



FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF IONIA
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INDEPENDENT AUDITORS' REPORT

October 11, 2018

Honorable Mayor and Members of the City Council
City of Ionia, 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 Ionia, Michigan (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ionia, Michigan, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required supplementary information on pages 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the City of Ionia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ionia's internal control over financial reporting and compliance.

Wendell Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS



As management for the City of Ionia, we offer readers of the City's financial statements this narrative of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and associated notes.

Financial Highlights

The foregoing financial reports reflect the City's on-going goal of implementing sound financial processes in order to deliver high quality services to City residents while recognizing the current economic challenges in the State of Michigan. The City has been able to combat these challenges through organizational changes, improved efficiencies, participation from represented employee union groups and prioritizing capital projects.

- The City continued its participation in the State's City, Village, Township Revenue Sharing (CVTRS) Program, receiving the maximum funding level permitted.
- The total property tax millage levied to support the FY17-18 budget remained the same as the FY16-17 level, despite only modest increases in the total taxable value of the City.
- The City paid off the 2010 Fire Truck loan in FY 17-18.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works including major and local street construction and maintenance, culture and recreation, capital outlay, and debt service activities. The business-type activities of the City include Dial-A-Ride, sewer, water, and theatre operations.

The government-wide financial statements include the City (the *primary government*) as well as the Downtown Development Authority, Local Development Finance Authority, and Brownfield Redevelopment Authority component units for which the City is financially accountable. Financial information for the component units is reported separately from the financial information for the primary government.

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

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

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

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and major streets fund, which are considered major funds.

Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual budget for its general and special revenue funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Dial-a-Ride, sewer, water and theatre operations. The City uses an internal service fund to account for its central garage which provides vehicle rental and services to other City departments on a cost reimbursement basis.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Dial-A-Ride, sewer and water operations, each of which are considered to be major funds of the City. The internal service fund is included as a single column in the proprietary fund financial statements.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis, major fund budgetary schedules, and pension plan schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$20,816,434 at the close of the most recent fiscal year.

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

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$3,889,214	\$3,167,551	\$10,792,005	\$13,135,303	\$14,681,219	\$16,302,854
Noncurrent assets	8,045,952	8,456,732	40,921,445	39,373,390	48,967,397	47,830,122
Total assets	11,935,166	11,624,283	51,713,450	52,508,693	63,648,616	64,132,976
Deferred outflows	542,382	1,433,226	177,642	327,828	720,024	1,761,054
Long-term liabilities	9,954,522	10,577,530	32,172,446	33,812,378	42,126,968	44,389,908
Other liabilities	797,763	1,182,784	627,475	621,703	1,425,238	1,804,487
Total liabilities	10,572,285	11,760,314	32,799,921	34,434,081	43,552,206	46,194,395
Net position						
Net investment in capital assets	8,045,952	8,317,732	15,288,258	14,503,004	22,334,210	22,820,736
Restricted	1,372,867	606,109	-	-	1,372,867	606,109
Unrestricted (deficit)	(7,693,556)	(7,626,646)	3,802,913	3,899,436	(3,890,643)	(3,727,210)
Total net position	\$1,725,263	\$1,297,195	\$19,091,171	\$18,402,440	\$20,816,434	\$19,699,635

Total net position for the City increased by \$1,116,799 from the prior year primarily due to increasing income tax and state shared revenues and sewer fund revenues exceeding expenses.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$1,586,934	\$1,696,022	\$6,231,999	\$6,175,726	\$ 7,818,933	\$ 7,871,748
Operating grants and contributions	1,126,973	905,531	520,950	509,354	1,647,923	1,414,885
Capital grants and contributions	346,328	200,011	43,317	112,941	389,645	312,952
General revenues						
Property taxes	1,049,657	926,546	83,088	68,916	1,132,745	995,462
Income taxes	2,508,019	2,175,928	-	-	2,508,019	2,175,928
Other governmental sources	794,107	785,806	-	-	749,107	785,806
Interest	57,443	22,416	21,852	6,891	79,295	29,307
Other	-	26,500	-	-	-	26,500
Total revenues	7,469,461	6,738,760	6,901,206	6,873,828	14,370,667	13,612,588
Expenses						
General government	\$1,570,572	\$1,528,676	\$ -	\$ -	\$ 1,570,572	\$ 1,528,676
Public safety	2,854,273	2,944,963	-	-	2,854,273	2,944,963
Public works	2,167,333	2,037,470	-	-	2,167,333	2,037,470
Culture and recreation	445,148	541,721	-	-	445,148	541,721
Interest	4,067	11,119	-	-	4,067	11,119
Dial-a-Ride	-	-	769,384	829,972	769,384	829,972
Sewer	-	-	2,763,707	2,664,932	2,763,707	2,664,932
Water	-	-	2,365,815	2,463,433	2,365,815	2,463,433
Theatre	-	-	313,569	333,435	313,569	333,435
Total expenses	7,041,393	7,063,949	6,212,475	6,291,772	13,253,868	13,355,721
Increase (decrease) before transfers	428,068	(325,189)	688,731	582,056	1,116,799	256,867
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	428,068	(325,189)	688,731	582,056	1,116,799	256,867
Net position-beginning of year	1,297,195	1,622,384	18,402,440	17,820,384	19,699,635	19,442,768
Net position-end of year	\$1,725,263	\$1,297,195	\$19,091,171	\$18,402,440	\$20,816,434	\$19,699,635

Governmental Activities. During the year, the City invested \$2,854,273 or 41% of governmental activities expenses in Public Safety. Public Works, which includes major and local streets was \$2,167,333 or 31% of governmental activities expenses while general government, culture and recreation, and interest on long-term debt made up the remaining 28% of governmental activities expenses.

Business-type Activities. Business-type activities increased the City's net position by \$688,731, Primarily due to sewer fund revenues exceeding expenses.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,846,785, an increase of \$1,137,825 in comparison with the prior year. Of the \$2,846,785, \$1,082,212 is reported as unassigned. The remaining amount of fund balance is reported in various funds as assigned, restricted or non-spendable for certain uses such as street construction and maintenance, solid waste, recreation and construction.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,082,212. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 24% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$298,965 during the current fiscal year primarily as a result of increased income tax and state shared revenues along with expenditures below budgeted amounts.

The Major Street Funds is used to account for the receipt and expenditure of fuel and weight taxes, distributed by the State of Michigan, that are restricted for use on major streets by Act 51. The fund balance increased by \$182,656 during the current fiscal year leaving a remaining fund balance of \$401,671.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,802,913. The enterprise funds reported an increase in net position for the year of \$688,731. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

- Increased the transfer to support parks and recreation operations.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2018, amounted to \$48,967,397 (net of accumulated depreciation). Significant additions were made due to continued investment in the City's parks, vehicles, and water and sewer infrastructure. The City's capital assets (net of depreciation) are summarized as follows:

	Capital Assets		
	Governmental Activities	Business-type Activities	Total
Land	\$ 754,633	\$ 1,219,180	\$ 1,973,813
Construction in progress	113,056	1,176,796	1,289,852
Buildings, Equipment and Infrastructure	7,178,263	38,525,469	45,703,732
Total	\$8,045,952	\$40,921,445	\$48,967,397

Additional information on capital assets can be found in Note 7 of these financial statements.

Debt and other long-term liabilities. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$42,126,968 summarized as follows:

Long-term Debt			
	Governmental Activities	Business-type Activities	Total
Accrued employee benefits	\$ 428,997	\$ 91,095	\$ 520,092
Net pension liability	9,525,525	1,393,708	10,919,233
Bond premium	-	603,468	603,468
Bonds payable	-	30,084,175	28,879,625
Total	\$9,954,522	\$32,172,446	\$42,126,968

The City made debt principal payments totaling \$1,578,275 during the year. Additional information on the City's long-term debt can be found in Note 9 of these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2018-19 fiscal year:

- Continued full funding from the State's City, Village, Township Revenue Sharing (CVTRS) Program.
- The millage rate adopted by the City Council during June 2018 to support 2018-19 was 9.000 mills, which is the same amount as FY 17-18.
- Water Utility charges were increased for FY 18-19. The water commodity charge increased from \$2.80 per 1,000 gallons to \$3.00 per 1,000 gallons. The water debt service charge increased from \$23.00/REU/quarter to \$24.00/REU/quarter. The sanitary sewer system facilities maintenance charge or commodity charge increased from \$43.50/REU/quarter to \$44.00/REU/quarter.
- The City continued to levy a millage rate of 1.00 mills to support the upcoming purchase of an aerial fire truck.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chris Hyzer, Finance Director, at (616) 527-4170, extension 5137 or via e-mail: chyzer@ci.ionia.mi.us or Jason Eppler, City Manager, at extension 5776, or via e-mail: jeppler@ci.ionia.mi.us.

BASIC FINANCIAL STATEMENTS

CITY OF IONIA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component Units		
	Governmental	Business-Type	Total	Downtown Development Authority	Local	
	Activities	Activities			Development Finance Authority	Brownfield Redevelopment Authority
Assets						
Cash and pooled investments	\$ 3,026,821	\$ 4,045,801	\$ 7,072,622	\$ 45,967	\$ 121,280	\$ 125,548
Accounts receivable	473,058	1,231,666	1,704,724	624	-	-
Prepaid items	-	6,365	6,365	-	-	-
Due from other governments	372,659	5,479,275	5,851,934	-	-	-
Internal balances	16,676	(16,676)	-	-	-	-
Inventory	-	45,574	45,574	-	-	-
Noncurrent						
Land	754,633	1,219,180	1,973,813	387,256	-	-
Construction in progress	113,056	1,176,796	1,289,852	-	-	-
Depreciable capital assets, net	<u>7,178,263</u>	<u>38,525,469</u>	<u>45,703,732</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>11,935,166</u>	<u>51,713,450</u>	<u>63,648,616</u>	<u>433,847</u>	<u>121,280</u>	<u>125,548</u>
Deferred outflows of resources						
Deferred loss on refunding	-	98,285	98,285	-	-	-
Deferred outflow pension related	<u>542,382</u>	<u>79,357</u>	<u>621,739</u>	<u>9,084</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>542,382</u>	<u>177,642</u>	<u>720,024</u>	<u>9,084</u>	<u>-</u>	<u>-</u>
Liabilities						
Accounts payable	679,562	68,214	747,776	1,107	-	-
Accrued liabilities	118,201	559,023	677,224	2,124	-	-
Unearned revenue	-	238	238	-	-	-
Noncurrent liabilities						
Compensated absences	428,997	91,095	520,092	13,218	-	-
Net pension liability	9,525,525	1,393,708	10,919,233	159,533	-	-
Bond premium	-	603,468	603,468	-	-	-
Due within one year	-	1,204,550	1,204,550	-	-	-
Due in more than one year	<u>-</u>	<u>28,879,625</u>	<u>28,879,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>10,752,285</u>	<u>32,799,921</u>	<u>43,552,206</u>	<u>175,982</u>	<u>-</u>	<u>-</u>
Net position						
Net investment in capital assets	8,045,952	15,288,258	23,334,210	387,256	-	-
Restricted for						
Capital improvements	190,679	-	190,679	-	-	-
Major streets	401,671	-	401,671	-	-	-
Local streets	223,686	-	223,686	-	-	-
Public safety	8,045	-	8,045	-	-	-
Solid waste	108,314	-	108,314	-	-	-
Recreation	440,472	-	440,472	-	-	-
Unrestricted (deficit)	<u>(7,693,556)</u>	<u>3,802,913</u>	<u>(3,890,643)</u>	<u>(120,307)</u>	<u>121,280</u>	<u>125,548</u>
Total net position	<u>\$ 1,725,263</u>	<u>\$ 19,091,171</u>	<u>\$ 20,816,434</u>	<u>\$ 266,949</u>	<u>\$ 121,280</u>	<u>\$ 125,548</u>

