



**CITY OF GRAND HAVEN,
MICHIGAN**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

CITY OF GRAND HAVEN, MICHIGAN

Table of Contents

	<u>Page</u>
List of Elected and Appointed Officials	
Independent Auditors' Report	1-2
Basic Financial Statements	
Management's Discussion and Analysis	3-17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets (Deficit)	18
Statement of Activities	19-20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	21
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	25
2008 UTGO Bond Special Revenue Fund	26
Statement of Net Assets - Proprietary Funds	27-28
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	30-31
Statement of Fiduciary Assets and Liabilities	32
Statement of Changes in Fiduciary Net Assets	33
Combining Statement of Net Assets (Deficit) - Discretely Presented Component Units	34
Combining Statement of Activities - Discretely Presented Component Units	35
Notes to Financial Statements	36-64

(continued)

CITY OF GRAND HAVEN, MICHIGAN

Table of Contents

	<u>Page</u>
Required Supplementary Information	
Municipal Employees Retirement System and Other Postemployment Benefit Plan Schedules of Funding Progress	65
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	66-67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	68-69
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Major Streets and Truckline Special Revenue Fund	70
Local Streets Special Revenue Fund	71
Housing Special Revenue Fund	72
Building Authority Bonds Debt Service Fund	73
Special Assessment Bonds Debt Service Fund	74
2008 UTGO Debt Service Fund	75
Public Improvement Capital Projects Fund	76
Fire Truck Capital Projects Fund	77
2008 UTGO Infrastructure Bond Capital Projects Fund	78
Building Authority Capital Projects Fund	79
Cemetery Perpetual Care Permanent Fund	80
Nonmajor Enterprise Funds	
Combining Statement of Net Assets	81-82
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	83-84
Combining Statement of Cash Flows	85-88
Internal Service Funds	
Combining Statement of Net Assets	89
Combining Statement of Revenues, Expenses and Changes Fund in Net Assets	90
Combining Statement of Cash Flows	91-92

(continued)

CITY OF GRAND HAVEN, MICHIGAN

Table of Contents

	<u>Page</u>
Combining and Individual Fund Statements and Schedules (Continued)	
Fiduciary Funds	
Combining Statement of Assets and Liabilities - Agency Funds	93
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	94-95
Component Units	
Economic Development Corporation	
Balance Sheet/Statement of Net Assets	96
Statement of Activities/Revenues, Expenditures and Changes in Fund Balance/Net Assets	97
Main Street Downtown Development Authority	
Balance Sheet/Statement of Net Assets (Deficit)	98
Statement of Activities/Revenues, Expenditures and Changes in Fund Balance/Net Assets (Deficit)	99
Brownfield Redevelopment Authority	
Balance Sheet/Statement of Net Assets (Deficit)	100
Statement of Activities/Revenues, Expenditures and Changes in Fund Balance/Net Assets (Deficit)	101

CITY OF GRAND HAVEN, MICHIGAN

List of Elected and Appointed Officials

June 30, 2011

Elected Officials

Mayor	Roger A. Bergman
Mayor Pro-tem	Michael Fritz
Council Members	Edward Nieuwenhuis Robert Monetza Dennis Scott

Appointed Officials

City Manager	Patrick McGinnis
City Clerk	Linda Niotis
City Treasurer	Teri VanHall
Finance Director	James Bonamy

INDEPENDENT AUDITORS' REPORT

October 31, 2011

Honorable Mayor and
Members of the City Council
City of Grand Haven, 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 Grand Haven, Michigan*, as of and for the year ended June 30, 2011, which collectively comprise the City of Grand Haven, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grand Haven, 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 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 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 Grand Haven, Michigan as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General fund and the 2008 UTGO Bond Special Revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 31, 2011, on our consideration of the City of Grand Haven, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-17 and the Municipal Employee Retirement System and Other Postemployment Benefit Plan information listed in the table of contents are not a required part of the basic financial statements but are supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Haven, Michigan'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 City of Grand Haven, Michigan's basic financial statements. The combining and individual funds statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Rehmann Johnson". The signature is written in a cursive style with a large initial 'R'.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

1) Financial Highlights:

- a) In all material respects, the City of Grand Haven ended the fiscal year in an overall better financial position than it started the year. All funds ended the year with positive fund balance, except for the 2008 UTGO Infrastructure Bond fund. The Brownfield Redevelopment Authority and The Main Street Downtown Development Authority are in positive fund balance position under modified accrual accounting as appropriate to bonded Tax Increment Financing funds with outstanding debt. General Fund total operating expenditures finished \$610,791 under amended budget and \$157,596 under the original budget. Including transfers out, the fund had a \$625,314 increase in fund balance (page 25). Including component units, overall debt increased due to the addition of the City's portion of a capital lease liability from issuance of RZED Bonds for the Northwest Ottawa Water Plant (page 52).
- b) Governmental activity net assets totaled \$56,370,226 at June 30, 2011, up from \$54,776,713 at June 30, 2010 (page 18).
- c) Business-type activities net assets totaled \$46,587,918 at June 30, 2011, up from \$43,416,706 at June 30, 2010 (page 18).
- d) Total expenses for governmental activities totaled \$14,116,106 at June 30, 2011, up from, \$12,507,725 at June 30, 2010 (page 19).
- e) Total expenses for business-type activities totaled \$38,916,825 at June 30, 2011, up from \$34,943,118 at June 30, 2010 (page 19).
- f) The General Fund is healthy. Fund balance increased by \$625,314. Year end fund balance for the General Fund totaled \$4,716,703 at June 30, 2011 up from \$4,091,389 at June 30, 2010 (page 21).
- g) The General Fund cash position is also healthy at \$4,769,521 at June 30, 2011 up from \$4,017,680 at June 30, 2010 (page 21).
- h) The Public Improvement fund balance decreased by \$256,166, moving from \$1,317,219 on June 30, 2010, to \$1,061,053 at June 30, 2011 (page 76).
- i) The Brownfield Redevelopment Authority posted a net assets deficit of \$8,381,082 at June 30, 2011, compared to a net assets deficit \$9,759,114 at June 30, 2010. The change occurs due to writing past completed investments in capital assets to the various governmental and operating funds and noting future tax revenue to support future debt service. The deficit is the standard position of Brownfield projects funded by debt service based on future taxes. The deficit will be eliminated over time by future revenue in tax increments and electric utility franchise fees (page 100).
- j) The Main Street Downtown Development Authority (MSDDA) Fund posted a net assets deficit \$7,086,250 at June 30, 2011, compared to a deficit net assets position of \$5,986,870 at June 30, 2010. The change occurs due to writing completed investments in capital assets to the various governmental and operating funds and noting future tax revenue to support future debt service. This is the standard position of Downtown TIF projects funded by debt service based on future taxes. The deficit will be eliminated over time by future revenue from tax increments (page 98).
- k) The Health Benefits Fund net assets balance position is \$1,359,253 at June 30, 2011 compared to \$1,202,554 at June 30, 2010. (Page 89). As this is a self-insured health benefits fund, it is expected to have swings of anticipated revenue vs. actual expenditures on an annual basis based on actual medical services utilization.
- l) In October 2009, 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. Debt service payments will continue through 2034. This debt will be partially reimbursed by transfers from the General, Local Streets, Water and Sewer Funds per agreement between the City and the Main Street Downtown Development Authority as well as from federal funding. Capital lease liabilities have been created in those funds. The majority of the debt will be paid through Downtown TIF revenue.
- m) In February 2006, a \$3,345,000 Capital Improvement Bond for Downtown parking improvements was issued at 4.38%. Debt service payments will continue through 2026.

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

- n) The \$710,000 2005 Brownfield TIF Bond (Boat Storage Site) construction was completed in the summer of 2005. Debt service payments will continue through 2017.
- o) A \$2,830,000 Building Authority bond was issued in August 2006 for the Community Center expansion/renovation project, which was completed in August, 2007. Voted millage is dedicated to debt retirement and certain annual operating and capital costs. Debt service payments will continue through 2014.
- p) A \$15,095,000 Brownfield TIF Bond was issued in September 2006 for public infrastructure costs at the Grand Landing site. Increased millage from private investment on the property is proposed to fund debt service. During the reported fiscal year, the debt service fund continued its interest and principal payments on the bond. Debt service payments will continue through 2022. Anticipated for FY 2011-12, the City Council passed a $\frac{3}{4}$ mill levy to support this debt service if private investment does not generate enough tax revenue to pay it. This will be annually reviewed as the debt service needs are determined.
- q) The Northwest Ottawa Water Plant members issued debt in 2009 through a County Bond structure which requires a capital lease liability on the part of the member units of government. This report notes that portion of liability applied to the City of Grand Haven. Debt service payments will continue through 2034.
- r) The cash position and net assets position of the various nonmajor enterprise funds will continue to be monitored in FY 2011-12. An overall \$594,668 increase in combined nonmajor enterprise fund net assets occurred during the fiscal year (excluding the Board of Light and Power and the Municipal Water, major enterprise funds) (page 84). The Municipal Sewage Treatment Fund and the Municipal Water Fund increased their net assets by \$524,489 and \$190,181 respectively through 2008 Infrastructure Bond funding used for completed reconstruction of collection and distribution lines on Beechtree, Griffin, and Washington Avenue (pages 29 and 83). Marina Fund net assets increased by \$25,065 due to increased revenue and decreased operation expenses. Harbor Transit net assets increased \$171,085 due to Federal and State support of new bus purchases. Airport Fund net assets decreased by \$159,812, including depreciation of \$184,774. Without depreciation, the Airport showed an operating surplus of \$24,962. Total non-major proprietary fund net assets at the end of the fiscal year (excluding the Board of Light and Power and the Municipal Water, major enterprise funds) were \$13,948,142 at June 30, 2011, compared to \$13,353,474 at June 30, 2010 (pages 29 and 84).

2) Overview of the Financial Statements:

a) Overall financial picture

The financial statements provide two views of the City's financial position. At the broadest level, called the government-wide statements, the report summarizes all City funds into one statement using the full accrual method of accounting. This method of accounting is similar to private sector accounting.

i) *Statement of Net Assets*

The *Statement of Net Assets* provides information on assets, liabilities and the difference between assets and liabilities, or net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The *Statement of Net Assets* is similar to a balance sheet in private sector accounting.

ii) *Statement of Activities*

The *Statement of Activities* explains the change in net assets through revenue and expense analysis and comparison. All changes in net assets are reported as the change occurs including depreciation on the assets. The statement does not report any capital projects. Capital projects are capitalized on the *Statement of Net Assets*.

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

b) Fund Focus

Governmental accounting focuses on individual governmental funds. A fund is defined as a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are used to ensure compliance with finance-related legal or regulatory requirements. Funds are classified as either governmental funds, proprietary funds or fiduciary funds.

i) Governmental Funds

Governmental funds are essentially equal to governmental activities except that internal service funds are proprietary funds included in governmental activities. Internal service funds are not governmental funds. Governmental funds use the modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and the resulting balances of spendable resources. In the governmental funds statements, accounting for items such as capital outlay, depreciation, debt payments, and accrued vacation is different than in the government-wide statements. In governmental funds, capital outlay and debt principal are reported on the *Statement of Revenues, Expenditures and Changes in Fund Balance*. Depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The *Balance Sheet* for governmental funds does not include any capital assets or long-term debt.

(1) Major Funds

Under Governmental Accounting Standards Board (GASB) Statement 34, the focus has shifted from the governmental fund type to a major funds emphasis. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. Greater detail is presented for Major Funds.

For the City of Grand Haven, the following governmental funds meet this major funds requirement:

- General Fund
- 2008 UTGO Bond Special Revenue Fund

(2) Nonmajor funds

In the basic financial statements, the remaining funds are considered nonmajor funds and are consolidated into one column. These are smaller, less active funds. Detailed information about nonmajor funds can be found after the Notes to the Financial Statements.

ii) Proprietary Funds

Proprietary funds use the full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

(1) Enterprise Funds

These funds are used to report business-like activities. In general, these funds charge a fee for goods or services provided. Also, the fee is generally expected to recover the cost of providing the goods or services. The City of Grand Haven uses enterprise funds for water distribution, wastewater collection, transit, marina, airport, rental of the Chinook Pier building and the Board of Light and Power (BLP).

For the City of Grand Haven, the following enterprise funds meet this major funds requirement:

- Board of Light and Power Fund
- Municipal Water

City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010

Note that the Board of Light and Power is a department of the City by City Charter, but issues its own annual financial report. Detail regarding its operations not found in this report may be found in that audit report, which is available at City Hall or at the Board of Light and Power offices on Eaton Street in Grand Haven, MI.

(2) Internal Service Funds

These funds provide goods or services to other city activities or functions. Internal service funds facilitate cost allocation of centralized services such as motor pool vehicle and equipment maintenance; health benefits; liability, property and auto insurance, worker and unemployment compensation and claims administration. The City of Grand Haven has three internal service funds, the Motorpool Fund, the Self Insurance Fund and the Health Benefits Fund.

iii) Component Units

The City of Grand Haven's annual financial report includes three discrete component units. Component units are separate legal entities for which the City of Grand Haven has some level of financial accountability. Discrete component units are shown on pages 96-101.

The City of Grand Haven's discrete component units include:

- The Economic Development Corporation (pages 96-97),
- The Main Street Downtown Development Authority (MSDDA) (pages 98-99), and
- The Brownfield Redevelopment Authority (pages 100-101).

The City of Grand Haven annual financial report includes one blended component unit:

- The City of Grand Haven Building Authority (pages 66-69 and 73).

The Building Authority is a blended component unit based on its close relationship with other City of Grand Haven Funds. Capital projects financed through the Building Authority are rented to the City and returned as City assets once payments on the project and associated debt are completed. Currently the Building Authority manages debt service on a \$2,830,000 Building Authority bond, debt service to last until October 2014. No assets are held in the Building Authority Fund. An annual transfer of tax revenue needed to pay the current year debt service is made from the General Fund.

More information about all component units can be found in the notes to the financial statements and in the schedules following the notes.

c) Notes to the Financial Statements

Immediately following the fund financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health and policies of the City.

3) Financial Analysis

a) Net Assets

The *Statement of Net Assets* provides an overview of the City's assets, liabilities and net assets. As mentioned above, this can provide a good indicator of the City's fiscal health over time. A comparative analysis of government-wide data is presented pursuant to GASB requirements.

On the next page is a summarized version of the *Statement of Net Assets*.

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

**City of Grand Haven, Michigan
Net Assets**

	As of June 30, 2011			As of June 30, 2010		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$ 21,276,961	\$ 31,630,828	\$ 52,907,789	\$22,330,275	\$32,121,873	\$54,452,148
Capital assets	48,908,137	63,587,500	112,495,637	45,627,144	62,533,740	108,160,884
Total assets	70,185,098	95,218,328	165,403,426	67,957,419	94,655,613	162,613,032
Long-term debt	12,541,399	41,884,707	54,426,106	11,753,570	44,459,037	56,212,607
Other liabilities	1,273,473	6,745,703	8,019,176	1,427,136	6,779,870	8,207,006
Total liabilities	13,814,872	48,630,410	62,445,282	13,180,706	51,238,907	64,419,613
Net assets						
Invested in capital assets, net of related debt	43,644,431	21,848,487	65,492,918	34,602,694	23,638,344	58,241,038
Restricted	2,871,637	8,546,157	11,417,794	10,853,175	3,008,552	13,861,727
Unrestricted	9,854,158	16,193,274	26,047,432	9,320,844	16,769,810	26,090,654
Total net assets	\$ 56,370,226	\$ 46,587,918	\$102,958,144	\$54,776,713	\$43,416,706	\$98,193,419

Total net assets are \$102,958,144, up from \$98,193,419 at June 30, 2010 (above and page 18). Investment in capital assets including infrastructure totals \$243,606,217 of which \$234,263,582 is being depreciated, with \$112,495,637 in net capital assets (derived from Note #5 – pages 49-51). The single largest category in capital assets is the City's investment in production and treatment systems of \$102,209,165 (page 50). Of the more liquid assets, \$11,417,794 is restricted (page 18). The City has \$26,047,432 in unrestricted net assets (page 18).

Changes in Net Assets

i) **Governmental Activities Highlights**

The table on the next page shows how activities created changes in net assets during the fiscal year.

