

**GRAND LEDGE AREA EMERGENCY
SERVICES AUTHORITY**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grand Ledge Area Emergency Services Authority
State of Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Grand Ledge Area Emergency Services Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Grand Ledge Area Emergency Services Authority, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 12 to the financial statements, Grand Ledge Area Emergency Services Authority implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, 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.

Maney Costeiran PC

October 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Grand Ledge Area Emergency Services Authority (the Authority), we offer readers of the Grand Ledge Area Emergency Services Authority's financial statements this narrative overview and analysis of the financial activities of the Grand Ledge Area Emergency Services Authority for the fiscal year ended June 30, 2018.

For the year ended June 30, 2018, Grand Ledge Area Emergency Services Authority implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These changes are significant at the government-wide level.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of the Authority exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$111,643 (net position).
- The government's total net position decreased by \$25,318.
- As of the close of the current fiscal year, the Authority's governmental fund reported ending fund balance of \$529,888, an increase of \$129,443.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$409,753, or 27% of total general fund expenditures.
- The Authority's total debt decreased \$27,433.
- The Authority levies property taxes as its primary source of revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statement is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required 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 Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Authority's assets, deferred outflows, liabilities and deferred inflows, with the difference between the four 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 Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government'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).

The government-wide financial statements can be found on pages 13 through 15 of this report.

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 Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Authority is categorized as a governmental fund.

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 a government's near-term financing requirements.

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

The Authority maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Authority adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 13 through 15 of this report.

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. The notes to the financial statements can be found on pages 16 through 35 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's general fund budget and required disclosures for the pension and post-retirement healthcare plans on pages 37 through 41.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Authority, liabilities and deferred inflows of the Authority exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$111,643.

**Grand Ledge Area Emergency Services Authority's
Net Position**

| | Governmental activities | |
|--|----------------------------|------------|
| | 2018 | 2017 |
| Current and other assets | \$ 1,090,337 | \$ 934,813 |
| Capital assets | 835,926 | 945,865 |
| Total assets | 1,926,263 | 1,880,678 |
| Deferred outflows of resources | 243,619 | 193,599 |
| Long-term liabilities outstanding | 238,708 | 1,210,276 |
| Net pension liability | 225,598 | 216,032 |
| Net other postemployment benefit liability | 1,019,398 | - |
| Other liabilities | 56,495 | 37,755 |
| Total liabilities | 1,540,199 | 1,464,063 |
| Deferred inflow of resources | 741,326 | 561,778 |
| Net position: | | |
| Net investment in capital assets | 701,876 | 782,696 |
| Unrestricted | (813,519) | (734,260) |
| Total net position | \$ (111,643) | \$ 48,436 |

The 2017 figures have not been restated for the adoption of GASB 75.

The government's net position decreased during the current fiscal year by \$25,318 from the June 30, 2017 restated balance.

Governmental activities. Governmental activities decreased the Authority’s net position by \$25,318, thereby the governmental activities accounted for 100% of the total decrease in the net position of the Authority. Key elements of this decrease are as follows:

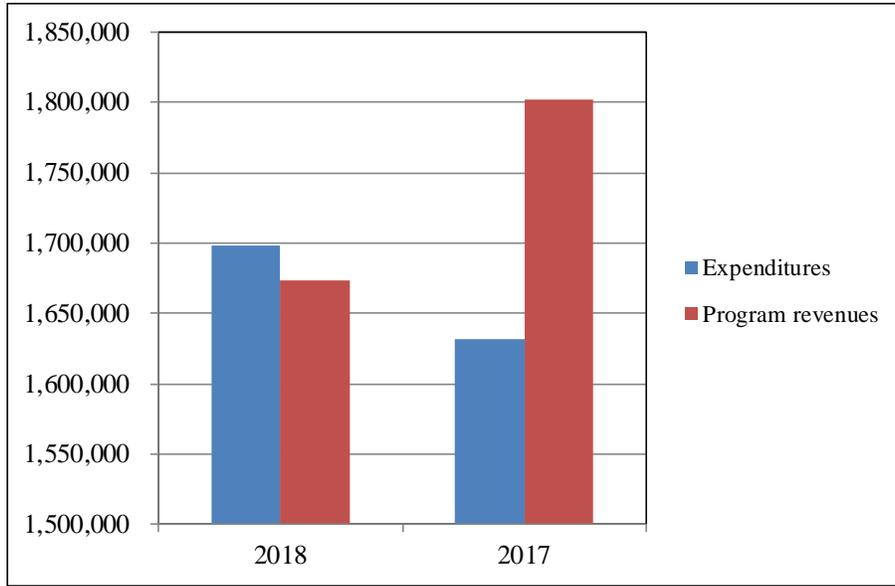
**Grand Ledge Area Emergency Services Authority’s
Changes in Net Position**