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

CITY OF IONIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 1,570,572	\$ 1,113,538	\$ 1,804	\$ -	\$ (455,230)
Public safety	2,854,273	89,547	7,975	346,328	(2,410,423)
Public works and streets	2,167,333	290,665	1,072,296	-	(804,372)
Culture and recreation	445,148	93,184	44,898	-	(307,066)
Interest on long-term debt	4,067	-	-	-	(4,067)
Total governmental activities	7,041,393	1,586,934	1,126,973	346,328	(3,981,158)
Business-type activities					
Dial-a-Ride	769,384	84,071	518,806	15,993	(150,514)
Sewer	2,763,707	3,752,463	-	-	988,756
Water	2,365,815	2,134,339	-	27,324	(204,152)
Theatre	313,569	261,126	2,144	-	(50,299)
Total business-type activities	6,212,475	6,231,999	520,950	43,317	583,791
Total primary government	\$ 13,253,868	\$ 7,818,933	\$ 1,647,923	\$ 389,645	\$ (3,397,367)
Component units					
Downtown Development Authority	\$ 281,680	\$ 26,299	\$ -	\$ -	\$ (255,381)
Local Development Finance Authority	8,832	-	-	-	(8,832)
Brownfield Redevelopment Authority	-	-	-	-	-
Total component units	\$ 290,512	\$ 26,299	\$ -	\$ -	\$ (264,213)

(Continued)

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

CITY OF IONIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Primary Government			Component Units		
	Governmental	Business-type	Total	Downtown	Local	
	Activities	Activities			Development	Development
	Activities	Activities	Total	Authority	Finance	Redevelopment
	Activities	Activities	Total	Authority	Authority	Authority
Changes in net assets						
Net (expense) revenue	\$ (3,981,158)	\$ 583,791	\$ (3,397,367)	\$ (255,381)	\$ (8,832)	\$ -
General revenues						
Property taxes						
General operating	652,402	-	652,402	260,088	25,179	22,116
Restricted	397,255	83,088	480,343	-	-	-
Income taxes	2,508,019	-	2,508,019	-	-	-
State shared revenues - unrestricted	794,107	-	794,107	-	-	-
Interest	57,443	21,852	79,295	68	127	125
Total general revenues	4,409,226	104,940	4,514,166	260,156	25,306	22,241
Change in net position	428,068	688,731	1,116,799	4,775	16,474	22,241
Net position, beginning of year	1,297,195	18,402,440	19,699,635	262,174	104,806	103,307
Net position, end of year	\$ 1,725,263	\$ 19,091,171	\$ 20,816,434	\$ 266,949	\$ 121,280	\$ 125,548

(Concluded)

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

CITY OF IONIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	<u>General</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 979,209	\$ 295,108	\$ 1,522,873	\$ 2,797,190
Accounts receivable	378,829	133	72,172	451,134
Due from other funds	-	-	16,676	16,676
Due from other governments	<u>175,474</u>	<u>113,531</u>	<u>83,654</u>	<u>372,659</u>
Total assets	<u>\$ 1,533,512</u>	<u>\$ 408,772</u>	<u>\$ 1,695,375</u>	<u>\$ 3,637,659</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 132,238	\$ 195	\$ 542,797	\$ 675,230
Accrued liabilities	<u>99,662</u>	<u>6,906</u>	<u>9,076</u>	<u>115,644</u>
Total liabilities	<u>231,900</u>	<u>7,101</u>	<u>551,873</u>	<u>790,874</u>
Fund balances				
Restricted				
Streets	-	401,671	223,686	625,357
Public safety	-	-	8,045	8,045
Solid waste	-	-	108,314	108,314
Recreation	-	-	440,472	440,472
Capital projects	-	-	190,679	190,679
Assigned				
Public safety	5,000	-	97,222	102,222
Recreation	-	-	75,084	75,084
Subsequent year expenditures	214,400	-	-	214,400
Unassigned	<u>1,082,212</u>	<u>-</u>	<u>-</u>	<u>1,082,212</u>
Total fund balances	<u>1,301,612</u>	<u>401,671</u>	<u>1,143,502</u>	<u>2,846,785</u>
Total liabilities and fund balances	<u>\$ 1,533,512</u>	<u>\$ 408,772</u>	<u>\$ 1,695,375</u>	<u>\$ 3,637,659</u>

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

CITY OF IONIA

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

JUNE 30, 2018

Fund balances - total governmental funds	\$ 2,846,785
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	754,633
Add - construction in progress	113,056
Add - capital assets (net of accumulated depreciation)	6,278,422
An internal service fund is used by management to charge the costs of centralized costs, to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service fund	1,131,217
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(415,707)
Deduct - net pension liability	(9,525,525)
Add - deferred outflows related to net pension liability	<u>542,382</u>
Net position of governmental activities	<u><u>\$ 1,725,263</u></u>

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

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Property taxes	\$ 652,402	\$ -	\$ 397,255	\$ 1,049,657
Income taxes	2,508,019	-	-	2,508,019
Intergovernmental revenues				
Federal	1,804	-	-	1,804
State	1,095,435	712,467	297,829	2,105,731
Local	-	-	45,000	45,000
Contributions from component units	-	105,000	-	105,000
Licenses and permits	3,405	-	-	3,405
Charges for services	1,028,417	-	331,626	1,360,043
Fines	27,821	-	-	27,821
Interest	56,546	220	761	57,527
Donations	-	-	7,975	7,975
Miscellaneous	143,432	17,067	36,721	197,220
Total revenues	<u>5,517,281</u>	<u>834,754</u>	<u>1,117,167</u>	<u>7,469,202</u>
Expenditures				
Current				
General government	1,490,052	-	-	1,490,052
Public safety	2,519,158	-	7,444	2,526,602
Public works and streets	402,627	527,098	782,151	1,711,876
Health and welfare	38,975	-	-	38,975
Community and economic development	28,808	-	-	28,808
Culture and recreation	5,196	-	381,599	386,795
Capital outlay	-	-	5,202	5,202
Debt service				
Principal	-	-	139,000	139,000
Interest	-	-	4,067	4,067
Total expenditures	<u>4,484,816</u>	<u>527,098</u>	<u>1,319,463</u>	<u>6,331,377</u>
Revenues over (under) expenditures	<u>1,032,465</u>	<u>307,656</u>	<u>(202,296)</u>	<u>1,137,825</u>
Other financing sources (uses)				
Transfers in	-	-	864,911	864,911
Transfers out	(733,500)	(125,000)	(6,411)	(864,911)
Total other financing sources (uses)	<u>(733,500)</u>	<u>(125,000)</u>	<u>858,500</u>	<u>-</u>
Net changes in fund balances	298,965	182,656	656,204	1,137,825
Fund balances, beginning of year	<u>1,002,647</u>	<u>219,015</u>	<u>487,298</u>	<u>1,708,960</u>
Fund balances, end of year	<u>\$ 1,301,612</u>	<u>\$ 401,671</u>	<u>\$ 1,143,502</u>	<u>\$ 2,846,785</u>

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

CITY OF IONIA

**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, 2018

Net changes in fund balances - total governmental funds	\$ 1,137,825
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	321,080
Deduct - net book value of disposed assets	(3,582)
Deduct - depreciation expense	(798,439)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add - principal payments on long-term debt	139,000
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.	
Deduct - increase in compensated absences	(1,645)
Deduct - decrease in deferred outflows related to pensions	(890,844)
Add - decrease in net pension liability	486,368
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
Add - net income from the internal service funds	<u>38,305</u>
Change in net position of governmental activities	<u>\$ 428,068</u>

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

CITY OF IONIA

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION**

JUNE 30, 2018

	Enterprise Funds				Enterprise Fund Total	Governmental Activities
	Dial-A-Ride	Sewer	Water	Nonmajor (Theatre)		Internal Service (Central Garage)
Assets						
Current assets						
Cash and pooled investments	\$ 458,339	\$ 3,440,202	\$ 96,735	\$ 50,525	\$ 4,045,801	\$ 229,631
Accounts receivable	1,561	639,019	595,796	-	1,236,376	21,924
Prepaid items	-	-	-	6,365	6,365	-
Due from other governments	169,912	2,782,135	2,527,228	-	5,479,275	-
Inventory	-	-	45,574	-	45,574	-
Total current assets	629,812	6,861,356	3,265,333	56,890	10,813,391	251,555
Noncurrent assets						
Land	25,000	475,893	671,395	46,892	1,219,180	-
Construction in progress	-	588,398	588,398	-	1,176,796	-
Buildings and infrastructure	1,789,566	20,288,672	28,854,976	1,048,217	51,981,431	609,393
Machinery and equipment	556,024	588,319	3,834,413	307,002	5,285,758	-
Vehicles	576,980	-	-	-	576,980	2,301,988
Less accumulated depreciation	(2,367,210)	(3,534,412)	(12,260,705)	(1,156,373)	(19,318,700)	(2,011,540)
Total noncurrent assets	580,360	18,406,870	21,688,477	245,738	40,921,445	899,841
Total assets	1,210,172	25,268,226	24,953,810	302,628	51,734,836	1,151,396
Deferred outflows of resources						
Deferred loss on refunding	-	45,211	53,074	-	98,285	-
Deferred outflow pension related	19,871	16,212	43,274	-	79,357	-
Total deferred outflows of resources	19,871	61,423	96,348	-	177,642	-
Liabilities						
Accounts payable	18,316	2,679	38,345	13,584	72,924	4,332
Accrued liabilities	23,004	221,867	311,726	2,426	559,023	2,557
Due to other funds	-	8,338	8,338	-	16,676	-
Unearned revenue	238	-	-	-	238	-
Current portion of long-term debt	-	527,950	676,600	-	1,204,550	-
Total current liabilities	41,558	760,834	1,035,009	16,010	1,853,411	6,889
Long-term liabilities						
Compensated absences	47,995	10,633	32,467	-	91,095	13,290
Net pension liability	348,981	284,724	760,003	-	1,393,708	-
Bond premium	-	289,034	314,434	-	603,468	-
Bonds payable, net of current portion	-	14,043,575	14,836,050	-	28,879,625	-
Total long-term liabilities	396,976	14,627,966	15,942,954	-	30,967,896	13,290
Total liabilities	438,534	15,388,800	16,977,963	16,010	32,821,307	20,179
Net position						
Net investment in capital assets	580,360	6,073,539	8,388,621	245,738	15,288,258	899,841
Unrestricted	211,149	3,867,310	(316,426)	40,880	3,802,913	231,376
Total net position	\$ 791,509	\$ 9,940,849	\$ 8,072,195	\$ 286,618	\$ 19,091,171	\$ 1,131,217

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

CITY OF IONIA

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds				Enterprise Fund Total	Governmental Activities
	Dial-A-Ride	Sewer	Water	Nonmajor (Theatre)		Internal Service (Central Garage)
Operating revenue						
Charges for services	\$ 84,071	\$ 3,723,882	\$ 2,110,509	\$ 261,126	\$ 6,179,588	\$ 454,576
Property tax	83,088	-	-	-	83,088	-
Other	29,487	28,581	23,830	2,187	84,085	7,849
Total operating revenue	<u>196,646</u>	<u>3,752,463</u>	<u>2,134,339</u>	<u>263,313</u>	<u>6,346,761</u>	<u>462,425</u>
Operating expense						
Personnel services	323,103	53,775	187,887	73,254	638,019	74,379
Contractual services	148,981	1,834,965	406,688	95,436	2,486,070	54,481
Benefits	107,400	33,080	190,860	5,930	337,270	51,400
Materials and supplies	39,472	8,190	74,071	44,376	166,109	41,689
Utilities	24,183	-	107,253	30,377	161,813	16,660
Repair and maintenance	24,749	-	18,868	16,980	60,597	52,586
Equipment rentals	-	53,642	76,728	-	130,370	19,557
Depreciation	99,195	243,264	772,945	47,216	1,162,620	113,591
Miscellaneous	2,301	-	-	-	2,301	36
Total operating expense	<u>769,384</u>	<u>2,226,916</u>	<u>1,835,300</u>	<u>313,569</u>	<u>5,145,169</u>	<u>424,379</u>
Operating income (loss)	<u>(572,738)</u>	<u>1,525,547</u>	<u>299,039</u>	<u>(50,256)</u>	<u>1,201,592</u>	<u>38,046</u>
Non-operating revenue (expense)						
Federal grants	179,864	-	-	-	179,864	-
State grants	309,455	-	-	-	309,455	-
Interest income	509	12,087	9,213	-	21,809	259
Interest expense	-	(536,791)	(530,515)	-	(1,067,306)	-
Total non-operating revenue (expense)	<u>489,828</u>	<u>(524,704)</u>	<u>(521,302)</u>	<u>-</u>	<u>(556,178)</u>	<u>259</u>
Income (loss) before transfers	<u>(82,910)</u>	<u>1,000,843</u>	<u>(222,263)</u>	<u>(50,256)</u>	<u>645,414</u>	<u>38,305</u>
Transfers and other items						
Capital contributions - federal	12,795	-	-	-	12,795	-
Capital contributions - state	3,198	-	27,324	-	30,522	-
Total transfers and other items	<u>15,993</u>	<u>-</u>	<u>27,324</u>	<u>-</u>	<u>43,317</u>	<u>-</u>
Changes in net position	(66,917)	1,000,843	(194,939)	(50,256)	688,731	38,305
Net position, beginning of year	<u>858,426</u>	<u>8,940,006</u>	<u>8,267,134</u>	<u>336,874</u>	<u>18,402,440</u>	<u>1,092,912</u>
Net position, end of year	<u>\$ 791,509</u>	<u>\$ 9,940,849</u>	<u>\$ 8,072,195</u>	<u>\$ 286,618</u>	<u>\$ 19,091,171</u>	<u>\$ 1,131,217</u>