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

**City of Grand Haven, Michigan
Changes in Net Assets**

	Year ended June 30, 2011			Year ended June 30, 2010		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program revenue						
Charges for services	\$ 2,253,569	\$39,254,110	\$ 41,507,679	\$1,662,556	\$34,230,816	\$35,893,372
Operating grants and contributions	938,322	1,327,077	2,265,399	984,123	1,310,703	2,294,826
Capital grants and contributions	2,521,225	412,691	2,933,916	13,972,804	1,697,800	15,670,604
General revenues						
Property Taxes	9,020,557	-	9,020,557	8,456,526	-	8,456,526
Unrestricted grants and contributions	1,799,646	-	1,799,646	1,850,742	172,575	2,023,317
Investment earnings	110,618	25,644	136,262	193,235	64,482	257,717
Gain on sale of Assets	-	1,750	1,750	195,500	26,657	222,157
Other	59,079	73,368	132,447	75,929	420,900	496,829
Total revenues	16,703,016	41,094,640	57,797,656	27,391,415	37,923,933	65,315,348
Expenses						
General government	3,116,332	-	3,116,332	3,440,087	-	3,440,087
Public safety	3,908,543	-	3,908,543	4,348,730	-	4,348,730
Public works	6,027,327	-	6,027,327	3,090,451	-	3,090,451
Culture and recreation	607,658	-	607,658	1,177,660	-	1,177,660
Interest	456,246	-	456,246	450,797	-	450,797
Board of Light and Power	-	33,399,065	33,399,065	-	29,729,491	29,729,491
Sewer	-	1,514,909	1,514,909	-	1,506,745	1,506,745
Water	-	1,669,606	1,669,606	-	1,418,043	1,418,043
Harbor Transit	-	1,648,982	1,648,982	-	1,629,247	1,629,247
Other business-type activities	-	684,263	684,263	-	659,592	659,592
Total expenses	14,116,106	38,916,825	53,032,931	12,507,725	34,943,118	47,450,843
Change in nets before transfers	2,586,910	2,177,815	4,764,725	14,883,690	2,980,815	17,864,505
Transfers	(993,397)	993,397	-	(842,322)	842,322	-
Change in net assets	1,593,513	3,171,212	4,764,725	14,041,368	3,823,137	17,864,505
Net assets, beginning of Year	54,776,713	43,416,706	98,193,419	40,735,345	39,593,569	80,328,914
Ending net assets	\$56,370,226	\$46,587,918	\$102,958,144	\$54,776,713	\$43,416,706	\$98,193,419

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

(1) Revenue sources and changes

Total revenue from all sources totaled \$57,797,656 of which \$16,703,016 was from governmental activities and \$41,094,640 was from business-type activities. \$9,020,557 of governmental revenue is from property taxes. The millage rate for general operations was 9.6914 mills. Another \$1,799,646 was from unrestricted state shared revenue. Charges for services brought \$2,253,569 in governmental activities revenue and \$39,254,110 in business-type activities.

(2) Expenses and expenditures changes

(a) Overall cost

Using a full accrual basis of accounting, the City of Grand Haven spent \$14,116,106 on governmental activities. From this perspective, the City depreciates capital assets including infrastructure such as streets and sidewalks. The City spent \$3,908,543 on public safety, \$3,116,332 on general government, \$6,027,327 on public works activities and culture and recreation expenses totaled \$607,658. Interest on debt under governmental activities totaled \$456,246 (page 23)

(b) Operating transfers

Significant transfers of funds between governmental funds occurred during the year. Transfers out of the General Fund totaled \$1,024,521, the greatest portion of these being transferred into the Major and Local Streets Funds in the respective amounts of \$278,300 and \$153,300. A debt service transfer of \$422,921 to the Building Authority also occurred, with an operating transfer to the Sewer Fund of \$170,000. An after audit transfer of General Fund cash to Public Improvements Fund did not occur in FY 2010-11 or the prior year, due to concerns with deteriorating State economic conditions. These post-audit transfers may occur on an annual basis upon City Council approval and are the primary source of governmental activities capital improvement revenue. When they occur, for clarity of reporting, they will be noted here.

ii) Business-type Activities – Highlights

Business-type activities show an increase in net assets of \$3,171,212 from revenues of \$41,094,640 (page 29). The largest source of revenue for business-type activities was from charges for services of \$39,254,110 (page 29). Charges for services of major and nonmajor proprietary funds are further detailed as follows:

• Board of Light and Power	\$35,750,670
• Water	\$1,335,273
• Wastewater	1,553,078
• Harbor Transit	151,989
• Marina	271,101
• Airport	107,891
• Chinook Pier	84,108

As the Board of Light and Power produces its own audited annual financial report, further information on their activities may be obtained from that document.

Wastewater collection and water distribution are the largest business-type activities after the Board of Light and Power, \$1,514,909 and \$1,669,606 in operating expenses respectively.

(1) City Water (Distribution)

The City Water Fund has a lower cash position at \$318,958 vs. last year's \$597,884. With operating revenues of \$1,335,273 and a transfer in of \$496,313 for capital assets, the fund had an increase of \$190,181 in net assets. In recent years, the fund has been showing increases in net assets due to capital assets transferred in from

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

2008 Infrastructure Bond and Downtown TIF construction projects, but it is showing a continuing decrease in cash position as revenue for operations lags rising expenses. Water rates were increased in January 2010 by 3% on the consumption rate and maintaining a year-round ready to serve charge for all customers. Consumption rates were again raised in January 2011 (3%) Annual rate increases have already been approved for July 2012 and 2013. (A three year, 12% per year increase in combined water and sewer rates was adopted in the spring of 2011, the first year's increase solely in the City Wastewater Fund.)

The City continues to study large infrastructure projects including water distribution line replacement. In November 2007, voters approved a \$9,400,000 capital improvement (2008 Infrastructure) bond costing approximately 1 mill for 20 years. Automating meter reading technology also remains under consideration. The FY2011-12 budget includes funds to continue to study the water distribution system and to determine the best method of managing future system maintenance and replacement. With the continuing implementation of new regulatory requirements for selected water treatment systems, capital needs for the fund are expected to increase.

Note that this fund handles only the distribution of water to Grand Haven customers. The City Water Fund purchases its treated potable water from the Northwest Ottawa Water System (NOWS), a joint water treatment purchase venture of several Northwest Ottawa County communities. The NOWS Fund reconstructed the south intake system and completed a substantial increase in the size of the water plant by June 30, 2011. The City's portion of that debt service is shown in long term debt. A state-required redundant 30 inch water line from the lake intakes to the water plant will be completed in 2012 with a Harbor Drive reconstruction project, reduced total cost due to coordinating both projects

(2) City Wastewater (Collection)

The City Wastewater Fund has a cash position of \$0 vs. last year's \$111,261. With operating revenues of \$1,553,078, and a transfer from General Fund of \$170,000 and \$396,001 for capital assets, the fund had an increase of \$524,489 in net assets. Obviously, the fund has limited reserves to meet its cash flow and capital needs for the immediate future, however, a millage-backed 2008 Infrastructure Bond has and will assist in gaining some necessary resources. Sewer rates were increased in March 2010 by 3% on the consumption rate and maintaining a year-round ready to serve charge for all customers. The structure of residential sewer billing was also modified to match household sewer consumption to metered water year ,round. The rate increased again by 3% in January 2011 and significantly more in July 2012. Annual rate increases have already been approved for July 2012 and 2013. (A three year, 12% per year increase in combined water and sewer rates was adopted in the spring of 2011, the first year's increase solely in the City Wastewater Fund.)

The City continues to study large infrastructure projects including sewer distribution line replacement. In November 2007, voters approved a \$9,400,000 capital improvement (2008 Infrastructure) bond costing approximately 1 mill for 20 years. The FY2011-12 budget includes funds to continue to study the sewer distribution system and to determine the best method of managing future system maintenance and replacement. With the continuing implementation of new regulatory requirements for selected sewer treatment systems, capital needs for the fund are expected to increase.

City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010

Note that this fund handles only the collection of wastewater for Grand Haven customers. The City Wastewater Fund purchases wastewater treatment services from the Grand Haven-Spring Lake Sewer Authority, a separate governmental entity serving Northwest Ottawa County communities. The Sewer Authority does not anticipate major improvements in treatment facilities within five years as operations average approximately 50% of treatment capacity.

(3) Harbor Transit

The Harbor Transit Fund has a very limited cash position at \$450 the same as the prior year. With farebox revenues of \$151,989, the fund requires significant Federal and State operating grant assistance along with local governmental millage support. The fund had an increase of \$171,085 in net assets due to the purchase of buses with Federal and State grants. The City owns and operates a demand-response bus transportation system, funded by a combination of bus fares, property taxes and grants from Federal, State and local partner agencies. Major capital assets are purchased with grants from the State and Federal governments. The Harbor Transit Fund has an unrestricted net assets position of \$98,183 with \$292,785 due from Local, State and Federal governments at June 30, 2011. The City's General Fund assists with cash flow needs and is reimbursed by Harbor Transit for these short term loans.

Harbor Transit's biggest challenge remains reducing direct Federal and State aid for operations which includes a revised capital component. The City is part of the Muskegon Metropolitan Statistical Area pursuant to the 2000 Census. Coordination with the Muskegon Municipal Planning Organization is crucial to maintaining and advancing transportation services for the City and North Ottawa County area residents. While funding levels are relatively static, City elected officials and management continue to work with elected officials in Muskegon, Lansing and Washington to maintain the current reimbursement formula.

NOTE: On January 1, 2012, the Harbor Transit system under the City's ownership and control will be recast as the **Harbor Transit Multi-Modal Transportation System ("HTMMTS")**, a new governmental entity incorporating services throughout the City of Grand Haven, the Village of Spring Lake, the City of Ferrysburg, the Charter Township of Grand Haven and the Township of Spring Lake.

For the first half of the FY2011-12 budget, Harbor Transit anticipates that ridership will be roughly equal to FY2010-11 amounts. For the second half of the FY 2011-12 budget, HTMMTS anticipates an increase due to the addition of a significant area of Grand Haven Township into its service area. HTMMTS will maintain the same fiscal year as Harbor Transit, July1 to June 30. The City of Grand Haven will provide fiscal and administrative services to HTMMTS through a contractual arrangement.

(4) Marina

The Marina Fund has a better cash position at \$766,104 vs. last year's \$655,899, but much of these resources will be used in the fall of 2011 as a local match for a \$1,000,000 50-50% grant-matched dock project. With operating revenues of \$271,101 and operating expenses of \$246,688, the fund had an increase of \$25,065 in net assets.

Fiscal needs of the Marina Fund are consistent with half of the infrastructure assets reaching the end of their useful life, especially docks. In FY 2008-09, the City received a \$1,000,000 50-50% matching grant from Michigan Waterways which significantly completed Phase One dock replacement during that fiscal year. Phase 2 is anticipated for FY 2011-12 completion. Local funding of approximately \$500,000

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

for Phase One came from the Public Improvement Fund, to be reimbursed with marina revenue in years to come.

(5) Airport

The Airport Fund has a lower cash position at \$52,914 vs. last year's \$102,940 due to miscellaneous renovations and repairs during the fiscal year. With operating revenues of \$107,891 and operating expenses of \$264,101, the fund had a decrease of \$159,812 in net assets.

The Airport Fund continues to pay on its newest hangars (1995 and 1998) and remains in a positive operating position excluding depreciation. The 1995 hangar loan was paid in full during the fiscal year. The aviation easement project continued during the fiscal year with the remaining easement agreements resolved through arbitration. Operationally, in recent years airport hangar rental has diminished placing additional pressure on operations. This trend is reversing with a new Airport Manager in place. The airport remains viable, but revenue cannot support operations in total.

The City hired a new airport management company after an extensive proposal process. Benz Aviation took over the reins in May 2010. In September of 2011 after the fiscal year end close, there were only three vacant hangars available for rental.

A future consideration is the expansion and renovation of the airport administration building, funding coming from State (2.5%) and Federal (95%) sources. No date has been set for this project.

(6) Chinook Pier Rental Fund

The Chinook Pier Rental Fund has a positive cash position of \$12,054 as of June 30, 2011, vs. a negative \$60,368 as of June 30, 2010, with a net assets increase of \$33,841. During the 2009-2010 Fiscal Year, a \$200,000 grant from the State provided a 40% match to physical property improvements, totaling \$470,000. The City Council borrowed funds from the Public Improvement Fund for the project, to be reimbursed in future years from rentals. Remaining funds came from past rental revenue. City administration anticipates full occupancy in coming years.

Please see pages 81-84 for further detail on nonmajor enterprise funds.

4) Financial Analysis of Individual Funds

a) General Fund

The General Fund had revenues of \$11,300,814 and \$9,732,159 in operating expenditures excluding transfers (page 23). Revenue came in over the final budget by \$522,549, primarily in property taxes, expenditures under final budget by \$610,791, primarily in general government expenses. Transfers out to other funds were \$1,024,521, the largest going to Major and Local Streets, the Building Authority and Harbor Transit, pursuant to millage receipts and direction of City Council. Net assets increased by \$625,314 (page 25).

In FY 2010-11, City Council's budget resolution required City Council review of cumulative transfers over \$1,000 in General Fund line items and required department-level approval in all funds. This is anticipated for future years as well.

See Note #2 (page 45) for detail on non-material General Fund variances from the amended budget variance.

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

c) 2008 UTGO Infrastructure Bond Fund

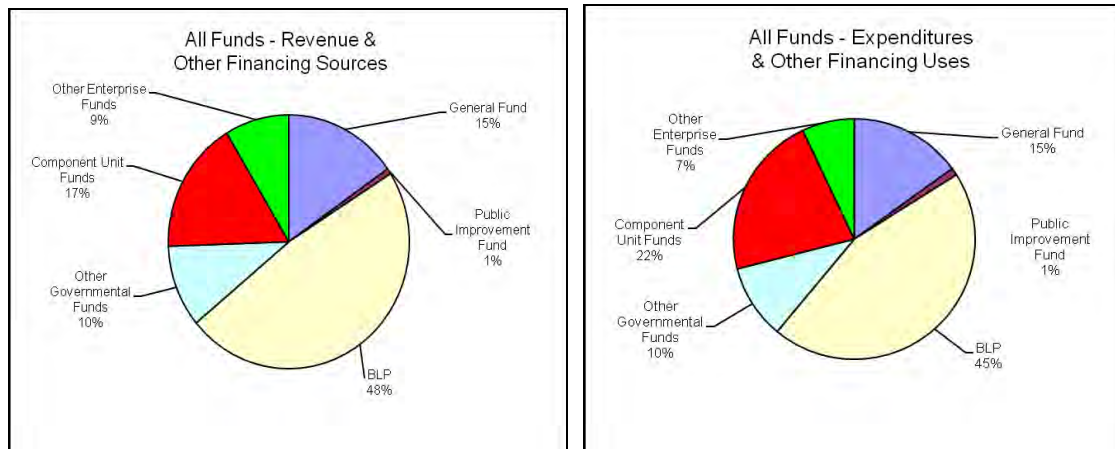
The 2008 UTGO Infrastructure Bond Fund posted revenue of \$558,177 from property taxes and \$371,261 from Federal grant matches to various projects (page 23). This fund holds bond proceeds for future infrastructure projects including Harbor Drive which has begun construction in September, 2011.

d) Public Improvement Fund

The Public Improvement Fund posted revenue of \$528,708 and expenditures of \$684,874. Transfers to other funds totaled \$100,000. There were no transfers into the Public Improvement Fund (page 68-69). The \$256,166 net reduction in fund balance notes a reduction in cash availability for future projects. Cash at July 1, 2010 was \$1,185,047. At June 30, 2011, it was \$881,269. There is no ongoing revenue source for this fund.

e) Board of Light and Power Fund

As the Board of Light and Power produces its own audited annual financial report, further information may be obtained from that document.



5) Capital Assets and Debt Administration

a) Capital assets

i) Summary of capital assets

The City of Grand Haven has \$112,495,637 invested in capital assets net of depreciation, \$48,908,137 in governmental activities and \$63,587,500 in business-type activities. The major investments are in infrastructure under governmental activities and in property, plant, transmission, distribution and collection systems within the Board of Light and Power, City Water and City Sewer Funds. Capital assets include purchases of assets that exceed \$1,000 and have an expected useful life greater than one year. Capital assets include: land, land improvements, streets, sidewalks, buildings and equipment and utility systems such as the J. B. Sims (electric generation) plant and electric, water and sewer lines. The City uses straight line depreciation for all depreciable assets.

City of Grand Haven, Michigan Management's Discussion and Analysis June 30, 2011 and 2010

Some of the major capital purchases during the year included:

- Continuing investment in street resurfacing, water and sewer line maintenance and replacement, especially the Washington Avenue and Beechtree projects.
- Continuing Brownfield environmental remediation and public infrastructure construction on the Grand Landing site.

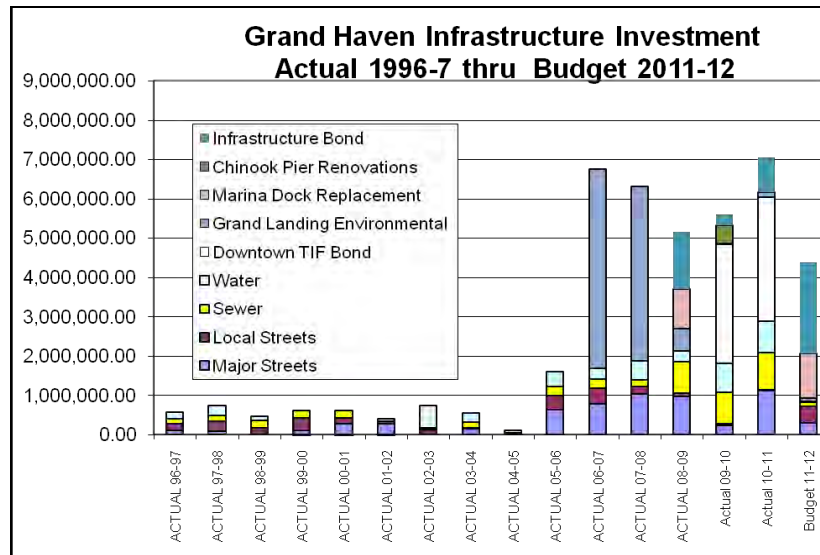
For further information, please see Note 5 in the Notes to the Basic Financial Statements.

ii) Discussion of future plans

Annually, the City Council considers and publishes a six-year Capital Improvement Plan during the budget process. The Plan lists all major capital items that the City Council, various City Boards and staff envision will be needed over the next six years. Major projects for the next fiscal year include:

- Infrastructure projects including streets, water distribution and sewer collection systems
- Continuing Grand River boardwalk structure improvements funded by private donations or the Federal Government through the Army Corps of Engineers.
- Marina dock replacement phase two including funding from the State Waterways Commission.
- Delaying information technology, website and geographic information systems upgrades for future funding availability.

The 2010-2011 Annual Operating Budget is available for review at City Hall or on the City website at www.grandhaven.org under the Finance Department.