| | Government-wide activities | |
|--|-------------------------------|------------------|
| | 2018 | 2017 |
| Revenues: | | |
| Program revenues: | | |
| Ambulance billings | \$ 640,577 | \$ 497,787 |
| General revenues: | | |
| Property taxes levied | 1,002,400 | 995,039 |
| Interest earned | 1,578 | 1,171 |
| Federal grants | - | 133,173 |
| Miscellaneous income | 28,330 | 174,957 |
| Total revenues | <u>1,672,885</u> | <u>1,802,127</u> |
| Expenses: | | |
| Public safety and capital outlay | 1,694,855 | 1,628,494 |
| Debt service | 3,348 | 3,518 |
| Total expenses | <u>1,698,203</u> | <u>1,632,012</u> |
| Change in net position | (25,318) | 170,115 |
| Net position, beginning of year, as restated | <u>(86,325)</u> | <u>(121,679)</u> |
| Net position, end of year | <u>\$ (111,643)</u> | <u>\$ 48,436</u> |

The 2017 figures have not been restated for the adoption of GASB 75.

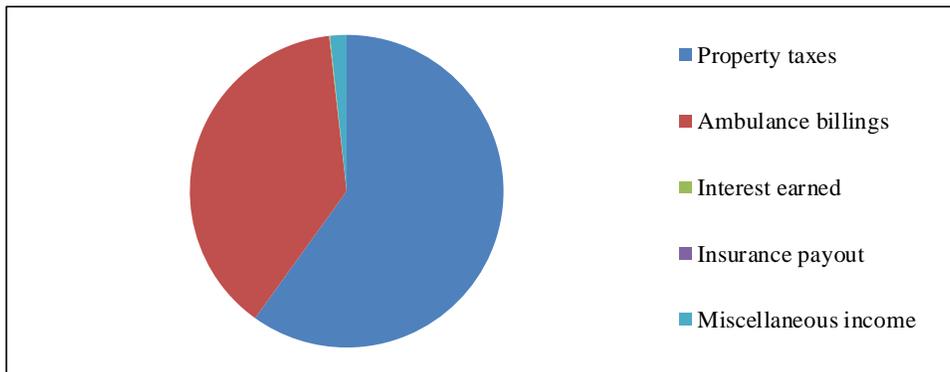
- Expenses for governmental activities went from \$1,632,012 to \$1,698,203, an increase of \$66,191.
- Revenues for governmental activities went from \$1,802,127 to \$1,672,885, a decrease of \$129,242.

Expenditures and Program Revenues - Governmental Activities

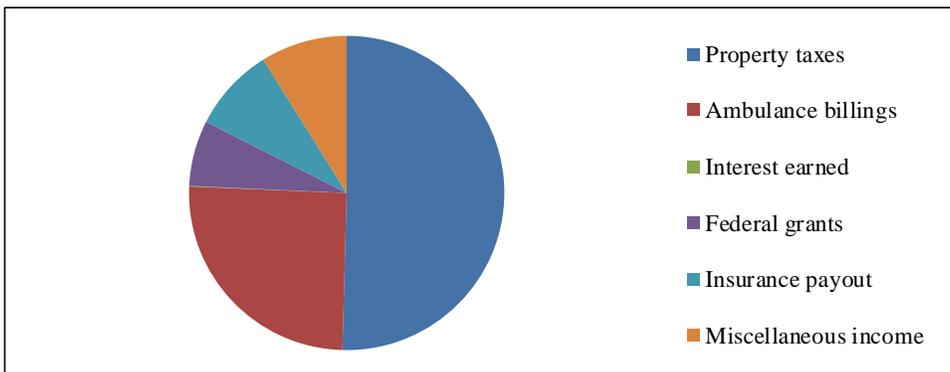


Revenues by Source - Governmental Activities

2018 Total Revenues - \$1,672,885



2017 Total Revenues - \$1,802,127



Financial analysis of the Government's funds

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

Governmental fund. The focus of the Authority's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority'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 Authority's governmental fund reported combined ending fund balance of \$529,888, an increase of \$129,443. Approximately 77% of this total amount, \$409,753, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable or assigned to indicate that it is not available for new spending because it has already been committed 1) to prepaid insurance (\$15,477) or 2) assigned for compensated absences (\$104,658).

The general fund is the chief and only operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the general fund was \$409,753, while total fund balance was \$529,888. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27% of total general fund expenditures, while total fund balance represents 34% of that same amount.

General Fund Budgetary Highlights

There are always some differences between the original budget and the final amended budget. Line items need constant attention and even with that we find occasionally we overspent what we had planned on.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$835,926 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment, apparatus, land, and technology. The total decrease in the Authority's investment in capital assets for the current fiscal year was 12%.