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

CITY OF IONIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds				Enterprise Fund Total	Governmental Activities
	Dial-A-Ride	Sewer	Water	Nonmajor (Theatre)		Internal Service (Central Garage)
Cash flows from operating activities						
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 466,505
Receipts from customers and users	112,716	3,781,014	2,111,671	263,313	6,268,714	-
Payments to employees	(423,014)	(70,714)	(311,566)	(79,043)	(884,337)	(124,797)
Operating grants	489,319	-	-	-	489,319	-
Property taxes	78,213	-	-	-	78,213	-
Payments to suppliers	(256,829)	(1,936,155)	(702,465)	(190,065)	(3,085,514)	(182,222)
Net cash provided by (used in) operating activities	405	1,774,145	1,097,640	(5,795)	2,866,395	159,486
Cash flows from non-capital financing activities						
Loan from (to) other funds	-	(10,578)	(4,501)	-	(15,079)	-
Cash flows from capital and related financing activities						
Interest paid	-	(557,483)	(567,171)	-	(1,124,654)	-
Deposits/loans with other governments	-	1,343,545	1,812,672	-	3,156,217	-
Capital grants	(19,991)	-	27,324	-	7,333	-
Principal paid on debt	-	(380,225)	(1,059,050)	-	(1,439,275)	-
Net loss on disposal of capital assets	-	-	-	-	-	10,322
Acquisitions of capital assets	(20,013)	(1,571,011)	(1,571,010)	-	(3,162,034)	(194,074)
Net cash provided by (used in) capital and related financing activities	(40,004)	(1,165,174)	(1,357,235)	-	(2,562,413)	(183,752)
Cash flows from investing activities						
Interest received	509	12,087	9,213	-	21,809	259
Net increase (decrease) in cash and pooled investments	(39,090)	610,480	(254,883)	(5,795)	310,712	(24,007)
Cash and pooled investments, beginning of year	497,429	2,829,722	351,618	56,320	3,735,089	253,638
Cash and pooled investments, end of year	\$ 458,339	\$ 3,440,202	\$ 96,735	\$ 50,525	\$ 4,045,801	\$ 229,631
Cash flows from operating activities						
Operating income (loss)	\$ (572,738)	\$ 1,525,547	\$ 299,039	\$ (50,256)	\$ 1,201,592	\$ 38,046
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	99,195	243,264	772,945	47,216	1,162,620	113,591
Net pension liability	(37,935)	(49,590)	(39,546)	-	(127,071)	-
Deferred outflows for pensions	35,517	31,646	71,183	-	138,346	-
Operating grants	489,319	-	-	-	489,319	-
Change in operating assets and liabilities which provided (used) cash						
Accounts receivable	(842)	28,551	(22,668)	-	5,041	4,080
Prepaid items	494	-	627	(6,135)	(5,014)	885
Inventory	-	-	(4,521)	-	(4,521)	-
Accounts payable	(17,637)	(39,358)	(14,963)	3,239	(68,719)	1,902
Accrued liabilities	11,819	36,496	35,620	141	84,076	267
Compensated absences	(1,912)	(2,411)	(76)	-	(4,399)	715
Unearned revenue	(4,875)	-	-	-	(4,875)	-
Net cash provided by (used in) operating activities	\$ 405	\$ 1,774,145	\$ 1,097,640	\$ (5,795)	\$ 2,866,395	\$ 159,486

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

CITY OF IONIA
AGENCY FUND
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2018

	Agency Fund
Assets	
Cash and pooled investments	\$ <u> </u> -
Liabilities	
Accounts payable	\$ <u> </u> -

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

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CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Ionia, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

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

Blended Component Unit

The City of Ionia Building Authority is a capital asset financing mechanism which provides services to the City exclusively. The Building Authority governing body consists of individuals that are appointed by the City's Council. The City Council approves the Authority's budget and has the ability to significantly influence operations of the Authority. The Building Authority had no activity in the current year.

Discretely Presented Component Units

The component unit columns in the government-wide financial statements include the financial data of the Downtown Development Authority (DDA), Local Development Finance Authority (LDFA) and the Brownfield Redevelopment Authority. These component units provide services to the businesses located within the districts. They are reported in a separate column to emphasize they are legally separate from the City.

The DDA was created to correct and prevent deterioration in the downtown area and promote economic growth within downtown. The DDA governing body consists of individuals that are appointed by the City's Council. The City Council approves the DDA's budget and has the ability to significantly influence operations of the DDA. Financial statements are not separately issued for the DDA.

The LDFA was created to correct and prevent deterioration and promote economic growth within the development area. The LDFA governing body consists of individuals that are appointed by the City's Council. The City Council approves the LDFA's budget and has the ability to significantly influence operations of the LDFA. Financial statements are not separately issued for the LDFA.

The Brownfield Redevelopment Authority accounts for captured tax revenue on specific properties within the City that have been identified and approved by the State of Michigan as brownfield's requiring site reclamation. These revenues are used to reimburse property owners for expenditures incurred for brownfield cleanup. The City Council appoints the governing body of the Brownfield Redevelopment Authority and has the ability to significantly influence operations of the Brownfield Redevelopment Authority. Financial statements are not separately issued for the Authority.

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Joint Venture

The City of Ionia, along with the Townships of Berlin, Easton, Ionia, and Orange created the Ionia Regional Utilities Authority (IRUA) under Michigan Public Act 233 of 1955. The purpose of the IRUA is to acquire, own and operate a sewage disposal system for the benefit of the constituent municipalities.

The City of Ionia operates, administers, and maintains the IRUA on behalf of the City and the Townships (the "constituent municipalities"). The annual budget of the IRUA is prepared by City staff in conjunction with the IRUA Board of Trustees and then distributed to the constituent municipalities for comment. After the expiration of the comment period, and after conducting the required public hearing, the IRUA Board of Trustees adopts the IRUA budget. The IRUA Articles of Incorporation provide a mechanism for resolving budget related disputes should they arise.

The allocation of costs of the IRUA to the constituent municipalities is based on usage of the system as measured by system flow. During 1996, the City began to directly bill Ionia Township IRUA customers. As a result, the City's allocation of costs includes the portion of costs that had been charged to Ionia Township in the past. On December 1, 2001, the City began to directly bill Easton Township IRUA customers for operating costs and fixed asset reserves. As a result, the City's allocation of costs includes a portion of costs that would have been charged to Easton Township in the past. The Township continues to make contributions to the IRUA to fund their portion of the debt service requirements. For the year ended June 30, 2018, the City paid \$1,580,774 to cover the City's and Townships' share of operational costs and \$27,654 to cover the City's and Townships' share of principal and interest portions of long-term debt issued by the County for the benefit of the IRUA.

The City has not recorded an asset in the enterprise fund type related to IRUA due to not having documented an "equity interest" in IRUA for accounting purposes. To document an "equity interest", the City would need to document an explicit, measurable right to the net resources of the IRUA.

Funding of operating costs and the capital asset reserve are based on annual participant usage. Funding percentages were as follows:

City of Ionia	88.33%
Berlin Township	5.47%
Easton Township	2.51%
Ionia Township	3.69%

The financial activities of the IRUA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2018 are available at City Hall. The following financial information is a summary of the activity for the year ended June 30, 2018:

Total assets	\$9,643,045
Total liabilities	226,401
Total net position	9,416,644
Total operating revenue	1,763,947
Total nonoperating revenues	32,929
Total operating expenses	1,639,209
Total nonoperating expenses	3,912
Change in net position	153,755

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are changes between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, state revenue, licenses, grants, income taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

The City reports the following major governmental funds:

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

The *Major Streets Fund* accounts for the use of motor fuel taxes and trunkline maintenance funds, which are earmarked by State statute for major street improvement purposes.

The City reports the following major proprietary funds:

The *Dial-A-Ride Enterprise Fund* is used to account for the operations required to provide transit services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges, property taxes, and grant revenues.

The *Sewer Enterprise Fund* is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

The *Water Enterprise Fund* is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental funds.

The *Capital Projects Funds* are used to account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

The *Enterprise Funds* are used to account for the operations to provide services to residents of the City of Ionia and the greater Ionia area. The costs (expenses, including depreciation) are financed or recovered primarily through user charges.

The *Internal Service Fund* is used to account for shared services and equipment usage provided to the City departments and funds on a cost reimbursement basis.

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

The *Agency Fund* is used to account for the collection and disbursement of property taxes that are collected on behalf of outside governments.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General and Special Revenue Funds. General and Special Revenue Funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan law. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within an activity. Thus the legal level of budgetary control is at the activity level. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

Investments

Investments are stated at fair value at the balance sheet date.

City policy and State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Due to and Due from Other Funds

Interfund receivables and payables are short-term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

Inventory

All inventories are valued at original cost using the first-in/first-out (FIFO) method. Inventory represents parts, materials, and supplies utilized in the various City operations.

Capital Assets

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

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

The 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) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Structures and improvements	15-75
Machinery, furniture, and equipment	3-50
Vehicles	5-15
Infrastructure	15-30

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Unearned Revenue

Unearned revenue is reported in connection with payments received that have not yet been 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 statements of net position. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Accumulated Vacation and Sick

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds.

Pensions

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

Property Taxes

The City collects property taxes from City residence for all property tax levied upon property within the City. Property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and December 1 and are due without penalty through July 31 and February 14, respectively. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Income Tax Revenues

The City recognizes income tax revenue (nonexchange derived revenue) based on cash receipts for income earned through June 30 of each year and received through August 15 of the same year. Income tax revenue receivable at year end is reported net of estimated refunds.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has no items that qualify for reporting in this category.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

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

Fund Balance can only be committed by resolution of the City Council. The City Council has delegated the authority to assign fund balance to the City Treasurer and City Manager.

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

City policy requires the General Fund budget to be prepared and activities managed to result in an ending unassigned fund balance of at least 10% of adopted expenditures, except in the case of emergency or financial distress. Circumstances of emergency or financial distress shall be reported to the City Council at the earliest practical time. Upon such report, the City Council may direct that additional action be taken to preserve the minimum unassigned fund balance.

Net Position and Fund Balance Flow Assumptions

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

Interfund Transactions

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

2. DEFICIT FUND BALANCE/NET POSITION

At year-end the City reported the following deficits in unrestricted net position:

Governmental Activities	\$(7,693,556)
Component Units	
Downtown Development Authority	(120,307)
Proprietary Funds	
Water Fund	(316,426)

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law 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 budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2018, the City incurred no expenditures in budgetary funds which were in excess of the amounts appropriated.