Debt

b) Summary of debt:

The City of Grand Haven had \$11,569,626 in installment debt outstanding as of June 30, 2011 for governmental activities and \$42,717,667 in business-type activities. Other long term debt including insurance premiums, compensated absences and loss on refunding totals \$971,773 under governmental activities and (\$832,960) under business activities (of which \$1,817,332 was a loss on refunding bonds). The Board of Light and Power is responsible for \$39,520,000 of the total debt outstanding in revenue refunding bonds. During the fiscal year, the City recognized

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

ongoing capital lease obligations between the General, Major Streets, Wastewater, Water and Downtown TIF Funds to supplement debt service of 2009 Capital Improvement RZED Bonds for public streets, water, sewer and related infrastructure in the Downtown district. Likewise capital lease obligations were recorded between City Water Fund and the Northwest Ottawa Water Plant Fund for the City's portion of County bond debt service for water plant expansion. Payments on all loans and obligations were made appropriately and on time to date.

Note 7 of the notes to the financial statements offers more detailed information on debt and other obligations (pages 52-55).

6) Economic Forecast

a) The City of Grand Haven has three main sources of revenue. These include property taxes, state shared ("community funding") revenue and utility charges for services. The economic forecast for the City is dependent on these three revenues as discussed below:

i) Tax Base

The annual change in taxable value and state equalized value of the City is closely tracked through the City's Assessing Division. The following table shows property values for past years as well as the property valuation that was estimated for FY2011-12 property tax calculations. State Equalized Value (SEV) is the Assessor's estimate of 50% of market value (also called "true cash" value). Property taxes are calculated on taxable value, not SEV.

Pursuant to 1994's Proposal A and related legislation, annual taxable value growth is capped by the State Constitution, to 5% or the rate of inflation whichever is less. In the year when a property sells, the taxable value becomes uncapped and equal to SEV.

The current nationwide economic conditions, plus the current Michigan economic situation have deteriorated. This has placed downward pressure on SEV (-2.64%). Taxable value increased 1.35% for the year.

The tables below and on the next page provide recent history on SEV and Taxable Values.

**City of Grand Haven, Michigan
State Equalized Value**

Fiscal Year	Real	Personal	IFT	Equivalent SEV Total
2007-08	566,730,300	62,225,200	27,623,750	642,767,375
2008-09	605,790,800	59,518,100	19,812,350	675,215,075
2009-10	589,453,350	59,062,200	17,626,750	657,328,925
2010-11	599,037,100	54,714,150	14,505,400	661,003,950
2011-12	535,385,700	53,688,050	13,574,450	595,860,975

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

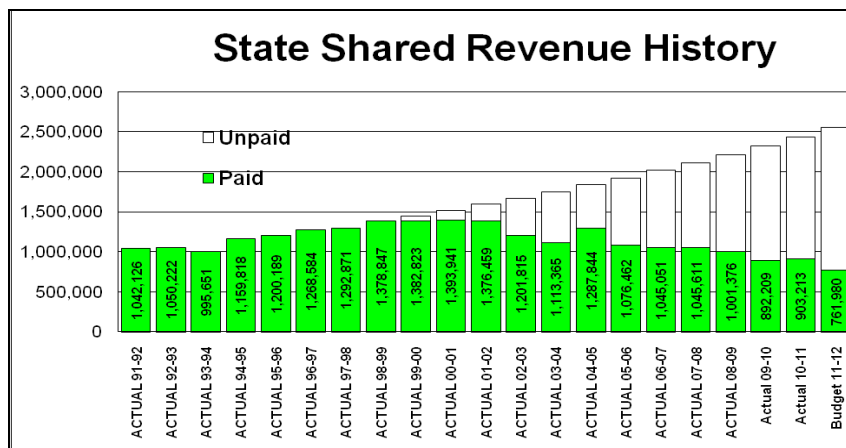
**City of Grand Haven, Michigan
Taxable Value**

Fiscal Year	Real	Personal	IFT	Equivalent TV Total
2007-08	473,310,783	62,225,200	27,267,334	549,169,650
2008-09	502,085,385	59,518,100	19,623,195	571,415,083
2009-10	511,329,335	59,062,200	17,589,474	579,186,272
2010-11	495,372,384	54,714,150	14,501,994	557,337,531
2011-12	486,110,265	53,688,050	13,572,228	546,584,429

ii) State Shared Revenue

State shared ("community funding") revenue is the second largest source of revenue for the General Fund, comprising 8.04% or \$909,126 of General Fund revenue. It is made of two components and based on the State sales tax rate of 6%. The "constitutional" component is based on the State's constitutional 4% sales tax. This portion cannot be adjusted by legislative action. The "statutory" component is based on an additional 2% added to the state sales tax (in 1994) and may be adjusted by the state legislature. In both components, the overall distribution is dependent on the collection of state sales taxes. When the economy and sales diminish, the revenue stream is reduced. When the economy and sales improve, revenue may increase. In recent years, there has been a substantial reduction in revenue annually. Therefore, the City of Grand Haven's General Fund is partially dependent on the overall State of Michigan economy.

In preparing the annual budgets, City Administration uses Michigan Department of Treasury estimates as published on their web site. Current reviews of state shared revenues show significant decreases in revenue from FY1998-99 forward. Management believes that the FY2011-12 budget was prepared with recognition of the continuing difficult Michigan economy and anticipates pressure to remain on the statutory portion. The current fund balance should enable the City to weather likely reductions in FY2011-12 community funding revenue; however, conservative estimates for the future will continue to be needed.



Note that in 2011, Governor Rick Snyder and the State Legislature significantly reduced the statutory portion of State Shared Revenues through an Economic Vitality Incentive Program requiring specific activities on the part of local governments before receipt of funds previously determined under the formula. The City has complied with these requirements to date.

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2011 and 2010**

Utility Charges for Services

From an entity wide perspective, utility charges for services are the third major revenue source. Utility service sales are affected by the economy and by the weather for residential customers and also by the general economic conditions of local industries. For the FY2010-11 budget, City Administration forecasts that units of sales will be roughly equal to prior fiscal year volumes.

As noted earlier in this analysis, rates have increased in water and sewer consumption as well as Board of Light and Power electric consumption to meet future needs. . (A three year, 12% per year increase in combined water and sewer rates was adopted in the spring of 2011, the first year's increase solely focused in the City Wastewater Fund.)

7) Contacting the City's Financial Management Staff

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact us at 519 Washington Avenue, 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
jbonyam@grandhaven.org

BASIC FINANCIAL STATEMENTS

CITY OF GRAND HAVEN, MICHIGAN

Statement of Net Assets (Deficit)

June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 19,023,775	\$ 10,906,135	\$ 29,929,910	\$ 7,340,521
Receivables:				
Accounts	146,100	3,744,362	3,890,462	74,245
Intergovernmental	1,011,666	314,317	1,325,983	130,182
Special assessments	519,857	132,072	651,929	-
Interest	-	1,382	1,382	52,772
Capital leases	-	-	-	1,566,713
Due from component units	181,691	-	181,691	-
Due from primary government	-	-	-	320,979
Inventory	45,697	6,708,070	6,753,767	-
Prepaid items	183,683	83,430	267,113	125
Internal balances	287,466	(287,466)	-	-
Restricted assets	-	9,602,738	9,602,738	-
Capital assets not being depreciated	8,405,049	937,586	9,342,635	-
Capital assets being depreciated, net	40,503,088	62,649,914	103,153,002	-
Unamortized bond issuance costs	164,492	138,322	302,814	289,249
Total assets	70,472,564	94,930,862	165,403,426	9,774,786
Liabilities				
Accounts payable	405,528	4,065,342	4,470,870	232,853
Accrued liabilities	341,405	1,063,917	1,405,322	10,162
Accrued interest payable	134,194	1,114,029	1,248,223	206,039
Due to component units	300,000	20,979	320,979	-
Due to primary government	-	-	-	181,691
Unearned revenue	-	23,792	23,792	85
Long-term debt:				
Due within one year	1,099,038	5,751,896	6,850,934	1,097,219
Due in more than one year	11,442,361	36,132,811	47,575,172	22,995,448
Net other postemployment benefits obligation	379,812	170,178	549,990	-
Total liabilities	14,102,338	48,342,944	62,445,282	24,723,497
Net assets (deficit)				
Invested in capital assets, net of related debt	43,644,431	21,848,487	65,492,918	-
Restricted for:				
Capital projects	85,894	-	85,894	-
Highways and streets	1,015,848	-	1,015,848	-
Debt service	114,554	8,546,157	8,660,711	-
Perpetual care	1,655,341	-	1,655,341	-
Unrestricted	9,854,158	16,193,274	26,047,432	(14,948,711)
Total net assets (deficit)	\$ 56,370,226	\$ 46,587,918	\$ 102,958,144	\$ (14,948,711)

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 3,116,332	\$ 1,218,087	\$ 272,426	\$ 45,685	\$ (1,580,134)
Public safety	3,908,543	318,290	-	-	(3,590,253)
Public works	6,027,327	466,344	665,896	2,475,540	(2,419,547)
Culture and recreation	607,658	250,848	-	-	(356,810)
Interest on long-term debt	456,246	-	-	-	(456,246)
Total governmental activities	14,116,106	2,253,569	938,322	2,521,225	(8,402,990)
Business-type activities:					
Board of Light and Power	33,399,065	35,750,670	-	-	2,351,605
Sewer	1,514,909	1,553,078	-	15,965	54,134
Water	1,669,606	1,335,273	-	16,816	(317,517)
Harbor transit	1,648,982	151,989	1,327,077	335,471	165,555
Other business-type activities	684,263	463,100	-	44,439	(176,724)
Total business-type activities	38,916,825	39,254,110	1,327,077	412,691	2,077,053
Total primary government	\$ 53,032,931	\$ 41,507,679	\$ 2,265,399	\$ 2,933,916	\$ (6,325,937)
Component units					
Economic Development Corporation					
Corporation	\$ 5,658	\$ -	\$ -	\$ -	\$ (5,658)
Main Street Downtown Development Authority					
Development Authority	3,888,806	-	-	664,825	(3,223,981)
Brownfield Redevelopment Authority					
Authority	771,190	1,187,830	-	259,914	676,554
Total component units	\$ 4,665,654	\$ 1,187,830	\$ -	\$ 924,739	\$ (2,553,085)

CITY OF GRAND HAVEN, MICHIGAN

Statement of Activities For the Year Ended June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (8,402,990)	\$ 2,077,053	\$ (6,325,937)	\$ (2,553,085)
General revenues:				
Property taxes	9,020,557	-	9,020,557	928,464
Grants and contributions not restricted to specific programs	1,799,646	-	1,799,646	-
Unrestricted investment earnings	110,618	25,644	136,262	79,447
Gain on sale of capital assets	-	1,750	1,750	-
Reimbursements	-	-	-	1,566,713
Miscellaneous	59,079	73,368	132,447	83,936
Transfers	(993,397)	993,397	-	-
 Total general revenues and transfers	9,996,503	1,094,159	11,090,662	2,658,560
 Change in net assets (deficit)	1,593,513	3,171,212	4,764,725	105,475
 Net assets (deficit), beginning of year	54,776,713	43,416,706	98,193,419	(15,054,186)
 Net assets (deficit), end of year	\$ 56,370,226	\$ 46,587,918	\$ 102,958,144	\$ (14,948,711)

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

CITY OF GRAND HAVEN, MICHIGAN

Balance Sheet Governmental Funds

June 30, 2011

	General Fund	2008 UTGO Bond Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 4,769,521	\$ 5,951,307	\$ 4,076,498	\$ 14,797,326
Receivables:				
Accounts	111,926	-	33,783	145,709
Intergovernmental	419,857	371,261	219,953	1,011,071
Special assessments	476,905	-	42,952	519,857
Due from other funds	287,466	-	-	287,466
Due from component units	12,217	-	169,474	181,691
Inventory	23,870	-	-	23,870
Prepaid items	11,299	-	30,470	41,769
Total assets	\$ 6,113,061	\$ 6,322,568	\$ 4,573,130	\$ 17,008,759
Liabilities				
Accounts payable	\$ 147,995	\$ -	\$ 237,308	\$ 385,303
Accrued liabilities	203,015	-	15,416	218,431
Due to component units	300,000	-	-	300,000
Deferred revenue	745,348	-	43,173	788,521
Total liabilities	1,396,358	-	295,897	1,692,255
Fund balances (Note 17)				
Nonspendable	35,169	-	1,685,811	1,720,980
Restricted	-	6,322,568	1,350,490	7,673,058
Committed	1,070,537	-	1,336,890	2,407,427
Unassigned	3,610,997	-	(95,958)	3,515,039
Total fund balances	4,716,703	6,322,568	4,277,233	15,316,504
Total liabilities and fund balances	\$ 6,113,061	\$ 6,322,568	\$ 4,573,130	\$ 17,008,759

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

CITY OF GRAND HAVEN, MICHIGAN

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2011

Fund balances - total governmental funds \$ 15,316,504

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
therefore are not reported in the funds.

Capital assets not being depreciated	8,405,049
Capital assets being depreciated, net	39,099,775

Certain assets are not due and receivable in the current period and, therefore,
they are not reported in the governmental funds balance sheet.

Deferred accounts receivable	788,521
Unamortized bond issuance costs	164,492

Internal service funds are used by management to charge the costs of certain
activities, such as insurance and other centralized costs, to individual funds.
The assets and liabilities of the internal service fund are included in
governmental activities.

Net assets of governmental activities accounted for in the internal service funds	5,630,074
--	-----------

Certain liabilities, such as bonds payable, are not due and payable in the
current period and therefore are not reported in the funds.

Bonds and loans payable	(11,569,626)
Bonds issuance premiums	(16,648)
Accrued interest payable	(134,194)
Compensated absences	(941,785)
Net other postemployment benefits obligation	(371,936)

Net assets of governmental activities	<u>\$ 56,370,226</u>
---------------------------------------	----------------------

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2011

	General Fund	2008 UTGO Bond Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 8,466,175	\$ 558,177	\$ -	\$ 9,024,352
Intergovernmental:				
Federal sources	14,025	371,261	122,301	507,587
State sources	909,126	-	1,027,641	1,936,767
Local sources	-	-	201,474	201,474
Special assessments	23,095	-	11,778	34,873
Licenses and permits	405,880	-	-	405,880
Charges for services	1,205,011	-	22,580	1,227,591
Fines and forfeitures	153,754	-	-	153,754
Reimbursements	-	-	263,331	263,331
Interest, penalties and rent	74,208	8,416	27,994	110,618
Other	49,540	-	9,539	59,079
Total revenues	<u>11,300,814</u>	<u>937,854</u>	<u>1,686,638</u>	<u>13,925,306</u>
Expenditures				
Current:				
General government	2,717,497	-	13,716	2,731,213
Public safety	3,471,435	-	-	3,471,435
Public works	3,003,531	-	1,492,512	4,496,043
Culture and recreation	539,696	-	-	539,696
Debt service:				
Principal	-	-	565,000	565,000
Interest and fiscal charges	-	-	429,095	429,095
Capital outlay	-	-	1,813,681	1,813,681
Total expenditures	<u>9,732,159</u>	<u>-</u>	<u>4,314,004</u>	<u>14,046,163</u>
Revenues over (under) expenditures	1,568,655	937,854	(2,627,366)	(120,857)
Other financing sources (uses)				
Transfers in	81,180	-	4,734,198	4,815,378
Transfers out	<u>(1,024,521)</u>	<u>(2,406,773)</u>	<u>(2,377,481)</u>	<u>(5,808,775)</u>
Total other financing sources (uses)	<u>(943,341)</u>	<u>(2,406,773)</u>	<u>2,356,717</u>	<u>(993,397)</u>
Net change in fund balances	625,314	(1,468,919)	(270,649)	(1,114,254)
Fund balances, beginning of year	<u>4,091,389</u>	<u>7,791,487</u>	<u>4,547,882</u>	<u>16,430,758</u>
Fund balances, end of year	<u><u>\$ 4,716,703</u></u>	<u><u>\$ 6,322,568</u></u>	<u><u>\$ 4,277,233</u></u>	<u><u>\$ 15,316,504</u></u>

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

CITY OF GRAND HAVEN, MICHIGAN

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, 2011

Net change in fund balances - total governmental funds \$ (1,114,254)

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 is allocated over their estimated
useful lives and reported as depreciation expense.

Capital outlay	1,599,559
Donated capital assets	2,306,066
Depreciation expense	(1,637,182)

Bond proceeds provide current financial resources to governmental funds in the
period issued, but issuing bonds increases long-term liabilities in the statement of
net assets. Repayment of bond principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments on long-term debt	565,000
--------------------------------------	---------

Long-term receivables are reported as revenue when earned on the statement of
activities, while the governmental funds report these balances as revenue when the
availability criterion for revenue recognition is met.