Grand Ledge Area Emergency Services Authority's Capital Assets (net of depreciation)

| | Governmental activities | |
|-------------------------|-------------------------|-------------------|
| | 2018 | 2017 |
| Land | \$ 351,366 | \$ 351,366 |
| Furniture and equipment | 24,798 | 21,782 |
| Apparatus | 434,278 | 531,702 |
| Technology | 22,949 | 37,956 |
| Building improvements | 2,535 | 3,059 |
| | <u>\$ 835,926</u> | <u>\$ 945,865</u> |

Additional information on the Authority's capital assets can be found in the notes of this report.

Long-term debt. At the end of the current fiscal year, the Authority had total long-term debt outstanding of \$238,708. This represents compensated absences earned but not used as of year-end, installment notes issued to purchase apparatus equipment and land, and capital lease obligations used to purchase apparatus equipment.

Grand Ledge Area Emergency Services Authority’s Outstanding Debt

| | Governmental activities | |
|----------------------|-------------------------|-------------------|
| | 2018 | 2017 |
| Installment notes | \$ 134,050 | \$ 158,226 |
| Compensated absences | 104,658 | 102,972 |
| Capital lease | - | 4,943 |
| | <u>\$ 238,708</u> | <u>\$ 266,141</u> |

The Authority’s total debt decreased by \$27,433 during the current fiscal year.

Additional information on the Authority’s long-term debt can be found in the notes of this report.

Economic Factors and Next Year’s Budgets and Rates

Grand Ledge Area Emergency Services Authority’s goal is to maintain the level of service that is currently provided to the public, utilizing the most efficient and effective methods. The employees of the Authority also strive to continue these services, making concessions to control costs in the areas of wages and benefits. Together they are striving to keep costs in check as they continue to provide the service level our benefactors expect.

It is anticipated that the Authority board will continue working over the next few years to promote the Authority and the need for a new facility. It is the wish of the Authority board to construct and operate a new Authority facility as soon as economically possible.

In November 2012, the Authority was approved for a millage renewal of 2.9566 mills to be used for the next five years as our major operation funding.

Requests for Information

This financial report is designed to provide a general overview of the Grand Ledge Area Emergency Services Authority’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 Chief’s Office, 500 N. Clinton, Grand Ledge, Michigan, 48837.

BASIC FINANCIAL STATEMENTS

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018**

| | Balance sheet general fund modified accrual basis | Adjustments | Statement of net position |
|--|--|--------------------------|--------------------------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 1,000,650 | \$ - | \$ 1,000,650 |
| Accounts receivable (less allowance for doubtful accounts of \$31,740) | 74,210 | - | 74,210 |
| Prepays | 15,477 | - | 15,477 |
| Capital assets not being depreciated | - | 351,366 ⁽¹⁾ | 351,366 |
| Capital assets, net of accumulated depreciation | - | 484,560 ⁽¹⁾ | 484,560 |
| TOTAL ASSETS | \$ 1,090,337 | 835,926 | 1,926,263 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension related items | \$ - | 159,969 ⁽²⁾ | 159,969 |
| Other postemployment benefit related items | - | 83,650 ⁽²⁾ | 83,650 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES: | - | 243,619 | 243,619 |
| LIABILITIES: | | | |
| Accounts payable | 11,832 | - | 11,832 |
| Accrued salaries and related items | 38,931 | - | 38,931 |
| Accrued retirement | 4,173 | - | 4,173 |
| Accrued interest on long-term debt | - | 1,559 ⁽³⁾ | 1,559 |
| Noncurrent liabilities: | | | |
| Due within one year | - | 45,495 ⁽²⁾ | 45,495 |
| Due in more than one year | - | 193,213 ⁽²⁾ | 193,213 |
| Total other postemployment benefits liability | - | 1,019,398 ⁽²⁾ | 1,019,398 |
| Net pension liability | - | 225,598 ⁽²⁾ | 225,598 |
| TOTAL LIABILITIES | 54,936 | 1,485,263 | 1,540,199 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Pension related items | - | 56,293 ⁽²⁾ | 56,293 |
| Other postemployment benefit related items | - | 179,520 ⁽²⁾ | 179,520 |
| Unavailable revenue | 505,513 | - | 505,513 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 505,513 | 235,813 | 741,326 |
| FUND BALANCE/NET POSITION: | | | |
| Net investment in capital assets | - | 701,876 | 701,876 |
| Nonspendable for prepaids | 15,477 | (15,477) | - |
| Assigned for compensated absences | 104,658 | (104,658) | - |
| Unassigned/unrestricted | 409,753 | (1,223,272) | (813,519) |
| TOTAL FUND BALANCE/NET POSITION | 529,888 | \$ (641,531) | \$ (111,643) |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 1,090,337 | | |

⁽¹⁾ Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of

⁽²⁾ Long-term debt obligations, compensated absences, net pension liability and net other postemployment benefits liability are not due and payable or collectible in the current period and are not reported under the modified accrual basis of accounting.