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

4. CASH AND POOLED INVESTMENTS

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$7,072,622	\$292,795	\$ -	\$7,365,417

Cash and pooled investments consist of the following at June 30, 2018:

Deposits and certificates of deposit	\$5,211,986
MBIA Michigan Class investment pool	1,860,636
Total	\$7,072,622

The City also holds investments within its pool for the Ionia Regional Utilities Authority (IRUA) of \$741,438 which cannot be segregated from City deposits and investments. Deposit and investment risk disclosure for the combined balance of the City and the IRUA follows.

The deposits are in 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. They are recorded in City records at fair value. Interest is recorded when earned.

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 a policy, and the City's policy is no more restrictive than State requirements, for deposit custodial credit risk. As of year-end, \$770,210 of the City's bank balance of \$6,465,389 was insured, \$1,500,000 was collateralized by securities held by the pledging financial institution and \$4,195,179 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
MBIA Michigan Class	N/A	\$1,860,636	AAAm	S&P

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

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

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

- The City does not have any investments valued using quoted market prices (Level 1 inputs).
- The MBIA Michigan Class is valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

Investment and deposit risk

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

At June 30, 2018 the balance of the MBIA Michigan Class investment pool consisted of the following:

<u>Investment</u>	<u>Percentage of pool total</u>	<u>Maturity in years</u>
Commercial paper	91.51%	Not applicable
Collateralized bank deposits	1.67%	Not applicable
Money market funds	4.19%	Not applicable
Repurchase agreements	2.63%	Not applicable

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

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City policy is no more restrictive than State law for investment custodial credit risk. Of the above pool/mutual fund investments the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

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

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

5. INTERFUND TRANSACTIONS

Interfund receivables and payables for the year ended June 30, 2018 are as follows:

<u>Receivable</u>	<u>Payable</u>		<u>Total</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	
Other Governmental Funds	\$8,338	\$8,338	\$16,676
Total	\$8,338	\$8,338	\$16,676

Transfers in and out for the year ended June 30, 2018 are as follows:

<u>Transfers out</u>	<u>Transfers in Other Governmental Funds</u>
General Fund	\$733,500
Major Streets Fund	125,000
Other Governmental Funds	6,411
Total	\$864,911

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 and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

6. RISK MANAGEMENT

The City participates in a State pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under the Public Act 317 of 1969, as amended. In the event the pool's claims and expenses exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 754,633	\$ -	\$ -	\$ 754,633
Construction in progress	131,660	-	18,604	113,056
Total capital assets, not being depreciated	<u>886,293</u>	-	<u>18,604</u>	<u>867,689</u>
Capital assets, being depreciated				
Buildings	2,108,425	67,740	-	2,176,165
Furniture and equipment and Improvements	4,832,105	86,896	17,195	4,901,806
Motor vehicles	4,771,540	276,558	272,278	4,775,820
Infrastructure	14,010,219	102,564	-	14,112,783
Total capital assets, being depreciated	<u>25,722,289</u>	<u>533,758</u>	<u>289,473</u>	<u>25,966,574</u>
Less accumulated depreciation for				
Buildings	1,059,979	63,965	-	1,123,944
Furniture and equipment and Improvements	3,465,684	122,497	13,613	3,574,568
Motor vehicles	3,729,250	207,040	261,956	3,674,334
Infrastructure	9,896,937	518,528	-	10,415,465
Total accumulated depreciation	<u>18,151,850</u>	<u>912,030</u>	<u>275,569</u>	<u>18,788,311</u>
Net capital assets, being depreciated	<u>7,570,439</u>	<u>(378,272)</u>	<u>13,904</u>	<u>7,178,263</u>
Governmental Activities capital assets, net	<u>\$ 8,456,732</u>	<u>\$(378,272)</u>	<u>\$ 32,508</u>	<u>\$ 8,045,952</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 1,219,180	\$ -	\$ -	\$ 1,219,180
Construction in progress	2,284,269	1,176,796	2,284,269	1,176,796
Total capital assets, not being depreciated	<u>3,503,449</u>	<u>1,176,796</u>	<u>2,284,269</u>	<u>2,395,976</u>
Capital assets being depreciated				
Structures and improvements	47,731,937	4,249,494	-	51,981,431
Machinery, furniture, and equipment	5,265,745	20,013	-	5,285,758
Vehicles	576,980	-	-	576,980
Total capital assets, being depreciated	<u>53,574,662</u>	<u>4,269,507</u>	<u>-</u>	<u>57,844,169</u>
Less accumulated depreciation for				
Structures and improvements	13,369,786	993,340	-	14,363,126
Machinery, furniture, and equipment	4,308,425	131,201	-	4,439,626
Vehicles	477,869	38,079	-	515,948
Total accumulated depreciation	<u>18,156,080</u>	<u>1,162,620</u>	<u>-</u>	<u>19,318,700</u>
Net capital assets, being depreciated	<u>35,418,582</u>	<u>3,106,887</u>	<u>-</u>	<u>38,525,469</u>
Business-type Activities capital assets, net	<u>\$38,922,031</u>	<u>\$4,283,683</u>	<u>\$2,284,269</u>	<u>\$40,921,445</u>

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2018</u>
Component Unit Activities				
Capital assets, not being depreciated				
Land	\$387,256	\$ -	\$ -	\$387,256
Net capital assets, being depreciated				
Machinery, furniture, and equipment	5,500	-	-	5,500
Accumulated depreciation	(4,400)	(1,100)	-	(5,500)
Component Unit capital assets, net	\$388,356	\$ (1,100)	\$ -	\$387,256

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

Governmental Activities	
General government	\$ 45,740
Public safety	117,687
Public works and streets	518,528
Culture and recreation	116,484
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	113,591
Total depreciation expense - governmental activities	\$912,030
Business-type Activities	
Dial-a-Ride	\$ 99,195
Sewer	243,264
Water	772,945
Theatre (nonmajor)	47,216
Total depreciation expense - business- type activities	\$1,162,620

8. PENSION PLAN

Defined Benefit Traditional and Hybrid Plan

Plan Description

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

Benefits Provided

Benefits provided include a multiplier range of 1.5 to 2.5 times final average compensation. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with a number of early retirement options available. Final average compensation is calculated based on 3 to 5 years.

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2017):

Active plan members	48
Inactive employees entitled but not yet receiving benefits	10
Inactive employees or beneficiaries currently receiving benefits	<u>44</u>
Total	<u>102</u>

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was from 7.5% to 42.47% of annual covered payroll depending on position and classification. For divisions closed to new employees, the employer has monthly employer contributions of \$378 to \$30,178. Participating employees are required to contribute from 0% to 5% percent of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Investment rate of return: 7.75%, net of investment expense, including inflation (8.00% for 2014)

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

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

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

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

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

Discount rate. The discount rate used to measure the total pension liability is 8% which did not change from the prior year. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at December 31, 2016	\$21,618,661	\$9,929,353	\$11,689,308
Changes for the Year:			
Service cost	301,110	-	301,110
Interest	1,694,653	-	1,694,653
Change in benefits	-	-	-
Differences between expected and actual experience	(161,614)	-	(161,614)
Change in assumptions	-	-	-
Contributions: employer	-	1,094,509	(1,094,509)
Contributions: employee	-	54,608	(54,608)
Net investment income	-	1,316,399	(1,316,399)
Benefit payments, including refunds	(1,172,101)	(1,172,101)	-
Administrative expense	-	(20,825)	20,825
Other changes	-	-	-
Net changes	<u>662,048</u>	<u>1,272,590</u>	<u>(610,542)</u>
Balance at December 31, 2017	<u>\$22,280,709</u>	<u>\$11,201,943</u>	<u>\$11,078,766</u>

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

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

	1% Decrease	Current Discount rate	1 % Increase
Total pension liability	\$24,892,983	\$22,280,709	\$20,081,520
Fiduciary net position	11,201,943	11,201,943	11,201,943
Net pension liability	\$13,691,040	\$11,078,766	\$8,879,577

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018 the employer recognized pension expense of \$1,563,448. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$120,432	\$ -
Differences in assumptions	241,705	-
Excess (deficit) investment returns	(217,616)	-
Contributions subsequent to the Measurement date*	486,302	-
Total	\$630,823	\$ -

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

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

2018	\$393,194
2019	62,422
2020	(206,334)
2021	(104,761)
2022	-
Thereafter	-
Total	\$144,521

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to City employees and allows them to defer a portion of their salary until future years. The deferred compensation is generally not available to employees until termination, retirement, or death. All assets of the Plan are held in trust for employees and the related assets and liabilities are not included in this report.

9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities					
\$355,000 Fire truck installment purchase, payment due in annual installments from \$18,000 to \$27,000 through June 1, 2023; interest at 4.375%, paid in full during 2017-18.	\$ 139,000	\$ -	\$ 139,000	\$ -	\$ -
Accrued employee benefits	426,637	2,360	-	428,997	-
Total Governmental Activities	565,637	2,360	139,000	428,997	-
Business-type Activities					
* \$6,225,000 2015 General Obligation Water and Sewer Improvement Bonds. Payments due in annual installments of \$100,000 to \$500,000 through August 1, 2037; interest at 3.00% to 4.00%, payable semi-annually. The outstanding debt was recorded in the Water and Sewer Funds at \$3,112,500 and \$3,112,500, respectively.	6,125,000	-	100,000	6,025,000	125,000
* \$8,660,000 2013 Water and Sewer Improvement Refunding Bonds. Payments due in annual installments of \$85,000 to \$595,000 through August 1, 2037; interest at 2.00% to 4.00%, payable semi-annually. The outstanding debt; was recorded in the Water and Sewer Funds at \$4,676,400 and \$3,983,600, respectively.	7,755,000	-	370,000	7,385,000	390,000

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
<p>* \$1,500,000 2008 Water and Sewer Improvement Bonds. Payments due in annual installments of \$25,000 to \$100,000 beginning August 1, 2011 through August 1, 2033; interest at 3.75% to 5.00%, payable semi-annually. The outstanding debt; was recorded in the Water and Sewer Funds at \$725,000 and \$725,000, respectively.</p>	\$ 1,325,000	-	\$ 50,000	\$1,275,000	\$ 50,000
<p>* \$2,250,000 2009 Water and Sewer Improvement Bonds. Payments due in annual installments of \$25,000 to \$100,000 beginning August 1, 2011 through August 1, 2033; interest at 4% to 6%, payable semi-annually. The outstanding debt; was recorded in the Water and Sewer Funds at \$1,087,500 and \$1,087,500, respectively.</p>	1,975,000	-	50,000	1,925,000	50,000
<p>\$4,120,000 2010 General Obligation Limited Tax Bonds. Payments due in annual installments of \$455,000 to \$550,000 through 2018; plus interest at 2% to 4%, payable semi-annually.</p>	550,000	-	550,000	-	-
<p>* \$2,250,000 2010 Water and Sewer Improvement Bonds. Payments due in annual installment of \$50,000 to \$200,000 beginning August 1, 2012 through 2034; plus interest at 3% to 4.635%, paid semi-annually. The outstanding debt was recorded in the Water and Sewer Funds at \$1,100,000 and \$1,100,000, respectively.</p>	2,000,000	-	50,000	1,950,000	50,000
<p>* \$3,000,000 2011 Water and Sewer Improvement Bonds. Payments due in annual installment of \$50,000 to \$250,000 beginning August 1, 2012 through 2034; plus interest at 4% to 5%, paid semi-annually. The outstanding debt was recorded in the Water and Sewer Funds at \$1,500,000 and \$1,500,000, respectively.</p>	2,800,000	-	50,000	2,750,000	75,000

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
* \$2,605,000 2010 Water and Sewer Refunding Bonds. Payments due in annual installment of \$228,225 to \$259,550 beginning August 1, 2011 through 2020; plus interest at 2% to 4.25%, paid semi-annually. The outstanding debt was recorded in the Water and Sewer Funds at \$1,500,000 and \$515,725, respectively.	\$ 993,450	\$ -	\$ 219,275	\$ 774,175	\$ 259,550
* \$8,000,000 2017 Water and Sewer Improvement Bonds. Payments due in annual installment of \$205,000 to \$505,000 beginning August 1, 2018 through 2041; plus interest at 3% to 3.25%, paid semi-annually. The outstanding debt was recorded in the Water and Sewer Funds at \$4,000,000 and \$4,000,000, respectively.	8,000,000	-	-	8,000,000	205,000
Subtotal long-term debt	31,523,450	-	1,439,275	30,084,175	1,204,550
Bond premiums	672,655	-	69,187	603,468	-
Accrued employee benefits	95,494	-	4,399	91,095	-
Total Business-type Activities	32,291,599	-	1,512,861	30,778,738	1,204,550
Component Units					
Accrued employee benefits	13,244	-	26	13,218	-
Total Long-term Debt - Reporting Entity	\$32,304,843	\$2,360	\$1,512,887	\$30,791,956	\$1,204,550

*These bonds were issued by Ionia County to provide funding for City of Ionia capital projects. Agreements between the City of Ionia and the Ionia County Board of Public Works provide for repayment of each entities respective share of the outstanding bonds. The City of Ionia has pledged its full faith and credit for the repayment of these bonds.