Change in deferred revenue	471,644
Reduction of notes and interest receivable	(751,041)

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

Accrued interest payable on long-term debt	(25,133)
Amortization of bond premium on long-term debt	7,802
Amortization of bond issuance costs	(9,820)
Accrual for compensated absences	(41,217)
Accrual for net other postemployment benefits obligation	(223,650)

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

Net income from governmental activities in internal service funds	445,739
---	---------

Change in net assets of governmental activities	<u>\$ 1,593,513</u>
---	---------------------

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual General Fund

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes	\$ 7,610,830	\$ 8,014,330	\$ 8,466,175	\$ 451,845
Intergovernmental:				
Federal sources	-	14,000	14,025	25
State sources	880,980	880,980	909,126	28,146
Special assessments	-	-	23,095	23,095
Licenses and permits	393,200	368,200	405,880	37,680
Charges for services	1,155,325	1,189,895	1,205,011	15,116
Fines and forfeitures	144,200	149,000	153,754	4,754
Interest, penalties and rent	145,200	117,010	74,208	(42,802)
Other	43,250	44,850	49,540	4,690
Total revenues	<u>10,372,985</u>	<u>10,778,265</u>	<u>11,300,814</u>	<u>522,549</u>
Expenditures				
Current:				
General government	2,873,185	2,974,010	2,717,497	(256,513)
Public safety	3,794,230	3,660,040	3,471,435	(188,605)
Public works	2,723,040	3,159,985	3,003,531	(156,454)
Culture and recreation	499,300	548,915	539,696	(9,219)
Total expenditures	<u>9,889,755</u>	<u>10,342,950</u>	<u>9,732,159</u>	<u>(610,791)</u>
Revenue over expenditures	483,230	435,315	1,568,655	1,133,340
Other financing sources (uses)				
Transfers in	89,305	94,305	81,180	(13,125)
Transfers out	(934,850)	(1,024,850)	(1,024,521)	329
Total other financing sources (uses)	<u>(845,545)</u>	<u>(930,545)</u>	<u>(943,341)</u>	<u>(12,796)</u>
Net change in fund balance	(362,315)	(495,230)	625,314	1,120,544
Fund balance, beginning of year	<u>4,091,389</u>	<u>4,091,389</u>	<u>4,091,389</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,729,074</u>	<u>\$ 3,596,159</u>	<u>\$ 4,716,703</u>	<u>\$ 1,120,544</u>

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual 2008 UTGO Bond Special Revenue Fund

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes	\$ 511,010	\$ 558,170	\$ 558,177	\$ 7
Intergovernmental:				
Federal sources	-	-	371,261	371,261
Interest, penalties and rent	5,000	7,260	8,416	1,156
Total revenues	516,010	565,430	937,854	372,424
Other financing uses				
Transfers out	(2,393,850)	(2,444,765)	(2,406,773)	37,992
Net change in fund balance	(1,877,840)	(1,879,335)	(1,468,919)	410,416
Fund balance, beginning of year	7,791,487	7,791,487	7,791,487	-
Fund balance, end of year	<u><u>\$5,913,647</u></u>	<u><u>\$ 5,912,152</u></u>	<u><u>\$ 6,322,568</u></u>	<u><u>\$ 410,416</u></u>

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Net Assets Proprietary Funds

June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Board of Light and Power	Municipal Water	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 9,755,655	\$ 318,958	\$ 831,522	\$10,906,135	\$ 4,226,449
Receivables:					
Accounts	2,964,309	368,854	411,199	3,744,362	391
Intergovernmental	-	-	314,317	314,317	595
Special assessments	-	-	132,072	132,072	-
Accrued interest	1,382	-	-	1,382	-
Inventory	6,593,216	45,321	69,533	6,708,070	21,827
Prepaid items	78,121	585	4,724	83,430	141,914
Total current assets	19,392,683	733,718	1,763,367	21,889,768	4,391,176
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	6,922,228	-	-	6,922,228	-
Investments	2,672,936	-	-	2,672,936	-
Accrued interest receivable	7,574	-	-	7,574	-
Capital assets not being depreciated	619,003	-	318,583	937,586	-
Capital assets being depreciated, net	38,769,700	10,726,118	13,154,096	62,649,914	1,403,313
Unamortized bond issuance costs	138,322	-	-	138,322	-
Total noncurrent assets	49,129,763	10,726,118	13,472,679	73,328,560	1,403,313
Total assets	68,522,446	11,459,836	15,236,046	95,218,328	5,794,489

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Net Assets Proprietary Funds

June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Board of Light and Power	Municipal Water	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	3,759,767	152,051	\$ 153,524	\$ 4,065,342	\$ 20,225
Accrued liabilities	993,960	14,793	55,164	1,063,917	122,974
Accrued interest payable	1,056,581	30,216	27,232	1,114,029	-
Due to other funds	139,463	-	148,003	287,466	-
Due to component units	20,979	-	-	20,979	-
Unearned revenue	23,792	-	-	23,792	-
Current portion of long-term debt	5,408,060	61,235	136,907	5,606,202	-
Compensated absences	-	14,855	130,839	145,694	13,340
Total current liabilities	11,402,602	273,150	651,669	12,327,421	156,539
Noncurrent liabilities:					
Long-term debt, net of current portion	33,133,286	2,373,344	626,181	36,132,811	-
Net other postemployment benefits obligation	143,074	17,050	10,054	170,178	7,876
Total noncurrent liabilities	33,276,360	2,390,394	636,235	36,302,989	7,876
Total liabilities	44,678,962	2,663,544	1,287,904	48,630,410	164,415
Net assets					
Invested in capital assets, net of related debt	847,357	8,291,539	12,709,591	21,848,487	1,403,313
Restricted	8,546,157	-	-	8,546,157	-
Unrestricted	14,449,970	504,753	1,238,551	16,193,274	4,226,761
Total net assets	<u>\$23,843,484</u>	<u>\$ 8,796,292</u>	<u>\$13,948,142</u>	<u>\$46,587,918</u>	<u>\$ 5,630,074</u>

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			Governmental	
	Board of Light and Power	Municipal Water	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
Operating revenues					
Charges for services	\$ 35,750,670	\$ 1,335,273	\$ 2,168,167	\$ 39,254,110	\$ 4,566,152
Operating expenses					
Operations and maintenance	20,796,850	1,198,474	2,788,631	24,783,955	4,016,330
Distribution	1,909,683	-	-	1,909,683	-
Customer accounts	880,021	-	-	880,021	-
Administrative and general	1,625,924	328,607	450,641	2,405,172	-
Depreciation	4,038,168	102,622	561,713	4,702,503	215,335
Statutory charge	1,620,042	-	-	1,620,042	-
Total operating expenses	30,870,688	1,629,703	3,800,985	36,301,376	4,231,665
Operating income (loss)	4,879,982	(294,430)	(1,632,818)	2,952,734	334,487
Nonoperating revenues (expenses)					
Interest income	15,615	534	9,495	25,644	23,039
Gain on sale of capital assets	1,750	-	-	1,750	7,163
Emission allowances	1,858	-	-	1,858	-
Federal sources	-	-	323,902	323,902	39,600
State sources	-	-	520,406	520,406	-
Local sources	-	-	482,769	482,769	-
Miscellaneous revenue	15,535	10,851	45,124	71,510	41,450
Interest expense	(2,528,377)	(39,903)	(47,169)	(2,615,449)	-
Total nonoperating revenues (expenses)	(2,493,619)	(28,518)	1,334,527	(1,187,610)	111,252
Net income (loss) before transfers and contributions	2,386,363	(322,948)	(298,291)	1,765,124	445,739
Transfers and contributions					
Transfers in	-	496,313	621,531	1,117,844	-
Transfers out	-	-	(124,447)	(124,447)	-
Capital contributions:					
Federal	-	-	338,596	338,596	-
State	-	-	41,314	41,314	-
Local	-	16,816	15,965	32,781	-
Total transfers and contributions	-	513,129	892,959	1,406,088	-
Change in net assets	2,386,363	190,181	594,668	3,171,212	445,739
Net assets, beginning of year	21,457,121	8,606,111	13,353,474	43,416,706	5,184,335
Net assets, end of year	\$ 23,843,484	\$ 8,796,292	\$ 13,948,142	\$ 46,587,918	\$ 5,630,074

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Cash Flows Proprietary Funds

For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental
				Activities	
	Board of Light and Power	Municipal Water	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$35,813,456	\$ 1,342,072	\$ 2,231,604	\$39,387,132	\$4,608,488
Cash received from other funds	-	-	9,220	9,220	-
Cash payments to suppliers	(26,550,642)	(1,103,910)	(1,935,432)	(29,589,984)	(767,566)
Cash payments to employees	(3,595,098)	(372,520)	(1,406,111)	(5,373,729)	(389,783)
Claims paid	-	-	-	-	(3,010,371)
Net cash provided by (used in) operating activities	5,667,716	(134,358)	(1,100,719)	4,432,639	440,768
Cash flows from non-capital financing activities					
Emissions allowances	1,858	-	-	1,858	-
Federal operating grants	-	-	337,663	337,663	-
State operating grants	-	-	738,537	738,537	-
Local operating grants	-	-	477,179	477,179	-
Transfers from other funds	-	496,313	621,531	1,117,844	-
Transfers to other funds	-	-	(124,447)	(124,447)	-
Net cash provided by non-capital financing activities	1,858	496,313	2,050,463	2,548,634	-
Cash flows from capital and related financing activities					
Principal paid on long-term debt	(5,430,000)	(70,262)	(153,427)	(5,653,689)	-
Interest and fiscal charges	(2,248,827)	(9,815)	(46,738)	(2,305,380)	-
Proceeds from sale of capital assets	215,261	-	-	215,261	10,257
Purchase of capital assets	(1,598,327)	(578,154)	(1,089,170)	(3,265,651)	(96,353)
Capital grants received	-	16,816	351,436	368,252	39,600
Net cash used in capital and related financing activities	(9,061,893)	(641,415)	(937,899)	(10,641,207)	(46,496)
Cash flows from investing activities					
Interest income	4,622	534	9,495	14,651	23,039
Purchase of investment securities	(10,778,485)	-	-	(10,778,485)	-
Proceeds from sale and maturities of investment securities	10,784,000	-	-	10,784,000	-
Net cash provided by investing activities	10,137	534	9,495	20,166	23,039
Net increase (decrease) in cash and investments	(3,382,182)	(278,926)	21,340	(3,639,768)	417,311
Cash and investments, beginning of year	20,060,065	597,884	810,182	21,468,131	3,809,138
Cash and investments, end of year	\$16,677,883	\$ 318,958	\$ 831,522	\$17,828,363	\$4,226,449

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Cash Flows Proprietary Funds

For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Board of Light and Power	Municipal Water	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash and investments are classified as follows on the statement of net assets					
Cash and investments	\$ 9,755,655	\$ 318,958	\$ 831,522	\$ 10,906,135	\$ 4,226,449
Restricted cash and investments	6,922,228	-	-	6,922,228	-
Total cash and investments	\$ 16,677,883	\$ 318,958	\$ 831,522	17,828,363	\$ 4,226,449
Cash flows from operating activities					
Operating income (loss)	\$ 4,879,982	\$ (294,430)	\$(1,632,818)	\$ 2,952,734	\$ 334,487
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	4,038,168	102,622	561,713	4,702,503	215,335
Other revenue	15,535	10,851	45,124	71,510	41,450
Bad debt expense	10,316	-	-	10,316	-
Changes in assets/liabilities:					
Accounts receivable	49,109	(4,052)	(14,415)	30,642	161
Intergovernmental receivables	-	-	(4,621)	(4,621)	725
Special assessments receivable	-	-	37,349	37,349	-
Inventory	(3,248,761)	(4,856)	(29,071)	(3,282,688)	2,317
Prepaid items	(3,752)	33	856	(2,863)	12,045
Accounts payable	(195,802)	40,789	(72,571)	(227,584)	(86,441)
Accrued liabilities	90,608	(81)	20,662	111,189	(80,858)
Due to other funds	10,118	-	(16,107)	(5,989)	-
Due to component units	20,979	-	-	20,979	-
Unearned revenue	(1,858)	1,642	-	(216)	-
Compensated absences	-	-	(4,370)	(4,370)	(3,643)
Net other postemployment benefits obligation	3,074	13,124	7,550	23,748	5,190
Net cash provided by (used in) operating activities	\$ 5,667,716	\$ (134,358)	\$(1,100,719)	\$ 4,432,639	\$ 440,768
Non-cash capital and related financing activities					
Capital assets acquired with capital leases	\$ 221,666	\$ -	\$ 210,421	\$ 432,087	\$ -
Access rights acquired with capital leases	2,272,036	-	-	2,272,036	-
	\$ 2,493,702	\$ -	\$ 210,421	\$ 2,704,123	\$ -

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Fiduciary Assets and Liabilities

June 30, 2011

	Retiree Health Care	Agency Funds
Assets		
Cash and investments	\$ 272,916	\$ 1,806,046
Intergovernmental receivables	-	2,774
Total assets	\$ 272,916	\$ 1,808,820
Liabilities		
Accounts payable	\$ -	\$ 129,263
Accrued liabilities	-	50,725
Due to other governmental units	-	1,522,036
Trust deposits	-	106,796
Total liabilities	-	\$ 1,808,820
Net assets		
Held for trust for retiree health	\$ 272,916	

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

CITY OF GRAND HAVEN, MICHIGAN

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2011

	Retiree Health Care
Revenues	
Health insurance fees	\$ 463,624
Interest income	<u>194</u>
Total revenues	463,818
Expenses	
Insurance payments	<u>360,362</u>
Change in net assets	103,456
Net assets, beginning of year	<u>169,460</u>
Net assets, end of year	<u><u>\$ 272,916</u></u>

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

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Net Assets (Deficit) Discretely Presented Component Units

June 30, 2011

	<u>Economic Development Corporation</u>	<u>Main Street Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Totals</u>
Assets				
Cash and investments	\$ 458,136	\$ 175,067	\$ 6,707,318	\$ 7,340,521
Receivables:				
Accounts	60,485	13,760	-	74,245
Intergovernmental	-	-	130,182	130,182
Interest	-	42,022	10,750	52,772
Capital leases	-	1,566,713	-	1,566,713
Due from primary government	-	300,000	20,979	320,979
Prepaid items	-	125	-	125
Unamortized bond issuance costs	-	160,350	128,899	289,249
Total assets	518,621	2,258,037	6,998,128	9,774,786
Liabilities				
Accounts payable	-	230,652	2,201	232,853
Accrued liabilities	-	10,162	-	10,162
Accrued interest payable	-	108,031	98,008	206,039
Due to primary government	-	181,691	-	181,691
Deferred revenue	-	85	-	85
Long-term debt:				
Due within one year	-	80,000	1,017,177	1,097,177
Due in more than one year	-	8,733,666	14,261,824	22,995,490
Total liabilities	-	9,344,287	15,379,210	24,723,497
Net assets (deficit)				
Unrestricted	<u>\$ 518,621</u>	<u>\$ (7,086,250)</u>	<u>\$ (8,381,082)</u>	<u>\$ (14,948,711)</u>

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

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Activities Discretely Presented Component Units

For the Year Ended June 30, 2011

	Economic Development Corporation	Main Street Downtown Development Authority	Brownfield Redevelopment Authority	Totals
Program revenue				
Capital grants and contributions	\$ -	\$ 664,825	\$ 259,914	\$ 924,739
Special assessments	-	-	1,187,830	1,187,830
Total revenue	-	664,825	1,447,744	2,112,569
Expenses				
Economic Development Corporation	5,658	-	-	5,658
Downtown Development Authority	-	3,888,806	-	3,888,806
Brownfield Redevelopment Authority	-	-	771,190	771,190
Total expenses	5,658	3,888,806	771,190	4,665,654
Net (expense) revenue	(5,658)	(3,223,981)	676,554	(2,553,085)
General revenues				
Taxes	-	415,167	513,297	928,464
Unrestricted investment earnings	4,011	67,255	8,181	79,447
Reimbursements	-	1,566,713	-	1,566,713
Miscellaneous	8,470	75,466	-	83,936
Total general revenues	12,481	2,124,601	521,478	2,658,560
Change in net assets (deficit)	6,823	(1,099,380)	1,198,032	105,475
Net assets (deficit), beginning of year	511,798	(5,986,870)	(9,579,114)	(15,054,186)
Net assets (deficit), end of year	\$ 518,621	\$ (7,086,250)	\$ (8,381,082)	\$ (14,948,711)

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

NOTES TO FINANCIAL STATEMENTS

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Haven (the "City") was established in 1854 and incorporated in 1867 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services: Public safety, highway and street maintenance, culture, recreation, general administrative services and other governmental functions.

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

The Reporting Entity

As required by generally accepted accounting principles, 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. Discretely presented component units, on the other hand, are reported in a separate column 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. Further, the Building Authority's powers are significantly restricted by State Law and local statute. During the fiscal year ended June 30, 2005, the Building Authority was requested to issue bonds for expansion and renovation of the City's Community Center. As funds were not needed until the fall of 2006, the Building Authority issued \$2,830,000 in bonds in August 2006. The Building Authority's governing body is selected by City Council and currently includes the City Manager, the City Clerk and the Finance Director.

Discretely Presented Component Units

The Economic Development 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.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

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.

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. Debt service began during the fiscal year reported.

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 10 individuals, is selected by the City Council.

The Brownfield Redevelopment Authority continued financing an infrastructure reconstruction project in conjunction with razing the Grand Haven Brass Foundry and construction of the Grand Haven Boat Storage facility. Public infrastructure reconstruction costs were paid by a \$710,000 Brownfield Tax Increment Financing Bond issued March 31, 2005. Project construction was completed in fiscal year 2005-06. Payments of principal and interest on the bond from tax revenue began in October 2005 and continue in future fiscal years. 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 began an infrastructure reconstruction project in conjunction with the sale of City-owned property to Grand Landing, LLC, on the City's north end. Public infrastructure reconstruction is anticipated to continue over the next two years and is 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 in future fiscal years. 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.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

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

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

Complete financial statements for the component units are not separately prepared.

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*, 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 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 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.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

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 a 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. After March 1 of each year, the delinquent real property taxes are paid by the City to other units of government and the County is responsible for collecting any outstanding real property taxes as of that date. 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 or within one year for expenditure driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

2008 UTGO bond special revenue fund is a infrastructure fund that is used to account for the bonds issued by the City in 2008. The City of Grand Haven issued \$9,400,000 in Unlimited Tax General Obligation bonds in June 2008.

