotorized	20,000	20,000	199	19,801
Street maintenance	413,013	413,013	263,494	149,519
Total expenditures	1,956,263	2,000,263	1,674,797	325,466
<b>Excess of Expenditures Over Revenue</b>	(273,844)	(317,844)	(272,360)	45,484
<b>Other Financing Sources - Transfers in</b>	133,458	133,458	270,865	137,407
<b>Net Change in Fund Balance</b>	(140,386)	(184,386)	(1,495)	182,891
<b>Fund Balance - July 1, 2005</b>	666,415	826,155	1,121,106	294,951
<b>Fund Balance - June 30, 2006</b>	<u>\$ 526,029</u>	<u>\$ 641,769</u>	<u>\$ 1,119,611</u>	<u>\$ 477,842</u>

Note: The Major Streets Special Revenue Fund budget was adopted on the basis of total revenue and expenditures. The amounts shown above are in greater detail than the budget adopted by the City Council and are shown for management analysis only.

# City of Grandville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Local Streets Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 180,145	\$ 180,145	\$ 180,306	\$ 161
State sources	276,372	276,372	269,837	(6,535)
Interest income	3,000	3,000	8,178	5,178
Total revenue	459,517	459,517	458,321	(1,196)
<b>Expenditures - Public works</b>				
Administration	34,685	34,685	26,195	8,490
Snow removal	101,030	101,030	102,476	(1,446)
Signs and signals	37,392	37,392	28,435	8,957
Street maintenance	298,724	298,724	273,100	25,624
Street construction	204,500	289,500	287,745	1,755
Total expenditures	676,331	761,331	717,951	43,380
<b>Net Change in Fund Balance</b>	(216,814)	(301,814)	(259,630)	42,184
<b>Fund Balance - July 1, 2005</b>	438,012	423,443	388,576	(34,867)
<b>Fund Balance - June 30, 2006</b>	<u>\$ 221,198</u>	<u>\$ 121,629</u>	<u>\$ 128,946</u>	<u>\$ 7,317</u>

Note: The Local Streets Special Revenue Fund budget was adopted on the basis of total revenue and expenditures. The amounts shown above are in greater detail than the budget adopted by the City Council and are shown for management analysis only.

## **Other Supplemental Information**

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# City of Grandville, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2006

	Special Revenue Fund	Debt Service Fund	
	Storm Sewer Trunkage	General	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 19,591	\$ -	\$ 19,591
Investments	308,243	-	308,243
Receivables - Net	<u>4,776</u>	<u>-</u>	<u>4,776</u>
Total assets	<u><b>\$ 332,610</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 332,610</b></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b> - Accrued and other liabilities	\$ 201	\$ -	\$ 201
<b>Fund Balances</b> - Unreserved - Reported in Special Revenue Funds	<u>332,409</u>	<u>-</u>	<u>332,409</u>
Total liabilities and fund balances	<u><b>\$ 332,610</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 332,610</b></u>

# City of Grandville, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2006

	Special Revenue		Total Nonmajor Governmental Funds
	Fund	Debt Service Fund	
	Storm Sewer Trunkage	General	
<b>Revenue</b>			
Charges for services	\$ 5,850	\$ -	\$ 5,850
Interest and rentals	13,200	793	13,993
Rental income	-	415,910	415,910
	<u>19,050</u>	<u>416,703</u>	<u>435,753</u>
<b>Expenditures</b>			
Current - Public works	37,464	-	37,464
Debt service - Principal and interest	-	546,819	546,819
	<u>37,464</u>	<u>546,819</u>	<u>584,283</u>
<b>Excess of Expenditures Over Revenue</b>	(18,414)	(130,116)	(148,530)
<b>Other Financing Sources (Uses)</b>			
Transfers in	126	-	126
Proceeds from issuance of debt	-	5,190,000	5,190,000
Premium on issuance of debt	-	116,730	116,730
Payment to refunded bond escrow agent	-	(5,205,285)	(5,205,285)
	<u>126</u>	<u>101,445</u>	<u>101,571</u>
<b>Net Change in Fund Balances</b>	(18,288)	(28,671)	(46,959)
<b>Fund Balances - Beginning of year</b>	<u>350,697</u>	<u>28,671</u>	<u>379,368</u>
<b>Fund Balances - End of year</b>	<u><u>\$ 332,409</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 332,409</u></u>

# City of Grandville, Michigan

## Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2006

	Agency			Total Agency
	Recreation	County and School Tax	59th District Court	
<b>Assets - Cash and cash equivalents</b>	<b><u>\$ 72,162</u></b>	<b><u>\$ 8,531</u></b>	<b><u>\$ 53,385</u></b>	<b><u>\$ 134,078</u></b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 72,162	\$ -	\$ 18,539	\$ 90,701
Due to other governmental units	<u>-</u>	<u>8,531</u>	<u>34,846</u>	<u>43,377</u>
Total liabilities	<b><u>\$ 72,162</u></b>	<b><u>\$ 8,531</u></b>	<b><u>\$ 53,385</u></b>	<b><u>\$ 134,078</u></b>

**List of fields to be inserted throughout report:**

<b>Bookmark name</b>	<b>Values</b> (Hit [Insert] [Field], Choose 'Ref', 'Options'; Select the bookmark name, then select switch "\h")
<b>Name</b>	City of Grandville
<b>Name Formal</b>	City of Grandville, Michigan (See directions below:)
<b>NamePossesive</b>	City of Grandville's
<b>ShortName</b>	City
<b>ShortNamePossesive</b>	City's
<b>Year End</b>	June 30, 2006
<b>Prior Year</b>	June 30, 2005
<b>Opinion Date</b>	September 29, 2006
<b>Examples of how to use the "Name Formal" field:</b>	<p>Cities, Villages &amp; Counties:  <b>City of Grandville, Michigan</b></p> <p>Townships:  <b>Charter Township of Sample,  Sample County, Michigan</b></p>

Use [Shift] [Enter] to create the new line