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,204,550	\$ 1,066,007
2020	1,229,550	1,027,525
2021	1,235,075	986,201
2022	1,160,000	945,807
2023	1,240,000	905,839
2024-2028	7,100,000	3,833,131
2029-2033	7,560,000	2,486,041
2034-2038	6,450,000	1,050,540
2039-2043	2,905,000	166,551
Total	\$30,084,175	\$12,467,642

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

10. CONTINGENT LIABILITIES

The City is a responsible party with respect to clean-up costs at the Cleveland Street Dump Site. The City is party to a Federal Consent Decree entered with the District Court during the fiscal year ended June 30, 2002. The terms of the Consent Decree limit the City's liability to a share of the clean-up costs associated with existing contamination as of the date of the decree. A reasonable estimate of the City's remaining potential liability cannot be determined at this time.

In the normal course of its operations the City has become a party in various legal actions, including property tax appeals. Management of the City is of the opinion that the outcome of such actions cannot be determined at this time. Amounts reserved for losses related to legal actions have not been included as a liability in the financial statements.

11. CONCENTRATIONS

The City has a significant economic dependence on the State of Michigan that is a major employer and user of water and sewer services. The State of Michigan accounted for \$1,373,978 (37%) of wastewater sales and \$401,204 (19%) of water sales.

12. COMMITMENTS

At year-end the City had construction commitments of approximately \$1,162,000 for various street projects and \$983,000 for a ladder truck.

13. TAX ABATEMENTS

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

For the year ended June 30, 2018 the amount of abated taxes was not significant.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

For the year ended June 30, 2018 the amount of abated taxes was not significant.

CITY OF IONIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

The City entered into a property tax abatement agreement with a local organization to provide housing for Low Income Persons and Families and to encourage the development of such housing by providing for a service charge in lieu of property taxes in accordance with the State Housing Development Authority Act of 1966 (1966 PA 346, as amended, MCL 125.1401, et seq, MSA 116.11-4(1), et seq). Under the agreement the organization pays 12% of annual shelter rent in lieu of taxes or the ad valorem property taxes whichever is smaller. The agreement is approved for a term dependent on the status of outstanding loans, participation in Low income housing tax credits, and rehabilitation of the property.

For the year ended June 30, 2018 the amount of abated taxes was not significant.

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 520,500	\$ 654,000	\$ 652,402	\$ (1,598)
Income taxes	2,300,000	2,370,000	2,508,019	138,019
Intergovernmental revenues				
Federal	-	1,800	1,804	4
State	1,004,000	1,054,000	1,095,435	41,435
Licenses and permits	6,000	3,000	3,405	405
Charges for services	1,046,700	1,030,700	1,028,417	(2,283)
Fines	22,000	24,000	27,821	3,821
Interest	15,000	38,000	56,546	18,546
Donations	600	600	-	(600)
Miscellaneous	131,500	141,000	143,432	2,432
Total revenues	5,046,300	5,317,100	5,517,281	200,181
Expenditures				
Current				
General government	1,502,350	1,594,350	1,490,052	104,298
Public safety	2,525,605	2,557,855	2,519,158	38,697
Public works and streets	341,000	409,500	402,627	6,873
Health and welfare	38,000	39,000	38,975	25
Community and economic development	30,075	30,075	28,808	1,267
Culture and recreation	6,050	6,050	5,196	854
Total expenditures	4,443,080	4,636,830	4,484,816	152,014
Revenues over (under) expenditures	603,220	680,270	1,032,465	352,195
Other financing sources (uses)				
Transfers out	(660,000)	(733,500)	(733,500)	-
Net changes in fund balance	(56,780)	(53,230)	298,965	352,195
Fund balance, beginning of year	1,002,647	1,002,647	1,002,647	-
Fund balance, end of year	\$ 945,867	\$ 949,417	\$ 1,301,612	\$ 352,195

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 600,000	\$ 700,000	\$ 712,467	\$ 12,467
Contributions from component units	105,000	105,000	105,000	-
Interest and rents	50	150	220	70
Miscellaneous	13,000	13,000	17,067	4,067
Total revenues	<u>718,050</u>	<u>818,150</u>	<u>834,754</u>	<u>16,604</u>
Expenditures				
Current				
Public works and streets	<u>548,600</u>	<u>572,700</u>	<u>527,098</u>	<u>45,602</u>
Revenues over (under) expenditures	169,450	245,450	307,656	62,206
Other financing sources (uses)				
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Net changes in fund balance	44,450	120,450	182,656	62,206
Fund balance, beginning of year	<u>219,015</u>	<u>219,015</u>	<u>219,015</u>	<u>-</u>
Fund balance, end of year	<u>\$ 263,465</u>	<u>\$ 339,465</u>	<u>\$ 401,671</u>	<u>\$ 62,206</u>

CITY OF IONIA

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 301,110	\$ 282,956	\$ 288,809	\$ 274,035
Interest	1,694,653	1,603,859	1,493,885	1,431,767
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(161,614)	370,354	225,862	-
Changes in assumptions	-	-	966,819	-
Benefit payments including employee refunds	(1,172,101)	(1,090,547)	(973,255)	(947,222)
Other	-	-	-	-
Net change in total pension liability	<u>662,048</u>	<u>1,166,622</u>	<u>2,002,120</u>	<u>758,580</u>
Total pension liability, beginning of year	<u>21,618,661</u>	<u>20,452,039</u>	<u>18,449,919</u>	<u>17,691,339</u>
Total pension liability, end of year	<u>\$ 22,280,709</u>	<u>\$ 21,618,661</u>	<u>\$ 20,452,039</u>	<u>\$ 18,449,919</u>
Plan Fiduciary Net Position				
Contributions-employer	\$ 1,094,509	\$ 1,029,849	\$ 987,700	\$ 879,134
Contributions-employee	54,608	41,297	118,228	114,723
Net investment income	1,316,399	1,020,165	(136,006)	532,153
Benefit payments including employee refunds	(1,172,101)	(1,090,547)	(973,255)	(947,222)
Administrative expense	(20,825)	(20,156)	(19,943)	(19,586)
Other	-	-	161	-
Net change in plan fiduciary net position	<u>1,272,590</u>	<u>980,608</u>	<u>(23,115)</u>	<u>559,202</u>
Plan fiduciary net position, beginning of year	<u>9,929,353</u>	<u>8,948,745</u>	<u>8,971,860</u>	<u>8,412,658</u>
Plan fiduciary net position, end of year	<u>\$ 11,201,943</u>	<u>\$ 9,929,353</u>	<u>\$ 8,948,745</u>	<u>\$ 8,971,860</u>
Employer net pension liability	<u>\$ 11,078,766</u>	<u>\$ 11,689,308</u>	<u>\$ 11,503,294</u>	<u>\$ 9,478,059</u>
Plan fiduciary net position as a percentage of the total pension liability	50%	46%	44%	49%
Covered employee payroll	\$ 2,959,191	\$ 2,819,237	\$ 2,855,137	\$ 2,694,569
Employer's net pension liability as a percentage of covered employee payroll	374%	415%	403%	352%

Notes to schedule:

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

This schedule is being accumulated prospectively until ten years of data is presented.

CITY OF IONIA
PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
Actuarial determined contributions	\$ 981,460	\$ 865,744	\$ 881,073	\$ 834,973
Contributions in relation to the actuarially determined contribution	1,131,460	1,005,744	1,021,073	834,973
Contribution deficiency (excess)	\$ (150,000)	\$ (140,000)	\$ (140,000)	\$ -
Covered employee payroll	\$ 2,959,191	\$ 2,819,237	\$ 2,855,137	\$ 2,694,569
Contributions as a percentage of covered employee payroll	38%	36%	36%	31%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed (10 year for 2014)
Inflation	2.5% (3-4% for 2014)
Salary increases	3.75% (4.5% for 2014)
Investment rate of return	7.75% (8% for 2014)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male 2014 group annuity mortality table

Note to schedule:

This schedule is being accumulated prospectively until ten years of data is presented.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF IONIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
General government				
City Council	\$ 33,300	\$ 33,300	\$ 30,570	\$ 2,730
City Manager	320,800	320,800	312,443	8,357
Elections	8,200	16,200	8,267	7,933
Finance and administration	371,300	371,300	355,897	15,403
Income tax administration	98,800	98,800	94,413	4,387
Front office	183,700	183,700	177,671	6,029
Attorney	28,000	35,000	29,623	5,377
Assessor	44,500	44,500	44,201	299
Board of review	750	750	453	297
Data processing	98,500	111,500	79,525	31,975
Clerk	27,750	30,800	25,108	5,692
Building and grounds	253,200	260,700	260,295	405
Other offices	33,550	87,000	71,586	15,414
	1,502,350	1,594,350	1,490,052	104,298
Public safety				
Public safety	2,525,605	2,557,855	2,519,158	38,697
Public Works				
Street lights	91,000	109,500	104,177	5,323
Storm sewer	250,000	300,000	298,450	1,550
	341,000	409,500	402,627	6,873
Health and Welfare				
Ambulance	38,000	39,000	38,975	25
Community and economic development				
Planning and zoning	30,075	30,075	28,808	1,267
Culture and recreation				
Festivals and events	6,050	6,050	5,196	854
Total expenditures	\$ 4,443,080	\$ 4,636,830	\$ 4,484,816	\$ 152,014

CITY OF IONIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Special Revenue					
	Local Streets	Solid Waste	Recreation	Drug Forfeiture	Public Safety Donations	Public Safety Vehicle
Assets						
Cash and pooled investments	\$ 192,250	\$ 57,284	\$ 85,098	\$ 3,370	\$ 4,675	\$ 97,222
Accounts receivable	-	72,172	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	<u>40,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 232,904</u>	<u>\$ 129,456</u>	<u>\$ 85,098</u>	<u>\$ 3,370</u>	<u>\$ 4,675</u>	<u>\$ 97,222</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 7,383	\$ 21,005	\$ 2,910	\$ -	\$ -	\$ -
Accrued liabilities	<u>1,835</u>	<u>137</u>	<u>7,104</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>9,218</u>	<u>21,142</u>	<u>10,014</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Restricted						
Streets	223,686	-	-	-	-	-
Public safety	-	-	-	3,370	4,675	-
Solid waste	-	108,314	-	-	-	-
Recreation	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Assigned						
Public safety	-	-	-	-	-	97,222
Recreation	<u>-</u>	<u>-</u>	<u>75,084</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>223,686</u>	<u>108,314</u>	<u>75,084</u>	<u>3,370</u>	<u>4,675</u>	<u>97,222</u>
Total liabilities and fund balances	<u>\$ 232,904</u>	<u>\$ 129,456</u>	<u>\$ 85,098</u>	<u>\$ 3,370</u>	<u>\$ 4,675</u>	<u>\$ 97,222</u>