The City reports the following major proprietary funds:

The *Board of Light and Power* 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.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

The *Municipal Water fund* is used to account for the operation, maintenance and capital improvement of the water system, and retirement of related debt.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Permanent fund* is used to record the activity and balance of the Cemetery Trust, which provides funds for perpetual care of cemetery lots.

Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds are used to account for financing of goods or services provided by the City to other departments or funds to other governmental units on a cost reimbursement basis.

Agency funds are used to account for assets held on behalf of outside parties, including other governments.

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

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

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. 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. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2011. Expenditures may not exceed appropriations. The appropriations resolutions 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. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
6. Budgets for expenditures are adopted on a department level (including capital outlays).
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

Cash and Investments

For purposes of the statement of cash flows, the City considers all assets held in highly liquid investments with an original maturity of three months or less to be cash and temporary investments.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts outstanding at June 30, 2011 were identified by as being uncollectible.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

Special Assessments

Special assessments are recorded as revenue when due, not when levied. Estimated annual installments not yet available are reflected as deferred revenue. Special assessments are billed annually.

Pensions

The provision for pension cost is recorded on an annual basis and the City's policy is to fund pension costs as they accrue.

Inventories

Inventory consists of coal and fuel oil 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.

Prepaid Items

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.

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 assets 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.

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 column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

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 incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and additions	5-200
Vehicles	7-20
Furniture and other equipment	5-50
Infrastructure	5-150

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period and for resources that have been received, but not yet earned.

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 assets. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized 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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

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 March 1. The City bills and collects its own property taxes for general governmental services, road, and debt retirement. Additionally, the City collects taxes for Ottawa County and various school districts and authorities. Collections of property taxes and remittances to the appropriate authorities are accounted for in the Tax Collection agency fund.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the City's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City Manager or his designee. Unassigned fund balance is the residual classification for the General Fund.

The City Council has adopted a minimum fund balance policy in which the total unassigned fund balance of the General Fund will be equal to at least 11 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.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Compensated Absences

The liability for compensated absences reported in the statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the City.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS AND FUND DEFICIT

P.A. 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 on a functional basis. The approved budgets of the City for these budgetary funds were adopted on the department level.

During the year ended June 30, 2011, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund:			
DPW - sewer authority	\$ 20,850	\$ 21,000	\$ (150)
Mulligan's lodge ski bowl	57,660	58,997	(1,337)
Special Revenue Funds:			
Major Streets and Trunkline:			
Construction	247,500	1,108,812	(861,312)
Trunkline traffic signals	7,000	9,229	(2,229)
Housing:			
Administrative and general	67,605	84,801	(17,196)

Fund Deficit

As of June 30, 2011, the 2008 UTGO Infrastructure Bond capital projects fund had a fund deficit of \$95,958. The deficit will be eliminated through future operations.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

3. DEPOSITS AND INVESTMENTS

The captions on the government-wide and fund statements relating to cash and investments are as follows:

	Primary Government	Component Units	Fiduciary Funds	Total
Cash and investments	\$ 29,929,910	\$ 7,340,521	\$ 2,078,962	\$ 39,349,393
Restricted assets	9,595,164	-	-	9,595,164
Total cash and investments	\$ 39,525,074	\$ 7,340,521	\$ 2,078,962	\$ 48,944,557

These deposits are in nine (9) financial institutions located in Michigan in varying amounts. 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. Deposits and investments are recorded in City records at fair value. Interest is recorded when earned.

Cash and investments are composed of the following at June 30, 2011:

Checking/savings accounts	\$ 32,431,216
Certificates of deposit (due within one year)	4,690,578
Investments	11,808,328
Petty cash	14,435
Total cash and investments	\$ 48,944,557

The City chooses to disclose its investments by specifically identifying each. As of June 30, 2011, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Fixed income securities:			
Federal Home Loan Mortgage	8/5/2010	\$ 119,362	Not rated
Federal National Mortgage Association	12/16/2010	692,852	Not rated
Federal Home Loan Mortgage	12/16/2010	565,787	Not rated
Federal Home Loan Mortgage	12/16/2010	315,629	Not rated
Government National Mortgage Association	3/15/2031	1,698,346	Not rated
Federal Home Loan Mortgage	3/15/2031	751,875	Not rated
Federal National Mortgage Association	3/15/2031	304,110	Not rated
Federal National Mortgage Association	3/15/2031	246,869	Not rated
U.S. Treasury Bill	7/14/2011	1,336,856	Not rated
U.S. Treasury Bill	9/15/2011	1,336,080	Not rated
External investment pools:			
Michigan Cooperative Liquid Assets			
Securities System	Various	775,562	S&P AAAM
Money market investment	N/A	3,665,000	Not rated
Total investments		\$ 11,808,328	

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified under “statutory authority” below. The City’s investment policy requires investments to be diversified by specific maturity dates and by individual financial institutions of a specific class of securities as a means of managing its exposure to fair value losses arising from increasing interest rates and in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The maturity date for each investment is identified above for investments held at year end.

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 under “statutory authority” below. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

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. State law does not require, and the City does not have, a policy for deposit custodial credit risk. The City minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City's investment policy. As of year-end, \$35,956,220 of the City’s bank balance of \$38,218,178 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agency but not in the government’s name. In accordance with the City's investment policy, all investments are held in the name of the City and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified under “statutory authority” below. 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.

Statutory Authority

State statutes authorize the City to invest in:

- a. Bonds, 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.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

- 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 through December 31, 1997.

4. RESTRICTED ASSETS

Business-type activities restricted assets consist of the following at June 30, 2011:

Bond and interest redemption account:	
Cash and investments	\$ 6,776,582
Debt service reserve account:	
Cash and investments	851
United States Treasury bills and notes	2,672,936
Construction account:	
Cash and investments	<u>144,795</u>
Total cash and investments	9,595,164
Accrued interest receivable	<u>7,574</u>
Total restricted assets	9,602,738
Less current liabilities payable from restricted assets:	
Accrued interest payable	<u>1,056,581</u>
Total net restricted assets	<u><u>\$ 8,546,157</u></u>

These assets are restricted pursuant to the Revenue Resolution for revenue bond debt service and for surplus fund transfers to meet the required debt service coverage ratio. Net assets are restricted for the purpose noted above.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

5. CAPITAL ASSETS

Changes in capital assets for the year ending June 30, 2011, are as follows:

	Beginning of Year	Additions	Disposals	End of Year
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 8,311,006	\$ 94,043	\$ -	\$ 8,405,049
Capital assets being depreciated:				
Structures and improvements	8,956,128	268,381	-	9,224,509
Machinery, equipment, vehicles and fixtures	4,964,634	98,410	54,329	5,008,715
Buildings	8,382,022	148,503	-	8,530,525
Parking facilities	9,189,143	-	-	9,189,143
Infrastructure	27,491,907	4,527,267	-	32,019,174
Total capital assets being depreciated	58,983,834	5,042,561	54,329	63,972,066
Less accumulated depreciation for:				
Structures and improvements	4,012,348	309,527	-	4,321,875
Machinery, equipment, vehicles and fixtures	2,675,289	310,469	51,235	2,934,523
Buildings	2,447,165	176,335	-	2,623,500
Parking facilities	2,668,255	281,888	-	2,950,143
Infrastructure	9,864,639	774,298	-	10,638,937
Total accumulated depreciation	21,667,696	1,852,517	51,235	23,468,978
Net capital assets being depreciated	37,316,138	3,190,044	3,094	40,503,088
Governmental activities				
capital assets, net	<u>\$ 45,627,144</u>	<u>\$ 3,284,087</u>	<u>\$ 3,094</u>	<u>\$ 48,908,137</u>

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

Governmental activities	
General government	\$ 397,877
Public safety	505,711
Public works	654,973
Culture and recreation	78,621
Depreciation charged to Internal Service Funds	215,335
Total depreciation expense - governmental activities	<u>\$ 1,852,517</u>

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

	Beginning of Year	Additions	Disposals	End of Year
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 540,864	\$ -	\$ -	\$ 540,864
Construction in progress	853,943	1,598,327	2,055,548	396,722
Total capital assets not being depreciated	1,394,807	1,598,327	2,055,548	937,586
Capital assets being depreciated:				
Structures and improvements	9,627,260	41,567	-	9,668,827
Machinery, equipment, vehicles and fixtures	2,117,743	326,125	-	2,443,868
Production and treatment systems	100,922,980	1,296,185	10,000	102,209,165
Transmission and distribution systems	50,650,971	2,455,669	857,161	52,249,479
General plant	1,412,728	35,413	-	1,448,141
Access rights	-	2,272,036	-	2,272,036
Total capital assets being depreciated	164,731,682	6,426,995	867,161	170,291,516
Less accumulated depreciation for:				
Structures and improvements	3,530,080	329,744	-	3,859,824
Machinery, equipment, vehicles and fixtures	1,499,352	139,926	-	1,639,278
Production and treatment systems	76,225,484	3,051,265	10,000	79,266,749
Transmission and distribution systems	21,067,037	1,151,013	643,650	21,574,400
General plant	1,270,796	30,555	-	1,301,351
Access rights	-	-	-	-
Total accumulated depreciation	103,592,749	4,702,503	653,650	107,641,602
Net capital assets being depreciated	61,138,933	1,724,492	213,511	62,649,914
Business-type activities				
capital assets, net	\$ 62,533,740	\$ 3,322,819	\$ 2,269,059	\$ 63,587,500
Business-type activities				
Board of Light and Power			\$ 4,038,168	
Municipal Water fund			102,622	
Other nonmajor enterprise funds			561,713	
Total depreciation expense - business-type activities			\$ 4,702,503	

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

6. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances, caused by normal operations, is as follows at June 30, 2011:

<u>Interfund payable</u>	<u>Interfund receivable</u>
	General Fund
Board of Light and Power	\$ 139,463
Nonmajor enterprise funds	148,003
Totals	\$ 287,466

Transfers for fiscal year ended June 30, 2011 were as follows:

<u>Transfers out</u>	<u>Transfers In</u>				<u>Totals</u>
	General Fund	Nonmajor Governmental Funds	Municipal Water Fund	Nonmajor Enterprise Funds	
General Fund	\$ -	\$ 854,521	\$ -	\$ 170,000	\$ 1,024,521
2008 UTGO Bond Fund	31,050	2,375,723	-	-	2,406,773
Nonmajor Governmental Funds	50,130	1,460,267	421,083	446,001	2,377,481
Nonmajor Enterprise Funds	-	43,687	75,230	5,530	124,447
Totals	\$ 81,180	\$ 4,734,198	\$ 496,313	\$ 621,531	\$ 5,933,222

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them and (3) to move amounts from the funds used to purchase capital assets to the funds utilizing such assets.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2011:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Governmental Activities					
2006 Building Authority Bonds payable in annual installments of \$360,000 to \$450,000 through August 2014; including interest at 4.00%	\$ 1,990,000	\$ -	\$ 350,000	\$ 1,640,000	\$ 360,000
1996 Municipal Purchase Agreement payable in annual installments of \$5,000 to \$10,000 through September 2015; interest at rates varying from 5.10% to 7.00%	45,000	-	5,000	40,000	5,000
2008 Unlimited Tax General Obligation Bonds payable in annual installments of \$230,000 to \$890,000 through April 2028; interest at rates varying from 3.25% to 4.125%	8,965,000	-	210,000	8,755,000	230,000
Capital lease obligation payable in annual installments of \$18,235 to \$91,175 beginning April 2014, through April 2034; interest rates ranging from 3.25% to 6.5%	-	1,134,626	-	1,134,626	-
Subtotal - installment debt	11,000,000	1,134,626	565,000	11,569,626	595,000
Issuance premiums	24,450	-	7,802	16,648	4,038
Compensated absences	729,120	726,498	500,493	955,125	500,000
Total governmental activities	\$ 11,753,570	\$ 1,861,124	\$ 1,073,295	\$ 12,541,399	\$ 1,099,038
	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Business-Type Activities					
2003 Electric System Revenue Refunding Bonds payable in annual installments of \$5,455,000 to \$7,210,000 through 2017; interest rates varying from 5.25% to 5.50%	\$ 42,930,000	\$ -	\$ 5,180,000	\$ 37,750,000	\$ 5,455,000

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
2007 Electric System Revenue Refunding Bonds payable in annual installments of \$265,000 to \$330,000 through 2017; interest rates varying from 4.00% to 5.00%	\$ 2,020,000	\$ -	\$ 250,000	\$ 1,770,000	\$ 265,000
1990 N.O.W.S.G.O. Contract, to support bonds that were refinanced in 1998; paid in full as of June 30, 2011	11,139	-	11,139	-	-
1996 Municipal Purchase Agreement to support bonds that were refinanced in 2002; paid in full as of June 30 2011	24,500	-	24,500	-	-
1990 Municipal Purchase Agreement to support bonds that were refinanced in 2002; payable in annual installments of \$14,600 to \$27,550 through August 2013; including interest at 4.29%	90,550	-	23,150	67,400	25,250
2005 Property Loan Payable payable in annual installments of \$111,657 to \$131,331 through October 2014; including interest at 5.56%	591,044	-	105,777	485,267	111,657
Capital lease obligation payable in annual installments of \$61,235 to \$152,032 through April 2034; interest rates ranging from 2.9% to 7.25%	-	2,272,036	59,123	2,212,913	61,235
Capital lease obligation payable in annual installments of \$6,944 to \$37,421 beginning April 2014, through April 2034; interest rates ranging from 3.25% to 6.5%	-	432,087	-	432,087	-
Subtotal - installment debt	45,667,233	2,704,123	5,653,689	42,717,667	5,918,142
Issuance premiums	1,149,401	-	310,723	838,678	267,032
Loss on refunding	(2,491,238)	-	(673,906)	(1,817,332)	(578,972)
Compensated absences	133,641	141,366	129,313	145,694	145,694
Total business-type activities	\$ 44,459,037	\$ 2,845,489	\$ 5,419,819	\$ 41,884,707	\$ 5,751,896

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

	Beginning of Year	Additions	Deletions	End of Year	Due Within One Year
Component Units					
Main Street Downtown					
Development Authority					
2006 Tax Increment Bonds					
payable in annual installments of \$80,000 to \$400,000 through June 2027; interest rates varying from 3.75% to 4.375%	\$ 3,345,000	\$ -	\$ 80,000	\$ 3,265,000	\$ 80,000
2009 Capital Improvements Bond					
payable in annual installments of \$90,000 to \$450,000 through April 2034; interest rates varying from 3.25% to 6.00%	5,600,000	-	-	5,600,000	-
Total Main Street Downtown					
Development Authority	8,945,000	-	80,000	8,865,000	80,000
Brownfield Redevelopment Authority					
2005 Tax Increment Bonds					
payable in annual installments of \$55,000 to \$70,000 through June 2018; including interest at 3.69%	490,000	-	55,000	435,000	55,000
2006 Brownfield Redevelopment					
Bond payable in annual installments of \$880,000 to \$1,800,000 through November 2021; interest rates varying from 4.00% to 4.20%	14,620,000	-	700,000	13,920,000	880,000
Brownfield Redevelopment loan					
payable in annual installments of \$100,174 through May 2021; including interest at 2.00%	1,000,000	-	100,174	899,826	82,177
Total Main Street Downtown					
Development Authority	16,110,000	-	855,174	15,254,826	1,017,177
Subtotal - installment debt	25,055,000	-	935,174	24,119,826	1,097,177
Issuance premiums	28,179	-	4,004	24,175	3,785
Issuance discounts	(55,114)	-	(3,780)	(51,334)	(3,743)
Total component units	\$ 25,028,065	\$ -	\$ 935,398	\$ 24,092,667	\$ 1,097,219

The Main Street Downtown Development Authority and Brownfield Redevelopment Authority bonds payable are backed by the full faith and credit of the City of Grand Haven.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

The annual requirements to maturity on the installment debt obligations outstanding at June 30, 2011 are as follows:

	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 595,000	\$ 467,780	\$ 5,918,142	\$ 2,306,878	\$ 1,097,177	\$ 1,014,953
2013	670,000	444,617	6,248,761	1,999,979	1,288,822	969,278
2014	733,235	418,653	6,579,306	1,674,551	1,475,498	917,778
2015	790,261	390,090	6,934,505	1,331,509	1,312,208	864,831
2016	376,274	368,104	7,195,672	952,404	1,418,952	812,531
2017-2021	2,427,285	1,590,455	7,991,818	1,121,679	9,252,169	3,077,841
2022-2026	3,618,331	1,004,660	573,477	561,992	4,720,000	1,437,801
2027-2031	2,086,728	253,255	739,340	346,344	2,210,000	727,333
2032-2034	272,512	32,309	536,646	76,140	1,345,000	159,462
Total	\$11,569,626	\$ 4,969,923	\$42,717,667	\$10,371,476	\$24,119,826	\$ 9,981,808

For the governmental activities, compensated absences are generally liquidated by the general fund.

8. CAPITAL LEASES

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 future lease payments for these leases are as follows for the years ending June 30:

	Principal	Interest
2012	\$ -	\$ 84,044
2013	-	84,044
2014	25,179	84,044
2015	27,977	83,225
2016	29,376	82,176
2017-2021	244,799	384,289
2022-2026	356,707	313,046
2027-2031	506,385	201,038
2032-2034	376,290	44,613
Total	\$ 1,566,713	\$ 1,360,519

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

9. RISK MANAGEMENT

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 as required by GASB 10.

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

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

The Board of Light and Power participates in the Michigan Professional Insurance Authority (MPIA) to account for and finance its uninsured risks of loss. The MPIA administers an actuarially based risk management fund and utilizes such funds contributed by the Board of Light and Power to defend and protect stated liability and property. The MPIA has purchased commercial coverage in excess of self-insured reserve limits and for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past five fiscal years.

All participants in the Authority make payments to the Authority based on experience estimates of the amounts needed to pay prior and current year claims.

Year ended June 30	Beginning of Year Liability	Current Year Premium Equivalent Costs	Premium Equivalent Payments	Balance at Year End
2011	\$ -	\$ 802,800	\$ 802,800	\$ -
2010	-	802,600	802,600	-
2009	-	902,500	902,500	-

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

10. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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.

11. DEFINED BENEFIT PENSION PLAN

Municipal Employee Retirement System of Michigan

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate varies by employment group from zero to 12.79% of annual covered payroll. Participants are required to contribute 2% of gross salaries if their MERS division is funded 100% or over. For divisions which are under 100% funded, the City and the participants split the required contribution to maintain or return to funding levels of 110% or over at which point the 2% contributions by employee are automatically reinstated. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

For the year ended June 30, 2011, the City's annual pension cost for MERS of \$934,633 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, the date of the latest actuarial valuation, ranges from 10 - 30 years, depending on the specific employee group.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2009	\$ 514,801	100%	\$ -
2010	561,105	100%	-
2011	934,633	100%	-

As of December 31, 2010, the actuarial accrued liability for benefits was \$71,054,027, of which \$1,719,006 was unfunded. The covered payroll (annual payroll of the active employees covered by the Plan) was \$10,511,320 and the ratio of the UAAL to the covered payroll was 16 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 11, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with City's policy, the City provides health care benefits to retirees in accordance with the pension ordinance. For retirees below age 65, the City pays 75 percent to 80 percent of the annual premium (depending on the bargaining unit) and the retiree pays the balance. For retirees age 65 and older, the City pays 10 percent on the annual premium (depending on the bargaining unit) and the retiree pays the balance. Retirees are required to purchase and pay for Medicare supplemental insurance when they become eligible. As of June 30, 2010, the date of the last plan valuation, the Plan covered 356 members (199 active plan members and 157 retirees receiving benefits).

Funding Policy

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For the year ended June 30, 2011, the City contributed \$360,362 to the Plan.

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 622,028
Interest on net OPEB obligation	22,305
Adjustment to annual required contribution	<u>(31,383)</u>
Net OPEB cost (expense)	612,950
Contributions made	<u>360,362</u>
Increase in net OPEB obligation	252,588
Net OPEB obligation, beginning of year	<u>297,402</u>
Net OPEB obligation, end of year	<u><u>\$ 549,990</u></u>

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

The City allocates its net OPEB obligation to its various activities and functions based on the respective allocation of current year contributions.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation, was as follows:

Year Ended June 30 (a)	Annual OPEB Cost (b)	Contribution (c)	Percent of Annual OPEB cost Contributed (c/b)	Net OPEB Obligation
2010	\$ 767,883	\$ 926,307	120.63%	\$ 297,402
2011	360,362	-	0.00%	-

Funded Status and Funding Progress

As of June 30, 2010, the actuarial accrued liability for benefits was \$5,242,414, of which \$4,642,414 was unfunded. The covered payroll (annual payroll of the active employees covered by the Plan) was \$9,655,773 and the ratio of the UAAL to the covered payroll was 48 percent.

The projection of future benefit payments for an ongoing plan involves 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as RSI presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and 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 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 calculations.

In the June 30, 2010 actuarial valuation, the entry age normal (level percent) cost method was used. The actuarial assumptions included a 7.5% discount rate. Life expectancies were based on mortality tables from the IRS 2010 Non-annuitant for pre-retirement (healthy), the IRS 2010 Annuitant for post-retirement (healthy) and the Healthy table set forward 10 years for disabled. The unfunded actuarial accrued liability is being amortized as a level percent on a closed basis. The remaining amortization period at June 30, 2010 was 13 years.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

13. COMPONENT UNIT FINANCIAL INFORMATION

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.

14. JOINT VENTURES

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 \$756,211 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 also a member of the Northwest Ottawa Water Treatment Plant. The City appoints one member to the joint venture’s governing board, which then approves the annual budget. In the current year, the City incurred expenses totaling \$862,166 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, 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).

The Board of Light and Power entered into 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. 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 for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, Michigan 48917.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

The MPPA operates various projects. The Board of Light and Power participated in the Power Pool project, which ended December 31, 2010. The Board of Light and Power currently participates in the transmission project, Granger project, North American Natural Resources project, and the Energy Services project. During 2011, the Board had sales of \$2,831,459 to the MPPA and had purchases of \$1,951,365 from the MPPA. At June 30, 2011, the MPPA owed the Board \$252,626.

15. 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. 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 surplus or deficit generated since January 1, 2000 is as follows:

Deficit at July 1, 2010		\$ (116,960)
Current year building permit revenue		210,137
Related expenses:		
Direct costs	291,133	
Estimated indirect costs	<u>37,106</u>	
Total construction code expenses		<u>328,239</u>
Cumulative deficit at June 30, 2011		<u><u>\$ (235,062)</u></u>

16. COMMITMENTS

The Board of Light and Power has entered into a coal purchase agreement to purchase a minimum of 1,296,800 tons of coal at fixed prices ending on various dates through December 31, 2017. At June 30, 2011, approximately 241,000 tons of coal had been purchased under this agreement.

As disclosed in Note 14, 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.

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

17. FUND BALANCES - GOVERNMENTAL FUNDS

The City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the current year. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the City's various governmental funds were revised, the implementation of this standard had no effect on total fund balance. Detailed information on fund balances of governmental funds is as follows:

	General Fund	2008 UTGO Bond Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	\$ 23,870	\$ -	\$ -	\$ 23,870
Prepaid items	11,299	-	30,470	41,769
Permanent corpus	-	-	1,655,341	1,655,341
Total nonspendable	35,169	-	1,685,811	1,720,980
Restricted for:				
Highways and streets	-	-	1,015,848	1,015,848
Capital projects	-	6,322,568	85,894	6,408,462
Debt service	-	-	248,748	248,748
Total restricted	-	6,322,568	1,350,490	7,673,058
Committed for:				
Budget stabilization	1,070,537	-	-	1,070,537
Capital projects	-	-	1,336,890	1,336,890
Total committed	1,070,537	-	1,336,890	2,407,427
Unassigned (deficit)	3,610,997	-	(95,958)	3,515,039
Total fund balances, governmental funds	\$ 4,716,703	\$ 6,322,568	\$ 4,277,233	\$15,316,504

CITY OF GRAND HAVEN, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

18. NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The compensation of net assets invested in capital assets, net of related debt as of June 30, 2011, was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets:		
Capital assets not being depreciated	\$ 8,405,049	\$ 937,586
Capital assets being depreciated, net	<u>40,503,088</u>	<u>62,649,914</u>
	48,908,137	63,587,500
Related debt:		
Bonds, contracts and capital leases payable	11,569,626	42,717,667
Issuance premiums	16,648	838,678
Loss on refunding	-	(1,817,332)
Unexpended bond proceeds	<u>(6,322,568)</u>	<u>-</u>
	5,263,706	41,739,013
	<u>\$43,644,431</u>	<u>\$21,848,487</u>

19. SUBSEQUENT EVENT

Subsequent to June 30, 2011, the Northwest Ottawa Water Treatment Plant and all of its participating municipalities received a settlement agreement, effective August 11, 2011, pursuant to a lawsuit initiated by one of the participating municipalities on behalf of itself and for the Northwest Ottawa Water Treatment Plant for a dispute as to certain construction contract costs. Per the settlement agreement the plaintiffs agreed to file for dismissal of the suit. In exchange for this dismissal, the plaintiffs have received a payment of \$2,750,000, paid by the defendant's commercial insurance company. Of this amount, the City's Municipal Water Fund has received a payment of \$681,931 for its share of the costs incurred.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND HAVEN, MICHIGAN

Required Supplementary Information

For the Year Ended June 30, 2011

Municipal Employees Retirement System Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funding Excess (Unfunded AAL) (a-b)	Funded Ratio Total	Covered Payroll (c)	Funding Excess (Unfunded AAL) as a Percentage of Covered Payroll ((a-b)/c)
12/31/2008	\$ 66,921,238	\$ 66,810,511	\$ 110,727	100.17%	\$ 10,304,347	1.07%
12/31/2009	67,650,788	68,523,391	(872,603)	98.73%	10,938,555	-7.98%
12/31/2010	69,335,021	71,054,027	(1,719,006)	97.58%	10,511,320	-16.35%

Other Postemployment Benefit Plan Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2008	\$ -	\$ 6,090,251	\$ 6,090,251	0.00%	\$ 9,523,127	63.95%
6/30/2010	600,000	5,242,414	4,642,414	11.45%	9,655,773	48.08%

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

CITY OF GRAND HAVEN, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2011

	Special Revenue			Debt Service	
	Major Streets and Trunkline	Local Streets	Housing	Building Authority Bonds	Special Assessment Bonds
Assets					
Cash and investments	\$ 242,018	\$ 645,853	\$ 69,568	\$ 13	\$ 248,736
Receivables:					
Accounts	-	220	-	-	-
Intergovernmental	126,252	48,544	28,339	-	-
Special assessments	-	13,317	-	-	29,635
Due from component units	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 368,270	\$ 707,934	\$ 97,907	\$ 13	\$ 278,371
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 18,596	\$ 12,807	\$ 12,013	\$ -	\$ -
Accrued liabilities	8,518	6,898	-	-	-
Deferred revenue	-	13,537	-	-	29,636
Total liabilities	27,114	33,242	12,013	-	29,636
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	341,156	674,692	85,894	13	248,735
Committed	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	341,156	674,692	85,894	13	248,735
Total liabilities and fund balances	\$ 368,270	\$ 707,934	\$ 97,907	\$ 13	\$ 278,371

2008 UTGO Debt	Capital Projects				Permanent Cemetery Perpetual Care	Total All funds
	Public Improvement	Fire Truck	2008 UTGO Infrastructure Bond Fund	Building Authority		
\$ -	\$ 881,269	\$ 306,307	\$ 27,695	\$ -	\$ 1,655,039	\$ 4,076,498
-	33,043	-	-	-	520	33,783
-	16,818	-	-	-	-	219,953
-	-	-	-	-	-	42,952
-	169,474	-	-	-	-	169,474
-	30,470	-	-	-	-	30,470
\$ -	\$ 1,131,074	\$ 306,307	\$ 27,695	\$ -	\$ 1,655,559	\$ 4,573,130
\$ -	\$ 70,021	\$ -	\$ 123,653	\$ -	\$ 218	\$ 237,308
-	-	-	-	-	-	15,416
-	-	-	-	-	-	43,173
-	70,021	-	123,653	-	218	295,897
-	30,470	-	-	-	1,655,341	1,685,811
-	-	-	-	-	-	1,350,490
-	1,030,583	306,307	-	-	-	1,336,890
-	-	-	(95,958)	-	-	(95,958)
-	1,061,053	306,307	(95,958)	-	1,655,341	4,277,233
\$ -	\$ 1,131,074	\$ 306,307	\$ 27,695	\$ -	\$ 1,655,559	\$ 4,573,130

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For the Year Ended June 30, 2011

	Special Revenue			Debt Service	
	Major Streets and Trunkline	Local Streets	Housing	Building Authority Bonds	Special Assessment Bonds
Revenues					
Intergovernmental:					
Federal sources	\$ -	\$ -	\$ 90,641	\$ -	\$ -
State sources	616,107	240,284	55,925	-	-
Local sources	-	-	-	-	-
Special assessments	-	3,120	-	-	8,658
Charges for services	-	-	-	-	-
Reimbursements	84,257	-	-	-	-
Interest, penalties and rent	384	973	-	-	2,641
Other	-	6,512	3,027	-	-
Total revenues	700,748	250,889	149,593	-	11,299
Expenditures					
Current:					
General government	-	-	-	-	-
Public works	878,891	528,820	84,801	-	-
Debt service:					
Principal	-	-	-	350,000	5,000
Interest and fiscal charges	-	-	-	72,921	2,811
Capital outlay	1,108,812	33,711	-	-	-
Total expenditures	1,987,703	562,531	84,801	422,921	7,811
Revenues over (under) expenditures	(1,286,955)	(311,642)	64,792	(422,921)	3,488
Other financing sources (uses)					
Transfers in	1,249,333	213,300	-	422,921	-
Transfers out	(60,000)	-	(38,812)	-	-
Total other financing sources (uses)	1,189,333	213,300	(38,812)	422,921	-
Net change in fund balances (deficit)	(97,622)	(98,342)	25,980	-	3,488
Fund balances (deficit), beginning of year	438,778	773,034	59,914	13	245,247
Fund balances (deficit), end of year	\$ 341,156	\$ 674,692	\$ 85,894	\$ 13	\$ 248,735

2008 UTGO Debt	Capital Projects				Permanent Cemetery Perpetual Care	Total All funds
	Public Improvement	Fire Truck	2008 UTGO Infrastructure Bond Fund	Building Authority		
\$ -	\$ 31,660	\$ -	\$ -	\$ -	\$ -	\$ 122,301
-	115,325	-	-	-	-	1,027,641
-	201,474	-	-	-	-	201,474
-	-	-	-	-	-	11,778
-	-	-	-	-	22,580	22,580
-	179,074	-	-	-	-	263,331
-	1,175	402	-	-	22,419	27,994
-	-	-	-	-	-	9,539
-	528,708	402	-	-	44,999	1,686,638
-	13,716	-	-	-	-	13,716
-	-	-	-	-	-	1,492,512
210,000	-	-	-	-	-	565,000
353,363	-	-	-	-	-	429,095
-	671,158	-	-	-	-	1,813,681
563,363	684,874	-	-	-	-	4,314,004
(563,363)	(156,166)	402	-	-	44,999	(2,627,366)
563,363	-	50,000	1,812,360	422,921	-	4,734,198
-	(100,000)	-	(1,744,430)	(422,921)	(11,318)	(2,377,481)
563,363	(100,000)	50,000	67,930	-	(11,318)	2,356,717
-	(256,166)	50,402	67,930	-	33,681	(270,649)
-	1,317,219	255,905	(163,888)	-	1,621,660	4,547,882
<u>\$ -</u>	<u>\$ 1,061,053</u>	<u>\$ 306,307</u>	<u>\$ (95,958)</u>	<u>\$ -</u>	<u>\$ 1,655,341</u>	<u>\$ 4,277,233</u>

CITY OF GRAND HAVEN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual Major Streets & Trunkline Special Revenue Fund For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Intergovernmental:				
State sources	\$ 616,575	\$ 571,925	\$ 616,107	\$ 44,182
Reimbursements	-	1,780	84,257	82,477
Interest, penalties and rent	1,000	500	384	(116)
Total revenues	<u>617,575</u>	<u>574,205</u>	<u>700,748</u>	<u>126,543</u>
Expenditures				
Current:				
Public works	967,500	979,350	878,891	(100,459)
Capital outlay	226,200	247,500	1,108,812	861,312
Total expenditures	<u>1,193,700</u>	<u>1,226,850</u>	<u>1,987,703</u>	<u>760,853</u>
Revenues over (under) expenditures	(576,125)	(652,645)	(1,286,955)	(634,310)
Other financing sources (uses)				
Transfers in	278,300	278,300	1,249,333	971,033
Transfers out	(100,000)	(60,000)	(60,000)	-
Total other financing sources (uses)	<u>178,300</u>	<u>218,300</u>	<u>1,189,333</u>	<u>971,033</u>
Net change in fund balance	(397,825)	(434,345)	(97,622)	336,723
Fund balance, beginning of year	<u>438,778</u>	<u>438,778</u>	<u>438,778</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 40,953</u></u>	<u><u>\$ 4,433</u></u>	<u><u>\$ 341,156</u></u>	<u><u>\$ 336,723</u></u>

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

CITY OF GRAND HAVEN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual Local Streets Special Revenue Fund For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Intergovernmental:				
State sources	\$ 200,475	\$ 176,650	\$ 240,284	\$ 63,634
Special assessments	10,660	10,660	3,120	(7,540)
Reimbursements	2,000	-	-	-
Interest, penalties and rent	1,000	1,000	973	(27)
Other	2,000	2,000	6,512	4,512
Total revenues	<u>216,135</u>	<u>190,310</u>	<u>250,889</u>	<u>60,579</u>
Expenditures				
Current:				
Public works	575,970	672,635	528,820	(143,815)
Capital outlay	<u>386,860</u>	<u>173,670</u>	<u>33,711</u>	<u>(139,959)</u>
Total expenditures	<u>962,830</u>	<u>846,305</u>	<u>562,531</u>	<u>(283,774)</u>
Revenues over (under) expenditures	(746,695)	(655,995)	(311,642)	344,353
Other financing sources				
Transfers in	<u>253,300</u>	<u>213,300</u>	<u>213,300</u>	<u>-</u>
Net change in fund balance	<u>(493,395)</u>	<u>(442,695)</u>	<u>(98,342)</u>	<u>344,353</u>
Fund balance, beginning of year	<u>773,034</u>	<u>773,034</u>	<u>773,034</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 279,639</u></u>	<u><u>\$ 330,339</u></u>	<u><u>\$ 674,692</u></u>	<u><u>\$ 344,353</u></u>