	<u>Debt Service</u>		<u>Capital Projects</u>				
<u>Parks Facilities Improvements</u>	<u>Environmental Bonds</u>	<u>Sidewalk Program</u>	<u>Environmental Response</u>	<u>Rails to Trails Projects</u>	<u>Grant Projects</u>	<u>Total</u>	
\$ 397,472	\$ -	\$ 8,417	\$ 181,068	\$ 194	\$ 495,823	\$ 1,522,873	
-	-	-	-	-	-	72,172	
-	-	-	-	-	16,676	16,676	
43,000	-	-	-	-	-	83,654	
<u>\$ 440,472</u>	<u>\$ -</u>	<u>\$ 8,417</u>	<u>\$ 181,068</u>	<u>\$ 194</u>	<u>\$ 512,499</u>	<u>\$ 1,695,375</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,499	\$ 542,797	
-	-	-	-	-	-	9,076	
-	-	-	-	-	511,499	551,873	
-	-	-	-	-	-	223,686	
-	-	-	-	-	-	8,045	
-	-	-	-	-	-	108,314	
440,472	-	-	-	-	-	440,472	
-	-	8,417	181,068	194	1,000	190,679	
-	-	-	-	-	-	97,222	
-	-	-	-	-	-	75,084	
<u>440,472</u>	<u>-</u>	<u>8,417</u>	<u>181,068</u>	<u>194</u>	<u>1,000</u>	<u>1,143,502</u>	
<u>\$ 440,472</u>	<u>\$ -</u>	<u>\$ 8,417</u>	<u>\$ 181,068</u>	<u>\$ 194</u>	<u>\$ 512,499</u>	<u>\$ 1,695,375</u>	

CITY OF IONIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Special Revenue</u>					
	<u>Local Streets</u>	<u>Solid Waste</u>	<u>Recreation</u>	<u>Drug Forfeiture</u>	<u>Public Safety Donations</u>	<u>Public Safety Vehicle</u>
Revenues						
Taxes	\$ -	\$ 221,826	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues						
State	254,829	-	-	-	-	-
Local	-	-	-	-	-	45,000
Charges for services	-	245,452	86,174	-	-	-
Interest	-	113	44	4	6	106
Donations	-	-	-	-	7,975	-
Miscellaneous	16,631	11,182	8,908	-	-	-
Total revenues	<u>271,460</u>	<u>478,573</u>	<u>95,126</u>	<u>4</u>	<u>7,981</u>	<u>45,106</u>
Expenditures						
Current						
Public safety	-	-	-	-	7,444	-
Public works and streets	347,593	434,558	-	-	-	-
Culture and recreation	-	-	329,563	-	-	-
Capital outlay	-	-	-	-	-	-
Debt Service						
Principal	-	-	-	-	-	139,000
Interest	-	-	-	-	-	4,067
Total expenditures	<u>347,593</u>	<u>434,558</u>	<u>329,563</u>	<u>-</u>	<u>7,444</u>	<u>143,067</u>
Revenues over (under) expenditures	<u>(76,133)</u>	<u>44,015</u>	<u>(234,437)</u>	<u>4</u>	<u>537</u>	<u>(97,961)</u>
Other financing sources (uses)						
Transfers in	256,500	20,000	290,000	-	-	114,500
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>256,500</u>	<u>20,000</u>	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>114,500</u>
Net changes in fund balances	180,367	64,015	55,563	4	537	16,539
Fund balances, beginning of year	<u>43,319</u>	<u>44,299</u>	<u>19,521</u>	<u>3,366</u>	<u>4,138</u>	<u>80,683</u>
Fund balances, end of year	<u>\$ 223,686</u>	<u>\$ 108,314</u>	<u>\$ 75,084</u>	<u>\$ 3,370</u>	<u>\$ 4,675</u>	<u>\$ 97,222</u>

		Debt Service		Capital Projects			
Parks Facilities Improvements	Environmental Bonds	Sidewalk Program	Environmental Response	Rails to Trails Projects	Grant Projects	Total	
\$ 93,799	\$ -	\$ -	\$ 81,630	\$ -	\$ -	\$ 397,255	
43,000	-	-	-	-	-	297,829	
-	-	-	-	-	-	45,000	
-	-	-	-	-	-	331,626	
323	3	9	153	-	-	761	
-	-	-	-	-	-	7,975	
-	-	-	-	-	-	36,721	
<u>137,122</u>	<u>3</u>	<u>9</u>	<u>81,783</u>	<u>-</u>	<u>-</u>	<u>1,117,167</u>	
-	-	-	-	-	-	7,444	
-	-	-	-	-	-	782,151	
52,036	-	-	-	-	-	381,599	
-	-	-	5,202	-	-	5,202	
-	-	-	-	-	-	139,000	
-	-	-	-	-	-	4,067	
<u>52,036</u>	<u>-</u>	<u>-</u>	<u>5,202</u>	<u>-</u>	<u>-</u>	<u>1,319,463</u>	
<u>85,086</u>	<u>3</u>	<u>9</u>	<u>76,581</u>	<u>-</u>	<u>-</u>	<u>(202,296)</u>	
177,500	-	-	6,411	-	-	864,911	
-	(6,411)	-	-	-	-	(6,411)	
<u>177,500</u>	<u>(6,411)</u>	<u>-</u>	<u>6,411</u>	<u>-</u>	<u>-</u>	<u>858,500</u>	
262,586	(6,408)	9	82,992	-	-	656,204	
<u>177,886</u>	<u>6,408</u>	<u>8,408</u>	<u>98,076</u>	<u>194</u>	<u>1,000</u>	<u>487,298</u>	
<u>\$ 440,472</u>	<u>\$ -</u>	<u>\$ 8,417</u>	<u>\$ 181,068</u>	<u>\$ 194</u>	<u>\$ 1,000</u>	<u>\$ 1,143,502</u>	

CITY OF IONIA

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 216,000	\$ 246,000	\$ 254,829	\$ 8,829
Miscellaneous	13,100	13,100	16,631	3,531
Total revenues	229,100	259,100	271,460	12,360
Expenditures				
Current				
Public works and streets	375,200	397,200	347,593	49,607
Revenues over (under) expenditures	(146,100)	(138,100)	(76,133)	61,967
Other financing sources (uses)				
Transfers in	235,000	235,000	256,500	21,500
Net changes in fund balance	88,900	96,900	180,367	83,467
Fund balance, beginning of year	43,319	43,319	43,319	-
Fund balance, end of year	\$ 132,219	\$ 140,219	\$ 223,686	\$ 83,467

CITY OF IONIA
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 179,000	\$ 221,000	\$ 221,826	\$ 826
Charges for services	241,500	241,500	245,452	3,952
Interest and rents	100	100	113	13
Miscellaneous	11,000	11,000	11,182	182
Total revenues	431,600	473,600	478,573	4,973
Expenditures				
Current				
Public works and streets	456,200	462,100	434,558	27,542
Revenues over (under) expenditures	(24,600)	11,500	44,015	32,515
Other financing sources (uses)				
Transfers in	20,000	20,000	20,000	-
Net changes in fund balance	(4,600)	31,500	64,015	32,515
Fund balance, beginning of year	44,299	44,299	44,299	-
Fund balance, end of year	\$ 39,699	\$ 75,799	\$ 108,314	\$ 32,515

CITY OF IONIA
RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 92,000	\$ 92,000	\$ 86,174	\$ (5,826)
Interest and rents	100	100	44	(56)
Donations	100	100	-	(100)
Miscellaneous	<u>12,500</u>	<u>12,500</u>	<u>8,908</u>	<u>(3,592)</u>
Total revenues	104,700	104,700	95,126	(9,574)
Expenditures				
Current				
Culture and recreation	<u>376,025</u>	<u>387,525</u>	<u>329,563</u>	<u>57,962</u>
Revenues over (under) expenditures	(271,325)	(282,825)	(234,437)	48,388
Other financing sources (uses)				
Transfers in	<u>270,000</u>	<u>290,000</u>	<u>290,000</u>	<u>-</u>
Net changes in fund balance	(1,325)	7,175	55,563	48,388
Fund balance, beginning of year	<u>19,521</u>	<u>19,521</u>	<u>19,521</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,196</u>	<u>\$ 26,696</u>	<u>\$ 75,084</u>	<u>\$ 48,388</u>

CITY OF IONIA

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest and rents	\$ -	\$ -	\$ 4	\$ 4
Miscellaneous	<u>1,450</u>	<u>1,450</u>	<u>-</u>	<u>(1,450)</u>
Total revenues	1,450	1,450	4	(1,446)
Expenditures				
Current				
Public safety	<u>1,100</u>	<u>1,100</u>	<u>-</u>	<u>1,100</u>
Net changes in fund balance	350	350	4	(346)
Fund balance, beginning of year	<u>3,366</u>	<u>3,366</u>	<u>3,366</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,716</u>	<u>\$ 3,716</u>	<u>\$ 3,370</u>	<u>\$ (346)</u>

CITY OF IONIA

**PUBLIC SAFETY DONATIONS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest and rents	\$ -	\$ -	\$ 6	\$ 6
Donations	<u>2,000</u>	<u>7,900</u>	<u>7,975</u>	<u>75</u>
Total revenues	2,000	7,900	7,981	81
Expenditures				
Current				
Public safety	<u>3,000</u>	<u>7,900</u>	<u>7,444</u>	<u>456</u>
Net changes in fund balance	(1,000)	-	537	537
Fund balance, beginning of year	<u>4,138</u>	<u>4,138</u>	<u>4,138</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,138</u>	<u>\$ 4,138</u>	<u>\$ 4,675</u>	<u>\$ 537</u>

CITY OF IONIA

**PUBLIC SAFETY VEHICLE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ -	\$ 45,000	\$ 45,000	\$ -
Interest and rents	50	50	106	56
Total revenues	<u>50</u>	<u>45,050</u>	<u>45,106</u>	<u>56</u>
Expenditures				
Debt service				
Principal	22,000	139,000	139,000	-
Interest	6,500	4,100	4,067	33
Total expenditures	<u>28,500</u>	<u>143,100</u>	<u>143,067</u>	<u>33</u>
Revenues over (under) expenditures	(28,450)	(98,050)	(97,961)	89
Other financing sources (uses)				
Transfers in	100,000	100,000	114,500	14,500
Net changes in fund balance	71,550	1,950	16,539	14,589
Fund balance, beginning of year	<u>80,683</u>	<u>80,683</u>	<u>80,683</u>	<u>-</u>
Fund balance, end of year	<u>\$ 152,233</u>	<u>\$ 82,633</u>	<u>\$ 97,222</u>	<u>\$ 14,589</u>

CITY OF IONIA

**PARKS FACILITIES IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 91,000	\$ 93,500	\$ 93,799	\$ 299
Intergovernmental revenues				
State	-	-	43,000	43,000
Interest and rents	100	100	323	223
Miscellaneous	99,300	-	-	-
Total revenues	190,400	93,600	137,122	43,522
Expenditures				
Current				
Culture and recreation	467,000	140,500	52,036	88,464
Revenues over (under) expenditures	(276,600)	(46,900)	85,086	131,986
Other financing sources (uses)				
Transfers in	160,000	160,000	177,500	17,500
Net changes in fund balance	(116,600)	113,100	262,586	149,486
Fund balance, beginning of year	177,886	177,886	177,886	-
Fund balance, end of year	<u>\$ 61,286</u>	<u>\$ 290,986</u>	<u>\$ 440,472</u>	<u>\$ 149,486</u>

CITY OF IONIA

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

JUNE 30, 2018

	<u>Governmental Fund Type</u>		Statement of Net Position
	<u>General Fund</u>	<u>Adjustments</u>	
Assets			
Cash and pooled investments	\$ 45,967	\$ -	\$ 45,967
Accounts receivable	624	-	624
Capital assets			
Land	-	387,256	387,256
Total assets	<u>\$ 46,591</u>	<u>387,256</u>	<u>433,847</u>
Deferred outflow pension related	<u>-</u>	<u>9,084</u>	<u>9,084</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 1,107	-	1,107
Accrued liabilities	2,124	-	2,124
Noncurrent liabilities			
Compensated absences	-	13,218	13,218
Net pension liability	-	159,533	159,533
Total liabilities	3,231	172,751	<u>175,982</u>
Fund balances			
Unassigned	<u>43,360</u>	<u>(43,360)</u>	-
Total liabilities and fund balances	<u>\$ 46,591</u>		
Net position (deficit)			
Net investment in capital assets		387,256	387,256
Unrestricted (deficit)		<u>(129,391)</u>	<u>(120,307)</u>
Total net position		<u>\$ 257,865</u>	<u>\$ 266,949</u>