CITY OF GRAND HAVEN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual Housing Special Revenue Fund For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Intergovernmental:				
Federal sources	\$ -	\$ -	\$ 90,641	\$ 90,641
State sources	122,200	120,835	55,925	(64,910)
Other	6,500	6,080	3,027	(3,053)
Total revenues	128,700	126,915	149,593	22,678
Expenditures				
Current:				
Public works	90,445	67,605	84,801	17,196
Revenues over expenditures	38,255	59,310	64,792	5,482
Other financing uses				
Transfers out	(38,255)	(43,255)	(38,812)	4,443
Net change in fund balance	-	16,055	25,980	9,925
Fund balance, beginning of year	59,914	59,914	59,914	-
Fund balance, end of year	\$ 59,914	\$ 75,969	\$ 85,894	\$ 9,925

CITY OF GRAND HAVEN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual Building Authority Bonds Debt Service Fund For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Debt service:				
Principal	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Interest and fiscal charges	73,250	73,250	72,921	(329)
Total expenditures	423,250	423,250	422,921	(329)
 Other financing sources				
Transfers in	423,250	423,250	422,921	(329)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	13	13	13	-
Fund balance, end of year	\$ 13	\$ 13	\$ 13	\$ -

CITY OF GRAND HAVEN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Special Assessment Bonds Debt Service Fund

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Special assessments	\$ 7,200	\$ 7,200	\$ 8,658	\$ 1,458
Interest, penalties and rent	1,500	1,500	2,641	1,141
Total revenues	8,700	8,700	11,299	2,599
Expenditures				
Debt service:				
Principal	5,000	5,000	5,000	-
Interest and fiscal charges	2,810	2,810	2,811	1
Total expenditures	7,810	7,810	7,811	1
Net change in fund balance	890	890	3,488	2,598
Fund balance, beginning of year	245,247	245,247	245,247	-
Fund balance, end of year	\$ 246,137	\$ 246,137	\$ 248,735	\$ 2,598

CITY OF GRAND HAVEN, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
2008 UTGO Debt Service Fund
For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures				
Debt service:				
Principal	\$ 210,000	\$ 210,000	\$ 210,000	\$ -
Interest and fiscal charges	<u>353,715</u>	<u>353,715</u>	<u>353,363</u>	<u>(352)</u>
Total expenditures	563,715	563,715	563,363	(352)
Other financing sources				
Transfers in	<u>563,715</u>	<u>563,715</u>	<u>563,363</u>	<u>(352)</u>
Net change 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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF GRAND HAVEN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual Public Improvements Capital Projects Fund

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Intergovernmental:				
Federal sources	\$ -	\$ -	\$ 31,660	\$ 31,660
State sources	-	300,000	115,325	(184,675)
Local sources	552,800	250,000	201,474	(48,526)
Reimbursements	-	150,000	179,074	29,074
Interest, penalties and rent	5,000	1,000	1,175	175
Total revenues	<u>557,800</u>	<u>701,000</u>	<u>528,708</u>	<u>(172,292)</u>
Expenditures				
Current:				
General government	40,000	41,000	13,716	(27,284)
Capital outlay	<u>1,386,700</u>	<u>1,303,850</u>	<u>671,158</u>	<u>(632,692)</u>
Total expenditures	<u>1,426,700</u>	<u>1,344,850</u>	<u>684,874</u>	<u>(659,976)</u>
Revenues over (under) expenditures	(868,900)	(643,850)	(156,166)	487,684
Other financing sources (uses)				
Issuance of long-term debt	-	5,000	-	(5,000)
Transfers out	<u>(300,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total other financing sources (uses)	(300,000)	(95,000)	(100,000)	(5,000)
Net change in fund balance	(1,168,900)	(738,850)	(256,166)	482,684
Fund balance, beginning of year	<u>1,317,219</u>	<u>1,317,219</u>	<u>1,317,219</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 148,319</u></u>	<u><u>\$ 578,369</u></u>	<u><u>\$ 1,061,053</u></u>	<u><u>\$ 482,684</u></u>

CITY OF GRAND HAVEN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual Fire Truck Capital Projects Fund For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Interest, penalties and rent	\$ 1,300	\$ 1,300	\$ 402	\$ (898)
Other financing sources				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	51,300	51,300	50,402	(898)
Fund balance, beginning of year	<u>255,905</u>	<u>255,905</u>	<u>255,905</u>	<u>-</u>
Fund balance, end of year	<u>\$ 307,205</u>	<u>\$ 307,205</u>	<u>\$ 306,307</u>	<u>\$ (898)</u>

CITY OF GRAND HAVEN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

2008 UTGO Infrastructure Bond Capital Projects Fund

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures				
Public works	\$ 1,799,085	\$ 1,850,000	\$ -	\$ (1,850,000)
Other financing sources (uses)				
Transfers in	1,799,085	1,850,000	1,812,360	(37,640)
Transfers out	<u>-</u>	<u>-</u>	<u>(1,744,430)</u>	<u>(1,744,430)</u>
Total other financing sources (uses)	<u>1,799,085</u>	<u>1,850,000</u>	<u>67,930</u>	<u>(1,782,070)</u>
Net change in fund balance (deficit)	-	-	67,930	67,930
Fund balance (deficit) beginning of year	<u>(163,888)</u>	<u>(163,888)</u>	<u>(163,888)</u>	<u>-</u>
Fund balance (deficit) end of year	<u><u>\$ (163,888)</u></u>	<u><u>\$ (163,888)</u></u>	<u><u>\$ (95,958)</u></u>	<u><u>\$ 67,930</u></u>

CITY OF GRAND HAVEN, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Building Authority Capital Projects Fund
For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Other financing sources (uses)				
Transfers in	\$ 423,250	\$ 423,250	\$ 422,921	\$ (329)
Transfers out	<u>(423,250)</u>	<u>(423,250)</u>	<u>(422,921)</u>	<u>329</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF GRAND HAVEN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Cemetery Perpetual Care Permanent Fund

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Charges for services	\$ 25,000	\$ 25,000	\$ 22,580	\$ (2,420)
Interest, penalties and rent	10,000	10,000	22,419	12,419
Total revenues	35,000	35,000	44,999	9,999
Other financing uses				
Transfers out	(20,000)	(15,000)	(11,318)	3,682
Net change in fund balance	15,000	20,000	33,681	13,681
Fund balance, beginning of year	1,621,660	1,621,660	1,621,660	-
Fund balance, end of year	\$ 1,636,660	\$ 1,641,660	\$ 1,655,341	\$ 13,681

NONMAJOR ENTERPRISE FUNDS

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Net Assets Nonmajor Enterprise Funds

June 30, 2011

	Municipal Sewage Treatment	Harbor Transit	Marina
Assets			
Current assets:			
Cash and investments	\$ -	\$ 450	\$ 766,104
Receivables:			
Accounts	336,509	6,979	28,964
Intergovernmental	-	292,785	16,137
Special assessments	132,072	-	-
Inventory	8,271	55,788	-
Prepaid items	622	2,115	337
Total current assets	477,474	358,117	811,542
Noncurrent assets:			
Capital assets not being depreciated	5,260	9,261	94,000
Capital assets being depreciated, net	6,591,244	1,119,551	1,584,999
Total noncurrent assets	6,596,504	1,128,812	1,678,999
Total assets	7,073,978	1,486,929	2,490,541
Liabilities			
Current liabilities:			
Accounts payable	100,188	18,577	16,972
Accrued liabilities	6,593	38,496	10,075
Accrued interest payable	5,644	-	-
Due to other funds	59,220	88,783	-
Current portion of long-term debt	-	-	-
Compensated absences	14,855	114,078	1,906
Total current liabilities	186,500	259,934	28,953
Noncurrent liabilities:			
Long-term debt, net of current portion	210,421	-	-
Net other postemployment benefits obligation	8,683	-	1,371
Total long-term liabilities	219,104	-	1,371
Total liabilities	405,604	259,934	30,324
Net assets			
Invested in capital assets, net of related debt	6,386,083	1,128,812	1,678,999
Unrestricted	282,291	98,183	781,218
Total net assets	\$ 6,668,374	\$ 1,226,995	\$ 2,460,217

<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
\$ 52,914	\$ 12,054	\$ 831,522
17,437	21,310	411,199
5,395	-	314,317
-	-	132,072
5,474	-	69,533
1,650	-	4,724
<u>82,870</u>	<u>33,364</u>	<u>1,763,367</u>
181,762	28,300	318,583
<u>2,563,688</u>	<u>1,294,614</u>	<u>13,154,096</u>
<u>2,745,450</u>	<u>1,322,914</u>	<u>13,472,679</u>
2,828,320	1,356,278	15,236,046
4,820	12,967	153,524
-	-	55,164
1,243	20,345	27,232
-	-	148,003
25,250	111,657	136,907
-	-	130,839
<u>31,313</u>	<u>144,969</u>	<u>651,669</u>
42,150	373,610	626,181
-	-	10,054
<u>42,150</u>	<u>373,610</u>	<u>636,235</u>
73,463	518,579	1,287,904
2,678,050	837,647	12,709,591
<u>76,807</u>	<u>52</u>	<u>1,238,551</u>
<u>\$ 2,754,857</u>	<u>\$ 837,699</u>	<u>\$ 13,948,142</u>

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Nonmajor Enterprise Funds

For the Year Ended June 30, 2011

	Municipal Sewage Treatment	Harbor Transit	Marina
Operating revenues			
Charges for services	\$ 1,553,078	\$ 151,989	\$ 271,101
Operating expenses			
Operations and maintenance	1,208,372	1,266,849	171,433
Administrative and general	197,712	227,594	-
Depreciation	94,214	154,386	75,255
Total operating expenses	1,500,298	1,648,829	246,688
Operating (loss) income	52,780	(1,496,840)	24,413
Nonoperating revenues (expenses)			
Interest income	8,014	-	652
Federal sources	-	323,902	-
State sources	-	520,406	-
Local sources	-	482,769	-
Miscellaneous revenue	15,257	-	-
Interest expense	(14,611)	(153)	-
Total nonoperating revenues (expenses)	8,660	1,326,924	652
Net income (loss) before transfers and contributions	61,440	(169,916)	25,065
Transfers and contributions			
Transfers in	566,001	5,530	-
Transfers out	(118,917)	-	-
Capital contributions:			
Federal	-	333,471	-
State	-	2,000	-
Local	15,965	-	-
Total transfers and contributions	463,049	341,001	-
Change in net assets	524,489	171,085	25,065
Net assets, beginning of year	6,143,885	1,055,910	2,435,152
Net assets, end of year	\$ 6,668,374	\$ 1,226,995	\$ 2,460,217

<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
\$ 107,891	\$ 84,108	\$ 2,168,167
53,992	87,985	2,788,631
25,335	-	450,641
<u>184,774</u>	<u>53,084</u>	<u>561,713</u>
<u>264,101</u>	<u>141,069</u>	<u>3,800,985</u>
(156,210)	(56,961)	(1,632,818)
474	355	9,495
-	-	323,902
-	-	520,406
-	-	482,769
-	29,867	45,124
<u>(3,985)</u>	<u>(28,420)</u>	<u>(47,169)</u>
<u>(3,511)</u>	<u>1,802</u>	<u>1,334,527</u>
(159,721)	(55,159)	(298,291)
-	50,000	621,531
(5,530)	-	(124,447)
5,125	-	338,596
314	39,000	41,314
<u>-</u>	<u>-</u>	<u>15,965</u>
<u>(91)</u>	<u>89,000</u>	<u>892,959</u>
(159,812)	33,841	594,668
<u>2,914,669</u>	<u>803,858</u>	<u>13,353,474</u>
<u><u>\$ 2,754,857</u></u>	<u><u>\$ 837,699</u></u>	<u><u>\$ 13,948,142</u></u>

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Cash Flows Nonmajor Enterprise Funds

For the Year Ended June 30, 2011

	Municipal Sewage Treatment	Harbor Transit	Marina
Cash flows from operating activities			
Cash received from customers	\$ 1,559,372	\$ 171,987	\$ 272,375
Cash received from (payments to) other funds	59,220	-	-
Cash payments to suppliers	(1,243,219)	(454,732)	(55,632)
Cash payments to employees	(227,252)	(1,080,741)	(98,118)
Net cash provided by (used in) operating activities	148,121	(1,363,486)	118,625
Cash flows from non-capital financing activities			
Federal operating grants	-	332,538	-
State operating grants	-	538,223	-
Local operating grants	-	477,179	-
Transfers from other funds	566,001	5,530	-
Transfers to other funds	(118,917)	-	-
Net cash provided by (used in) non-capital financing activities	447,084	1,353,470	-
Cash flows from capital and related financing activities			
Principal paid on long-term debt	-	-	-
Interest and fiscal charges	(8,967)	(153)	-
Purchase of capital assets	(721,478)	(325,302)	(9,072)
Capital grants received	15,965	335,471	-
Net cash provided by (used in) capital and related financing activities	(714,480)	10,016	(9,072)
Cash flows from investing activities			
Interest income	8,014	-	652
Net increase (decrease) in cash and investments	(111,261)	-	110,205
Cash and investments, beginning of year	111,261	450	655,899
Cash and investments, end of year	\$ -	\$ 450	\$ 766,104

<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
\$ 101,901	\$ 125,969	\$ 2,231,604
-	(50,000)	9,220
(81,444)	(100,405)	(1,935,432)
-	-	(1,406,111)
<u>20,457</u>	<u>(24,436)</u>	<u>(1,100,719)</u>
5,125	-	337,663
314	200,000	738,537
-	-	477,179
-	50,000	621,531
<u>(5,530)</u>	<u>-</u>	<u>(124,447)</u>
(91)	250,000	2,050,463
(47,650)	(105,777)	(153,427)
(4,763)	(32,855)	(46,738)
(18,453)	(14,865)	(1,089,170)
-	-	351,436
<u>(70,866)</u>	<u>(153,497)</u>	<u>(937,899)</u>
474	355	9,495
(50,026)	72,422	21,340
<u>102,940</u>	<u>(60,368)</u>	<u>810,182</u>
<u>\$ 52,914</u>	<u>\$ 12,054</u>	<u>\$ 831,522</u>

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Cash Flows Nonmajor Enterprise Funds

For the Year Ended June 30, 2011

	Municipal Sewage Treatment	Harbor Transit	Marina
Cash flows from operating activities			
Operating income (loss)	\$ 52,780	\$(1,496,840)	\$ 24,413
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	94,214	154,386	75,255
Other revenue	15,257	-	-
Changes in assets/liabilities:			
Accounts receivable	(46,312)	19,998	500
Intergovernmental receivables	-	-	774
Special assessments receivable	37,349	-	-
Inventory	119	(29,190)	-
Prepaid items	(213)	1,069	-
Accounts payable	(66,627)	(3,802)	12,395
Accrued liabilities	275	16,220	4,167
Due to other funds	59,220	(25,327)	-
Compensated absences	(4,551)	-	181
Net other postemployment benefits obligation	6,610	-	940
Net cash provided by (used in) operating activities	\$ 148,121	\$(1,363,486)	\$ 118,625
Non-cash capital and related financing activities			
Capital assets purchased with capital leases	\$ 210,421	\$ -	\$ -

<u>Airport</u>	<u>Chinook Pier Rental</u>	<u>Total</u>
\$(156,210)	\$ (56,961)	\$(1,632,818)
184,774	53,084	561,713
-	29,867	45,124
(595)	11,994	(14,415)
(5,395)	-	(4,621)
-	-	37,349
-	-	(29,071)
-	-	856
(2,117)	(12,420)	(72,571)
-	-	20,662
-	(50,000)	(16,107)
-	-	(4,370)
-	-	7,550
<u>\$ 20,457</u>	<u>\$ (24,436)</u>	<u>\$(1,100,719)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,421</u>

INTERNAL SERVICE FUNDS

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Net Assets Internal Service Funds

June 30, 2011

	Motor Pool	Insurance	Health Benefits	Total
Assets				
Current assets:				
Cash and investments	\$ 1,949,784	\$ 813,038	\$ 1,463,627	\$ 4,226,449
Receivables:				
Accounts	197	-	194	391
Intergovernmental	595	-	-	595
Inventory	21,827	-	-	21,827
Prepaid items	240	128,399	13,275	141,914
Total current assets	1,972,643	941,437	1,477,096	4,391,176
Non-current assets:				
Capital assets being depreciated, net	1,403,313	-	-	1,403,313
Total assets	3,375,956	941,437	1,477,096	5,794,489
Liabilities				
Current liabilities:				
Accounts payable	20,013	-	212	20,225
Accrued liabilities	5,343	-	117,631	122,974
Compensated absences	13,340	-	-	13,340
Total current liabilities	38,696	-	117,843	156,539
Noncurrent liabilities:				
Net other postemployment benefits obligation	7,876	-	-	7,876
Total liabilities	46,572	-	117,843	164,415
Net assets				
Invested in capital assets, net of related debt	1,403,313	-	-	1,403,313
Unrestricted	1,926,071	941,437	1,359,253	4,226,761
Total net assets	\$ 3,329,384	\$ 941,437	\$ 1,359,253	\$ 5,630,074

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Internal Service Funds

For the Year Ended June 30, 2011

	<u>Motor Pool</u>	<u>Insurance</u>	<u>Health Benefits</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 913,127	\$ 412,379	\$ 3,240,646	\$ 4,566,152
Operating expenses				
Personnel services	165,624	151,761	73,803	391,188
Professional and contractual services	21,901	-	-	21,901
Materials and supplies	304,243	-	-	304,243
Utilities	3,455	-	-	3,455
Insurance and bonds	42,147	199,012	2,928,985	3,170,144
Depreciation	215,335	-	-	215,335
Administrative services	670	-	124,729	125,399
Total operating expenses	<u>753,375</u>	<u>350,773</u>	<u>3,127,517</u>	<u>4,231,665</u>
Operating income	159,752	61,606	113,129	334,487
Nonoperating revenues				
Interest income	18,027	2,892	2,120	23,039
Gain on sale of capital assets	7,163	-	-	7,163
Federal sources	39,600	-	-	39,600
Miscellaneous revenue	-	-	41,450	41,450
Total nonoperating revenues	<u>64,790</u>	<u>2,892</u>	<u>43,570</u>	<u>111,252</u>
Change in net assets	224,542	64,498	156,699	445,739
Net assets, beginning of year	<u>3,104,842</u>	<u>876,939</u>	<u>1,202,554</u>	<u>5,184,335</u>
Net assets, end of year	<u><u>\$3,329,384</u></u>	<u><u>\$ 941,437</u></u>	<u><u>\$ 1,359,253</u></u>	<u><u>\$ 5,630,074</u></u>

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Cash Flows Internal Service Funds

For the Year Ended June 30, 2011

	<u>Motor Pool</u>	<u>Insurance</u>	<u>Health Benefits</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers and users	\$ 913,902	\$ 412,379	\$ 3,282,207	\$ 4,608,488
Cash payments to suppliers	(455,357)	(212,458)	(99,751)	(767,566)
Cash payments to employees	(164,219)	(151,761)	(73,803)	(389,783)
Claims paid	-	-	(3,010,371)	(3,010,371)
Net cash provided by operating activities	294,326	48,160	98,282	440,768
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	10,257	-	-	10,257
Purchase of capital assets	(96,353)	-	-	(96,353)
State capital grant	39,600	-	-	39,600
Net cash used in capital and related financing activities	(46,496)	-	-	(46,496)
Cash flows from investing activities				
Interest income	18,027	2,892	2,120	23,039
Net increase in cash and investments	265,857	51,052	100,402	417,311
Cash and investments, beginning of year	1,683,927	761,986	1,363,225	3,809,138
Cash and investments, end of year	<u>\$ 1,949,784</u>	<u>\$ 813,038</u>	<u>\$ 1,463,627</u>	<u>\$ 4,226,449</u>

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Cash Flows Internal Service Funds

For the Year Ended June 30, 2011

	Motor Pool	Insurance	Health Benefits	Total
Cash flows from operating activities				
Operating income	\$ 159,752	\$ 61,606	\$ 113,129	\$ 334,487
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	215,335	-	-	215,335
Other revenue	-	-	41,450	41,450
Changes in assets/liabilities:				
Accounts receivable	50	-	111	161
Intergovernmental receivables	725	-	-	725
Inventory	2,317	-	-	2,317
Prepaid items	(135)	(12,756)	24,936	12,045
Accounts payable	(85,793)	(690)	42	(86,441)
Accrued liabilities	528	-	(81,386)	(80,858)
Compensated absences	(3,643)	-	-	(3,643)
Net other postemployment benefits obligation	5,190	-	-	5,190
	<u>5,190</u>	<u>-</u>	<u>-</u>	<u>5,190</u>
Net cash provided by operating activities	<u>\$ 294,326</u>	<u>\$ 48,160</u>	<u>\$ 98,282</u>	<u>\$ 440,768</u>

FIDUCIARY FUNDS

CITY OF GRAND HAVEN, MICHIGAN

**Combining Statement of Assets and Liabilities
Agency Funds**

June 30, 2011

	<u>Payroll</u>	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Northwest Ottawa Water Treatment Plant</u>	<u>Total</u>
Assets					
Cash and investments	\$ 159,252	\$ 17,962	\$ 106,796	\$ 1,522,036	\$1,806,046
Intergovernmental receivables	2,774	-	-	-	2,774
Total assets	<u>\$ 162,026</u>	<u>\$ 17,962</u>	<u>\$ 106,796</u>	<u>\$ 1,522,036</u>	<u>\$1,808,820</u>
Liabilities					
Accounts payable	\$ 111,301	\$ 17,962	\$ -	\$ -	\$ 129,263
Accrued liabilities	50,725	-	-	-	50,725
Due to other governmental units	-	-	-	1,522,036	1,522,036
Trust deposits	-	-	106,796	-	106,796
Total liabilities	<u>\$ 162,026</u>	<u>\$ 17,962</u>	<u>\$ 106,796</u>	<u>\$ 1,522,036</u>	<u>\$1,808,820</u>

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Changes in Assets and Liabilities All Agency Funds

For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Payroll Fund				
Assets				
Cash and investments	\$ 65,063	\$ 13,297,047	\$ 13,202,858	\$ 159,252
Accounts receivable	-	2,032	2,032	-
Intergovernmental receivables	2,825	36,503	36,554	2,774
Due from other funds	-	12,375,416	12,375,416	-
Total assets	\$ 67,888	\$ 25,710,998	\$ 25,616,860	\$ 162,026
Liabilities				
Accounts payable	\$ 6,712	\$ 3,300,584	\$ 3,195,995	\$ 111,301
Accrued liabilities	60,496	13,350,933	13,360,704	50,725
Due to other governmental units	-	9,779	9,779	-
Due to other funds	680	-	680	-
Total liabilities	\$ 67,888	\$ 16,661,296	\$ 16,567,158	\$ 162,026
Tax Collection Fund				
Assets				
Cash and investments	\$ 25,731	\$ 25,796,843	\$ 25,804,612	\$ 17,962
Liabilities				
Accounts payable	\$ 25,731	\$ 15,409,609	\$ 15,417,378	\$ 17,962
Due to other governmental units	-	48,929,601	48,929,601	-
Total liabilities	\$ 25,731	\$ 64,339,210	\$ 64,346,979	\$ 17,962
Trust and Agency Fund				
Assets				
Cash and investments	\$ 140,865	\$ 6,539	\$ 40,608	\$ 106,796
Liabilities				
Trust deposits	\$ 140,865	\$ 29,268	\$ 63,337	\$ 106,796

CITY OF GRAND HAVEN, MICHIGAN

Combining Statement of Changes in Assets and Liabilities All Agency Funds

For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Northwest Ottawa Water Treatment Plant				
Assets				
Cash and investments	\$ 1,011,714	\$ 3,397,267	\$ 2,886,945	\$ 1,522,036
Liabilities				
Due to other governmental units	\$ 1,011,714	\$ 3,397,267	\$ 2,886,945	\$ 1,522,036
Grand Haven-Spring Lake Sewer Authority				
Assets				
Cash and investments	\$ 2,139,765	\$ 1,056,715	\$ 3,196,480	\$ -
Liabilities				
Due to other governmental units	\$ 2,139,765	\$ 1,056,715	\$ 3,196,480	\$ -
Totals - All Agency Funds				
Assets				
Cash and investments	\$ 3,383,138	\$ 43,554,411	\$ 45,131,503	\$ 1,806,046
Accounts receivable	-	2,032	2,032	-
Intergovernmental receivables	2,825	36,503	36,554	2,774
Due from other funds	-	12,375,416	12,375,416	-
Total assets	\$ 3,385,963	\$ 55,968,362	\$ 57,545,505	\$ 1,808,820
Liabilities				
Accounts payable	\$ 32,443	\$ 67,639,794	\$ 67,542,974	\$ 129,263
Accrued liabilities	60,496	13,350,933	13,360,704	50,725
Due to other governmental units	3,151,479	53,393,362	55,022,805	1,522,036
Due to other funds	680	-	680	-
Trust deposits	140,865	29,268	63,337	106,796
Total liabilities	\$ 3,385,963	\$ 134,413,357	\$ 135,990,500	\$ 1,808,820

COMPONENT UNITS

CITY OF GRAND HAVEN, MICHIGAN

Balance Sheet/Statement of Net Assets Economic Development Corporation

June 30, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and investments	\$ 458,136	\$ -	\$ 458,136
Accounts receivable	<u>60,485</u>	<u>-</u>	<u>60,485</u>
Total assets	<u>\$ 518,621</u>	-	518,621
Fund balance			
Unassigned	<u>\$ 518,621</u>	<u>(518,621)</u>	<u>-</u>
Net assets			
Unrestricted		<u>\$ 518,621</u>	<u>\$ 518,621</u>

CITY OF GRAND HAVEN, MICHIGAN

**Statement of Activities/Revenues, Expenditures
and Changes in Fund Balance/Net Assets
Economic Development Corporation**

For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Unrestricted investment earnings	\$ 4,011	\$ -	\$ 4,011
Miscellaneous	<u>8,470</u>	<u>-</u>	<u>8,470</u>
Total revenues	12,481	-	12,481
Expenditures/expenses			
Operations	<u>5,658</u>	<u>-</u>	<u>5,658</u>
Changes in fund balance/net assets	6,823	-	6,823
Fund balance/net assets, beginning of year	<u>511,798</u>	<u>-</u>	<u>511,798</u>
Fund balance/net assets, end of year	<u><u>\$ 518,621</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 518,621</u></u>

CITY OF GRAND HAVEN, MICHIGAN

Balance Sheet/Statement of Net Assets (Deficit) Main Street Downtown Development Authority

June 30, 2011

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and investments	\$ 175,067	\$ -	\$ 175,067
Receivables:			
Accounts	13,760	-	13,760
Intergovernmental	300,000	-	300,000
Interest	42,022	-	42,022
Capital lease	1,566,713	-	1,566,713
Prepaid items	125	-	125
Unamortized bond issuance costs	-	160,350	160,350
Total assets	\$ 2,097,687	160,350	2,258,037
Liabilities			
Accounts payable	\$ 230,652	-	230,652
Accrued liabilities	10,162	-	10,162
Accrued interest payable	-	108,031	108,031
Due to primary government	181,691	-	181,691
Deferred/unearned revenue	1,566,798	(1,566,713)	85
Long-term debt:			
Due within one year	-	80,000	80,000
Due in more than one year	-	8,733,666	8,733,666
Total liabilities	1,989,303	7,354,984	9,344,287
Fund balance			
Nonspendable - prepaid items	125	(125)	-
Unassigned	108,259	(108,259)	-
Total fund balance	108,384	(108,384)	-
Total liabilities and fund balance	\$ 2,097,687		
Net assets (deficit)			
Unrestricted		\$(7,086,250)	\$(7,086,250)

CITY OF GRAND HAVEN, MICHIGAN

Statement of Activities/Revenues, Expenditures and Changes in Fund Balance/Net Assets (Deficit) Main Street Downtown Development Authority

For the Year Ended June 30, 2011

	General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 415,167	\$ -	\$ 415,167
Intergovernmental:			
Local	529,644	-	529,644
Federal	135,181	-	135,181
Unrestricted investment earnings	67,255	-	67,255
Reimbursements	-	1,566,713	1,566,713
Miscellaneous	75,466	-	75,466
Total revenues	1,222,713	1,566,713	2,789,426
Expenditures/expenses			
Salaries	60,254	-	60,254
Administration	169,474	-	169,474
Operations	157,612	3,012,713	3,170,325
Debt service:			
Principal	80,000	(80,000)	-
Interest and fiscal charges	444,124	32,864	476,988
Bond issuance expense amortization	-	7,985	7,985
Bond discount amortization	-	3,780	3,780
Capital outlay	3,012,713	(3,012,713)	-
Total expenditures/expenses	3,924,177	(35,371)	3,888,806
Changes in fund balance/net assets (deficit)	(2,701,464)	1,602,084	(1,099,380)
Fund balance/net assets (deficit), beginning of year	2,809,848	(8,796,718)	(5,986,870)
Fund balance/net assets (deficit), end of year	\$ 108,384	\$ (7,194,634)	\$ (7,086,250)

CITY OF GRAND HAVEN, MICHIGAN

Balance Sheet/Statement of Net Assets (Deficit) Brownfield Redevelopment Authority

June 30, 2011

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and investments	\$ 6,707,318	\$ -	\$ 6,707,318
Receivables:			
Intergovernmental	130,182	-	130,182
Interest	10,750	-	10,750
Due from primary government	20,979	-	20,979
Unamortized bond issuance costs	-	128,899	128,899
Total assets	\$ 6,869,229	128,899	6,998,128
Liabilities			
Accounts payable	\$ 2,201	-	2,201
Accrued interest payable	-	98,008	98,008
Long-term debt:			
Due within one year	-	1,017,177	1,017,177
Due in more than one year	-	14,261,824	14,261,824
Total liabilities	2,201	15,377,009	15,379,210
Fund balance			
Unassigned	6,867,028	(6,867,028)	-
Total liabilities and fund balance	\$ 6,869,229		
Net assets (deficit)			
Unrestricted		\$ (8,381,082)	\$ (8,381,082)

CITY OF GRAND HAVEN, MICHIGAN

Statement of Activities/Revenues, Expenditures and Changes in Fund Balance/Net Assets (Deficit) Brownfield Redevelopment Authority

For the Year Ended June 30, 2011

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental:			
State sources	\$ 130,182	\$ -	\$ 130,182
Local sources	129,732	-	129,732
Taxes	513,297	-	513,297
Special assessments	1,187,830	-	1,187,830
Unrestricted investment earnings	8,181	-	8,181
Total revenues	1,969,222	-	1,969,222
Expenditures/expenses			
Operations	175,656	-	175,656
Debt service:			
Principal	855,174	(855,174)	-
Interest and fiscal charges	595,303	(8,340)	586,963
Bond issuance expense amortization	-	12,575	12,575
Bond premium amortization	-	(4,004)	(4,004)
Total expenditures/expenses	1,626,133	(854,943)	771,190
Changes in fund balance/net assets (deficit)	343,089	854,943	1,198,032
Fund balance/net assets (deficit), beginning of year	6,523,939	(16,103,053)	(9,579,114)
Fund balance/net assets (deficit), end of year	\$ 6,867,028	\$(15,248,110)	\$ (8,381,082)

October 31, 2011

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

We have audited the 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”) for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated June 24, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City’s compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on July 11, 2011.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. Other than the adoption of GASB Statement No. 54, which is described in Note 17 to the financial statements, no other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of net other postemployment benefits obligation is based on an actuarial calculation related to future costs and life expectancies.
- The assumptions used in the actuarial valuations of the Municipal Employees Retirement System and Other Postemployment Benefit Plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements detected as a result of audit procedures that were corrected by management are described in the Schedule of Findings and Questioned Costs in the City's Single Audit report.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated October 31, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

City of Grand Haven

Attachment A - Consideration of Internal Control Over Financial Reporting

For the Year Ended June 30, 2011

In planning and performing our audit of the financial statements of the *City of Grand Haven, Michigan* (the “the City”) as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 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. The deficiencies we noted that we consider to be material weaknesses are described in the Schedule of Findings and Questioned Costs in the City’s Single Audit report.

Other Matters

Segregation of Duties

Utility Billing Register Review

Meter reads are input into the City’s billing software by a member of the finance department staff, who also generates the billing registers and prints/mails invoices to customers. The billing register is not subject to independent review or approval at any point in the process. We recommend that the City implement a policy to review billing registers before invoices are mailed.

Cash Receipt Posting

Cash deposits can be entered into the general ledger and brought to the bank by the same person. We recommend that the individual who is responsible for posting cash receipts not bring deposits to the bank.

Unreconciled Accrued Liabilities

We noted that a payroll accrued liability account that typically would clear out as payments are made has an old balance that has not cleared out or been fully reconciled. We recommend that the individual who is responsible for reconciling accounts research this balance and reconcile or adjust as appropriate.

City of Grand Haven

Attachment A - Consideration of Internal Control Over Financial Reporting

For the Year Ended June 30, 2011

Timely Preparation of Bank Reconciliations

The State of Michigan has set a requirement that bank reconciliations should be completed within approximately six weeks of each month and year end. During our audit, we noted instances in which the City's reconciliations were not completed within the timeframe as prescribed by the State, primarily as a result of employee turnover in the accounting department. In order to ensure that all related accounting transactions are recorded on a timely basis and that all reconciling items are properly identified and resolved, we recommend that the City complete its bank reconciliations within the six weeks of the bank statement date, as required by the State.

Credit Card Approval

We noted instances in which supporting documentation in the form of receipts or invoices was not included with credit card statements. Although each of the credit card accounts tested were reconciled and independently approved, we recommend that the City require adequate supporting documentation be turned in and retained for each charge.

* * * * *



Finance Office

City of Grand Haven
519 Washington Avenue
Grand Haven, MI 49417

616 847-4893
616 847-3496 fax

October 31, 2011

Rehmann Robson
570 Seminole Rd. Suite 200
Muskegon, Michigan 49444

We are providing this letter in connection with your audit of the financial statements of *City of Grand Haven* (the "City") as of June 30, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements 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 *City of Grand Haven* and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of October 31, 2011, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
 - b. Guarantees, whether written or oral, under which the City is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
15. There are no—
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

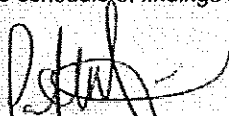
- b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designation of fund equity that were not properly authorized and approved.
16. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
 17. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 18. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 20. The financial statements properly classify all funds and activities.
 21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 22. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 23. Provisions for uncollectible receivables have been properly identified and recorded.
 24. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
 25. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
 26. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 27. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 28. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 29. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
 30. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 31. Required supplementary information (RSI) is measured and presented within prescribed guidelines.

32. With respect to federal award programs:

- a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
- b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
- c. We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies (including material weaknesses) reported in the schedule of findings and questioned costs.
- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to major federal programs.
- f. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- l. We have charged costs to federal awards in accordance with applicable cost principles.

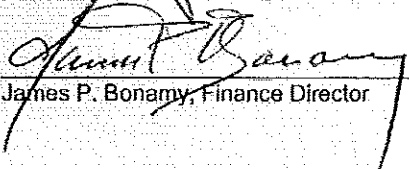
- m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- n. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- o. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.



Patrick McGinnis, City Manager

October 31, 2011
Date



James P. Bonamy, Finance Director

October 31, 2011
Date