CITY OF IONIA

DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Fund Type</u>		<u>Statement of Activities</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Revenues			
Taxes	\$ 260,088	\$ -	\$ 260,088
Interest	68	-	68
Charges	4,416	-	4,416
Miscellaneous	21,883	-	21,883
Total revenues	<u>286,455</u>	<u>-</u>	<u>286,455</u>
Expenditures/expenses			
Current			
Personnel services	61,513	16,210	77,723
Contractual services	18,388	-	18,388
Benefits	30,636	-	30,636
Materials and supplies	20,139	-	20,139
Utilities	6,271	-	6,271
Promotion	22,423	-	22,423
Contributions to primary government	105,000	-	105,000
Miscellaneous	-	1,100	1,100
Total expenditures/expenses	<u>264,370</u>	<u>17,310</u>	<u>281,680</u>
Revenues over (under) expenditures/expenses	<u>22,085</u>	<u>17,310</u>	<u>4,775</u>
Net changes in fund balances	22,085	<u>(22,085)</u>	
Change in net position		(4,775)	4,775
Fund balances/net position, beginning of year	<u>21,275</u>		<u>262,174</u>
Fund balances/net position, end of year	<u>\$ 43,360</u>		<u>\$ 266,949</u>

CITY OF IONIA

**LOCAL DEVELOPMENT FINANCE AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION**

JUNE 30, 2018

	Governmental Fund Type		Statement of Net Position
	General Fund	Adjustments	
Assets			
Cash and pooled investments	\$ 121,280	\$ -	\$ 121,280
 Liabilities and fund balances			
Liabilities			
Accounts payable	\$ -	-	-
 Fund balances			
Unassigned	121,280	(121,280)	-
 Total liabilities and fund balances	\$ 121,280		
 Net position			
Unrestricted		\$ 121,280	\$ 121,280

CITY OF IONIA

**LOCAL DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Fund Type</u>		<u>Statement of Activities</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Revenues			
Taxes	\$ 25,179	\$ -	\$ 25,179
Interest	<u>127</u>	<u>-</u>	<u>127</u>
Total revenues	<u>25,306</u>	<u>-</u>	<u>25,306</u>
Expenditures/expenses			
Current			
Miscellaneous	<u>8,832</u>	<u>-</u>	<u>8,832</u>
Net changes in fund balances	16,474	(16,474)	
Change in net position		(16,474)	16,474
Fund balances/net position, beginning of year	<u>104,806</u>		<u>104,806</u>
Fund balances/net position, end of year	<u>\$ 121,280</u>		<u>\$ 121,280</u>

CITY OF IONIA

**BROWNFIELD REDEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION**

JUNE 30, 2018

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Assets			
Cash and pooled investments	\$ <u>125,548</u>	\$ -	\$ 125,548
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ -	-	-
Fund balances			
Unassigned	<u>125,548</u>	<u>(125,548)</u>	-
Total liabilities and fund balances	<u>\$ 125,548</u>		
Net position			
Unrestricted		<u>\$ 125,548</u>	<u>\$ 125,548</u>

CITY OF IONIA

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Fund Type</u>		<u>Statement of Activities</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Revenues			
Taxes	\$ 22,116	\$ -	\$ 22,116
Interest	125	-	125
	<u>22,241</u>	<u>-</u>	<u>22,241</u>
Total revenues/expenses	22,241	-	22,241
Expenditures			
Current			
Contractual	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	22,241	(22,241)	
Change in net position		(22,241)	22,241
Fund balances/net position, beginning of year	<u>103,307</u>		<u>103,307</u>
Fund balances/net position, end of year	<u>\$ 125,548</u>		<u>\$ 125,548</u>

STATISTICAL SECTION

CITY OF IONIA

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF LOCAL REVENUES (1)**

FOR THE YEAR ENDED JUNE 30, 2018

	<u>7/1/17 to</u> <u>9/30/2017</u>	<u>10/1/17 to</u> <u>6/30/2018</u>	<u>Total</u>
Demand response (farebox)			
Regular service	\$ 10,792	\$ 49,692	\$ 60,484
Contract fares	632	4,463	5,095
JARC fares	3,707	11,083	14,790
Property tax levy	62,601	20,487	83,088
Local participation	4,875	14,625	19,500
Tower rental and central dispatch fees	2,595	11,094	13,689
Interest income	81	428	509
	<hr/>	<hr/>	<hr/>
Total local revenues	\$ 85,283	\$ 111,872	\$ 197,155

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF LOCAL REVENUES (1A)**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>10/1/16 to</u> <u>6/30/2017</u>	<u>7/1/17 to</u> <u>9/30/2017</u>	<u>Total</u>
Local revenue			
Demand response (farebox)			
Regular service	\$ 37,223	\$ 10,792	\$ 48,015
Contract fares	57,763	632	58,395
JARC fares	11,125	3,707	14,832
Property tax levy	7,330	62,601	69,931
Local participation	9,000	4,875	13,875
Tower rental fees	12,131	2,595	14,726
Interest income	368	81	449
Sale of capital assets	4,750	-	4,750
	<hr/>	<hr/>	<hr/>
Total local revenues	\$ 139,690	\$ 85,283	\$ 224,973

CITY OF IONIA
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS (2)

FOR THE YEAR ENDED JUNE 30, 2018

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No. Authorization Number	Program Award Amount	Current year expenditures			Prior Year's Expended	Award Amount Remaining
				Total	Federal	State		
U.S. Department of Transportation								
Passed through Michigan Department of Transportation								
Operating assistance - section 5311 - 2016	20.509	2012-0105/P21/R1	\$ 88,909	\$ -	\$ -	\$ -	\$ 84,051	\$ 4,858
Operating assistance - section 5311 - 2017	20.509	2017-0071/P1/R2	89,263	34,247	34,247	-	53,440	1,576
Operating assistance - section 5311 - 2018	20.509	2017-0071/P8/R1	90,715	66,433	66,433	-	-	24,282
Job access - section 5316	20.516	2012-0105/P6	168,500	-	-	-	118,733	49,767
Operating assistance - section 5311 - 2016 JARC	20.516	2012-0105/P19	168,500	-	-	-	165,875	2,625
Operating assistance - section 5311 - 2017 JARC	20.516	2017-0071/P2	168,500	40,792	20,396	20,396	108,584	19,124
Operating assistance - section 5311 - 2018 JARC	20.516	2017-0071/P6	168,500	117,576	58,788	58,788	-	50,924
Capital grant - section 5309 - FY 2008 earmarks	20.500	07-0231/Z8	549,642	-	-	-	410,637	139,005
Capital grant - section 5309 - FY 2009 earmarks	20.500	07-0231/Z13/R1	374,775	-	-	-	245,720	129,055
Capital grant - section 5311 - ARRA	20.509	07-0231/Z16/R1	15,000	-	-	-	13,652	1,348
Capital grant - section 5309 - FY 2010 earmarks	20.500	07-0231/Z17/R2	125,000	-	-	-	122,713	2,287
Capital grant - section 5309 - FY 2012 earmarks	20.500	2012-0105/P3/R1	69,355	-	-	-	67,884	1,471
Capital grant - section 5311 - FY 2012 capital	20.509	2012-0105/P5	20,000	-	-	-	19,935	65
Capital grant - section 5311 - ARRA	20.509	2012-0105/P9	69,882	-	-	-	66,539	3,343
Capital grant - section 5311 - FY 2014 capital	20.509	2012-0105/P15/R1	42,500	11,772	9,418	2,354	29,255	1,473
Capital grant - section 5311 - FY 2015 capital	20.509	2012-0105/P23	76,333	-	-	-	69,920	6,413
Capital grant - section 5311 - FY 2017 capital	20.509	2017-0071/P5	5,000	4,221	3,377	844	-	779
Total passed through Michigan Department of Transportation			2,290,374	275,041	192,659	82,382	1,576,938	438,395
Michigan Department of Transportation								
Operating assistance - Act 51	N/A	FY2017	207,056	51,761	-	51,761	155,295	-
Operating assistance - Act 52	N/A	FY2018	207,056	155,295	-	155,295	-	51,761
Commission on Aging Contract	N/A	2017-0071/P3	21,507	5,377	-	5,377	16,130	-
Commission on Aging Contract	N/A	2017-0071/P7	21,507	16,131	-	16,131	-	5,376
RTAP funding	N/A	2017-2018	1,707	1,707	-	1,707	-	-
Total Operating Assistance			\$ 458,833	230,271	-	230,271	\$ 171,425	\$ 57,137
Total				\$ 505,312	\$ 192,659	\$ 312,653	\$ -	

CITY OF IONIA

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF STATE AND FEDERAL AWARDS (2A)**

FOR THE YEAR ENDED JUNE 30, 2018

	<u>7/1/17 to</u> <u>9/30/2017</u>	<u>10/1/17 to</u> <u>6/30/2018</u>	<u>Total</u>
Michigan Department of Transportation			
Formula operating assistance (Act 51) - FY17	\$ 51,761	\$ -	\$ 51,761
Formula operating assistance (Act 51) - FY18	-	155,295	155,295
Commission on Aging contract 2017-0071/P7	-	16,131	16,131
Commission on Aging contract 2017-0071/P3	5,377	-	5,377
RTAP funding receipts	764	943	1,707
Job access 2017-0071/P2	-	20,396	20,396
Job access 2017-0071/P6	-	58,788	58,788
Section 5311 - Capital grant 2012-0105/P15/R1	-	2,354	2,354
Section 5311 - Capital grant 2007-0071/P5	-	844	844
	<hr/>	<hr/>	<hr/>
Total Michigan Department of Transportation	57,902	254,751	312,653
Federal grants			
Section 5311 grant 2017-0071/P1/R2 - 2017 operating	-	34,247	34,247
Section 5311 grant 2017-0071/P8/R1 - 2018 operating	-	66,433	66,433
Job access 2017-0071/P2	-	20,396	20,396
Job access 2017-0071/P6	-	58,788	58,788
Section 5311 - Capital grant 2012-0105/P15/R1	-	9,418	9,418
Section 5311 - Capital grant 2007-0071/P5	-	3,377	3,377
	<hr/>	<hr/>	<hr/>
Total federal grants	-	192,659	192,659
Total	<hr/> \$ 57,902	<hr/> \$ 447,410	<hr/> \$ 505,312

CITY OF IONIA

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF STATE AND FEDERAL AWARDS (2B)**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>10/1/16 to 6/30/2017</u>	<u>7/1/17 to 9/30/2017</u>	<u>Total</u>
Michigan Department of Transportation			
Formula operating assistance (Act 51) - FY17	\$ 155,295	\$ 51,761	\$ 207,056
Commission on Aging contract 2012-0105/P20	4,278	-	4,278
Commission on Aging contract 2017-0071/P3	16,129	5,377	21,506
RTAP funding receipts	1,502	764	2,266
Job access 2012-0105/P19	24,705	-	24,705
Job access 2017-0071/P2	54,292	-	54,292
Section 5311 - Capital grant 2012-0105/P15	480	-	480
Section 5311 - Capital grant 2012-0105/P23	<u>13,984</u>	<u>-</u>	<u>13,984</u>
Total Michigan Department of Transportation	<u>270,665</u>	<u>57,902</u>	<u>328,567</u>
Federal grants			
Section 5311 grant 2012-1015/P21/R1 - 2016 operating	25,412	-	25,412
Section 5311 grant 2017-0071/P1/R2 - 2017 operating	53,440	-	53,440
Job access 2012-0105/P19	24,706	-	24,706
Job access 2017-0071/P2	54,292	-	54,292
Section 5311 - Capital grant 2012-0105/P15	1,919	-	1,919
Section 5311 - Capital grant 2012-0105/P23	<u>55,936</u>	<u>-</u>	<u>55,936</u>
Total federal grants	<u>215,705</u>	<u>-</u>	<u>215,705</u>
Total	<u>\$ 486,370</u>	<u>\$ 57,902</u>	<u>\$ 544,272</u>

CITY OF IONIA
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF NONURBAN REGULAR SERVICE REVENUES 4R
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Total</u>
Local revenue	
Demand response (farebox)	
Regular service	\$ 48,015
School services	58,395
Property tax levy	69,931
Local participation	13,875
Tower rental and central dispatch fees	14,726
Interest income	449
Sale of capital assets	<u>4,750</u>
Total local revenues	<u>210,141</u>
State and Federal revenue	
Michigan Department of Transportation	
Formula operating assistance (Act 51) - FY17	207,056
RTAP funding receipts	<u>2,266</u>
Total Michigan Department of Transportation	<u>209,322</u>
Federal grants	
Section 5311 grant 2012-1015/P21/R1 - 2016 operating	25,412
Section 5311 grant 2017-0071/P1/R2 - 2017 operating	<u>53,440</u>
Total federal grants	<u>78,852</u>
Total	<u><u>\$ 498,315</u></u>

CITY OF IONIA
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF OPERATING AND CONTRACT EXPENSES (3)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Nonurban</u>	<u>JARC</u>	<u>Specialized Services</u>	<u>Total System</u>
Operating expenses				
Labor				
Salaries and wages	\$ 251,240	\$ 71,863	\$ -	\$ 323,103
Fringe benefits	60,101	18,658	-	78,759
Pension - defined contribution (457 plan)	2,261	651	-	2,912
Pension - defined benefit	20,878	4,851	-	25,729
Services				
Other services	80,741	64,669	21,508	166,918
Materials and supplies				
Fuel	28,120	7,977	-	36,097
Other materials and supplies	2,653	722	-	3,375
Casualty and liability costs				
Insurance	5,513	1,299	-	6,812
Utilities	21,143	3,040	-	24,183
Miscellaneous	2,225	76	-	2,301
Depreciation	<u>99,195</u>	<u>-</u>	<u>-</u>	<u>99,195</u>
Total operating expenses	<u>\$ 574,070</u>	<u>\$ 173,806</u>	<u>\$ 21,508</u>	<u>\$ 769,384</u>

The following cost allocation plans were adhered to by the Dial-a-Ride in the preparation of the financial statements:

- 2007 Specialized services
- 2008 JARC (April 2017)
- 2011 Central Services

Capital items purchased with capital grants are included in operating expenses above and are excluded for purposes of calculating operating reimbursements. There were no such capital items in 2018.

Pension cost incurred for the defined benefit retirement plan administered by MERS is calculated pursuant to the MERS GASB 68 implementation guide. The City does not have an OPEB plan.

Pension expense above is calculated as follows:

Defined benefit plan

Actuarially required contributions paid	\$ 28,147	
GASB 68/GASB 71 adjustments to pension expense	<u>(2,418)</u>	deducted as ineligible

Defined benefit plan net pension expense \$ 25,729 agrees to DB pension above

CITY OF IONIA

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF OPERATING EXPENSES SPLIT
BETWEEN A JUNE 30 AND SEPTEMBER 30 YEAR END (3A)**

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Nonurban</u>			<u>Operating assistance - section 5311 - JARC 2017-0071/P2</u>		
	<u>7/1/17 to</u>	<u>10/1/17 to</u>	<u>Total</u>	<u>7/1/17 to</u>	<u>10/1/17 to</u>	<u>Total</u>
	<u>9/30/2017</u>	<u>6/30/2018</u>		<u>9/30/2017</u>	<u>6/30/2018</u>	
Expenses						
Labor	\$ 49,173	\$ 202,067	\$ 251,240	\$ 15,528	\$ -	\$ 15,528
Fringe benefits	7,667	52,434	60,101	2,422	-	2,422
Pension	5,236	17,903	23,139	1,654	-	1,654
Service	11,785	68,956	80,741	23,070	-	23,070
Materials and supplies	7,263	23,510	30,773	2,009	-	2,009
Casualty and liability costs	-	5,513	5,513	-	-	-
Utilities	3,392	17,751	21,143	454	-	454
Miscellaneous	493	1,732	2,225	10	-	10
Depreciation	26,200	72,995	99,195	-	-	-
Total expenses	\$ 111,209	\$ 462,861	\$ 574,070	\$ 45,147	\$ -	\$ 45,147

	<u>Operating assistance - section 5311 - JARC 2017-0071/P6</u>			<u>Specialized Services 2017-0071/P3</u>		
	<u>7/1/17 to</u>	<u>10/1/17 to</u>	<u>Total</u>	<u>7/1/17 to</u>	<u>10/1/17 to</u>	<u>Total</u>
	<u>9/30/2017</u>	<u>6/30/2018</u>		<u>9/30/2017</u>	<u>6/30/2018</u>	
Expenses						
Labor	\$ -	\$ 56,335	\$ 56,335	\$ -	\$ -	\$ -
Fringe benefits	-	16,236	16,236	-	-	-
Pension	-	3,848	3,848	-	-	-
Service	-	41,599	41,599	5,377	-	5,377
Materials and supplies	-	6,690	6,690	-	-	-
Casualty and liability costs	-	1,299	1,299	-	-	-
Utilities	-	2,586	2,586	-	-	-
Miscellaneous	-	66	66	-	-	-
Depreciation	-	-	-	-	-	-
Total expenses	\$ -	\$ 128,659	\$ 128,659	\$ 5,377	\$ -	\$ 5,377

	<u>Specialized Services 2017-0071/P7</u>		
	<u>7/1/17 to</u>	<u>10/1/17 to</u>	<u>Total</u>
	<u>9/30/2017</u>	<u>6/30/2018</u>	
Expenses			
Labor	\$ -	\$ -	\$ -
Fringe benefits	-	-	-
Pension	-	-	-
Service	-	16,131	16,131
Materials and supplies	-	-	-
Casualty and liability costs	-	-	-
Utilities	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
Total expenses	\$ -	\$ 16,131	\$ 16,131

CITY OF IONIA

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF OPERATING EXPENSES (3B)
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Nonurban</u>			<u>Operating assistance - section 5311 - JARC 2017-0071/P2</u>		
	<u>10/1/16 to</u>	<u>7/1/17 to</u>	<u>Total</u>	<u>10/1/16 to</u>	<u>7/1/17 to</u>	<u>Total</u>
	<u>6/30/2017</u>	<u>9/30/2017</u>		<u>6/30/2017</u>	<u>9/30/2017</u>	
Expenses						
Labor	\$ 200,861	\$ 49,173	\$ 250,034	\$ 50,324	\$ 15,528	\$ 65,852
Fringe benefits	46,292	7,667	53,959	13,854	2,422	16,276
Pension	40,428	5,236	45,664	3,479	1,654	5,133
Service	55,431	11,785	67,216	42,185	23,070	65,255
Materials and supplies	17,363	7,263	24,626	6,709	2,009	8,718
Casualty and liability costs	5,073	-	5,073	1,125	-	1,125
Utilities	28,351	3,392	31,743	1,915	454	2,369
Miscellaneous	14,191	493	14,684	120	10	130
Depreciation	78,817	26,200	105,017	-	-	-
Total expenses	\$ 486,807	\$ 111,209	\$ 598,016	\$ 119,711	\$ 45,147	\$ 164,858
				<u>Specialized Services 2017-0071/P3</u>		
				<u>10/1/16 to</u>	<u>7/1/17 to</u>	
				<u>6/30/2017</u>	<u>9/30/2017</u>	<u>Total</u>
Expenses						
Labor				\$ -	\$ -	\$ -
Fringe benefits				-	-	-
Pension				-	-	-
Service				16,131	5,377	21,508
Materials and supplies				-	-	-
Casualty and liability costs				-	-	-
Utilities				-	-	-
Miscellaneous				-	-	-
Depreciation				-	-	-
Total expenses				\$ 16,131	\$ 5,377	\$ 21,508

CITY OF IONIA

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES (4E)**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Operating expenses				
Labor				
Salaries and wages	\$ 181,344	\$ 12,042	\$ 56,648	\$ 250,034
Fringe benefits	46,860	1,127	5,972	53,959
Pension	-	-	45,664	45,664
Services				
Audit costs	-	-	2,568	2,568
Other services	1,610	24,417	38,621	64,648
Materials and supplies				
Fuel	16,285	-	-	16,285
Other materials and supplies	5,247	142	2,952	8,341
Insurance				
Liability	4,231	-	842	5,073
Other	-	-	-	-
Utilities	-	-	31,743	31,743
Miscellaneous	13,226	-	1,458	14,684
Depreciation	-	-	105,017	105,017
Total operating expenses	<u>\$ 268,803</u>	<u>\$ 37,728</u>	<u>\$ 291,485</u>	<u>598,016</u>
Ineligible expenses				
Ineligible depreciation	\$ -	\$ -	\$ 104,695	104,695
Expense associated with rentals	-	-	6,530	6,530
Ineligible defined benefit pension*	-	-	19,291	19,291
Ineligible portion of association dues	-	-	178	178
RTAP	-	-	1,462	1,462
Total ineligible expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,156</u>	<u>132,156</u>
Total eligible expenses				<u>\$ 465,860</u>

*The June 30, 2017 year end GASB 68 adjustment resulted in an increase to the pension expense of \$19,291.

CITY OF IONIA

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF JARC SERVICE EXPENSES (4E)**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Operating expenses				
Labor				
Salaries and wages	\$ 47,805	\$ 3,221	\$ 14,826	\$ 65,852
Fringe benefits	12,814	301	1,565	14,680
Pension		-	6,729	6,729
Services				
Audit costs	-	-	683	683
Other services	49,094	6,563	8,915	64,572
Materials and supplies				
Fuel	6,993	-	-	6,993
Other materials and supplies	1,352	37	336	1,725
Insurance				
Liability	1,125	-	-	1,125
Other	-	-	-	-
Utilities	-	-	2,369	2,369
Miscellaneous	130	-	-	130
Depreciation	-	-	-	-
Total operating expenses	<u>\$ 119,313</u>	<u>\$ 10,122</u>	<u>\$ 35,423</u>	<u>164,858</u>
Ineligible expenses				
JARC Farebox revenue	<u>14,832</u>	<u>-</u>	<u>-</u>	<u>14,832</u>
Total ineligible expenses	<u>\$ 14,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>14,832</u>
Total eligible expenses				<u>\$ 150,026</u>

CITY OF IONIA
DIAL-A-RIDE TRANSIT FUND
OPERATING ASSISTANCE CALCULATION (5)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Nonurban</u>
State eligible expenses	
Labor	\$ 250,034
Fringe benefits	53,959
Pension	45,664
Service	67,216
Materials and supplies	24,626
Casualty and liability costs	5,073
Utilities	31,743
Miscellaneous	14,684
Depreciation	<u>105,017</u>
Total expenses	<u>598,016</u>
Less ineligible expenses	
Depreciation	104,695
Expense associated with rentals	6,530
Ineligible defined benefit pension	19,291
Ineligible portion of association dues	178
Federal grants - RTAP	<u>1,462</u>
Total ineligible expenses	<u>132,156</u>
State eligible expenses	<u>\$ 465,860</u>
State operating assistance - 38.9955%	<u>\$ 181,664</u>
Federal eligible expenses	
State eligible expenses	\$ 465,860
Less additional federal ineligible expenses	
Audit costs	<u>2,568</u>
Federal eligible expenses	<u>\$ 463,292</u>
Setion 5311 reimbursement - 18.5%	<u>\$ 85,709</u>

CITY OF IONIA
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF NONFINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>NONURBAN REGULAR SERVICE</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
Vehicle miles	<u>117,789</u>	<u>3,873</u>	<u>-</u>	<u>121,662</u>
Vehicle hours	<u>9,817</u>	<u>376</u>	<u>-</u>	<u>10,193</u>
 <u>JOB ACCESS REVERSE COMMUTE (JARC)</u>				
Vehicle miles	<u>40,315</u>	<u>826</u>	<u>-</u>	<u>41,141</u>
Vehicle hours	<u>2,726</u>	<u>141</u>	<u>-</u>	<u>2,867</u>

The methodology used for compiling miles and other nonfinancial data information used to allocate costs has been reviewed and the recording method has been found to be adequate and reliable.

INTERNAL CONTROL AND COMPLIANCE



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

October 11, 2018

Honorable Mayor and Members of the City Council
City of Ionia, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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 Ionia, Michigan, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 11, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Orlando Haefner LLC