⁽³⁾ Interest expense is recorded when paid and not when it is incurred and thus is not reported under the modified accrual basis of accounting.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| | Statement of revenues, expenditures and changes in fund balance general fund modified accrual basis | | Adjustments | Statement of activities |
|-------------------------------------|---|------------------------|-------------|----------------------------|
| REVENUES: | | | | |
| Property taxes levied | \$ 1,002,400 | \$ - | | \$ 1,002,400 |
| Ambulance billings | 640,577 | - | | 640,577 |
| Miscellaneous income | 28,330 | - | | 28,330 |
| Interest earned | 1,578 | - | | 1,578 |
| | <u>1,672,885</u> | <u>-</u> | | <u>1,672,885</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Salaries and employee benefits | 1,061,315 | 74,216 ⁽¹⁾ | | 1,135,531 |
| Office supplies | 2,766 | - | | 2,766 |
| Operating supplies and expenditures | 102,473 | - | | 102,473 |
| Professional services | 72,502 | - | | 72,502 |
| Training and departmental programs | 11,854 | - | | 11,854 |
| Insurance | 19,337 | - | | 19,337 |
| Rent and utilities | 51,047 | - | | 51,047 |
| Building maintenance | 8,490 | - | | 8,490 |
| Miscellaneous | 161,058 | - | | 161,058 |
| Depreciation | - | 116,532 ⁽²⁾ | | 116,532 |
| Capital outlay | 19,858 | (6,593) ⁽²⁾ | | 13,265 |

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| | Statement of revenues, expenditures and changes in fund balance general fund modified accrual basis | Adjustments | Statement of activities |
|--|--|----------------------------|------------------------------------|
| EXPENDITURES (Concluded): | | | |
| Debt service: | | | |
| Principal retirement | \$ 29,118 | \$ (29,118) ⁽⁴⁾ | \$ - |
| Interest payments | 3,624 | (276) ⁽³⁾ | 3,348 |
| Total expenditures | <u>1,543,442</u> | <u>154,761</u> | <u>1,698,203</u> |
| NET CHANGE IN FUND BALANCE/ NET POSITION | 129,443 | (154,761) | (25,318) |
| FUND BALANCE/NET POSITION, beginning of year, as restated | <u>400,445</u> | <u>(486,770)</u> | <u>(86,325)</u> |
| FUND BALANCE/NET POSITION, end of year | <u>\$ 529,888</u> | <u>\$ (641,531)</u> | <u>\$ (111,643)</u> |

⁽¹⁾ Compensated absences, pension and other post employment benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental fund. The adjustment represents the change of the year end liability compared to the prior year.

⁽²⁾ Governmental funds report capital assets as expenditures in the statement of revenues, expenditures and changes in fund balances. In the statement of activities these expenditures are capitalized and depreciated over their estimated useful lives. Disposal of capital assets that are not fully depreciated results in a loss on the statement of activities.

⁽³⁾ Accrued interest on long-term debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid. This is the change in accrued interest.

⁽⁴⁾ Repayments of principal on long-term debt and issuance of long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide 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 non-fiduciary activities of the primary government. *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. The Grand Ledge Area Emergency Services Authority has no business-type activities.

B. Reporting Entity

The Grand Ledge Area Emergency Services Authority (the “Authority”) was incorporated under the provisions of Act 57 of the Michigan Public Acts of 1988 effective October 1, 2001. The Authority provides fire protection and rescue services within the boundaries of the incorporating municipalities. The incorporating municipalities of the Authority are the City of Grand Ledge, and the Township of Oneida, located in Eaton County, Michigan. A five-member board serves the Authority, three members appointed by the City of Grand Ledge and two by the Township of Oneida. The Authority relies on funding for operations from property taxes levied in the current year. In addition, the Authority’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. 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 the primary government unit.

The Authority utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Authority maintains only one fund, the general fund, which is accounted for as a major governmental fund.

The *general fund* is the government’s primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The government-wide financial statements (the statement of net position and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 (the balance sheet and statement of revenue, expenditures and changes in fund balances) 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

E. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The appropriate budget is prepared by fund and function. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

Appropriations in the budgeted fund lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Authority does not utilize encumbrance accounting.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Information (Concluded)

1. Budgetary Basis of Accounting (Concluded)

The budget was amended during the year with supplemental appropriations. The budget was approved prior to June 30, 2018. The Authority does not consider the amendments to be significant. Violations, if any, are noted in the required supplementary information sections.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Authority to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Authority is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Authority's retirement system investments are held in trust by the investment fiduciary. Michigan Compiled Laws, Section 38.1132, authorizes the Authority retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property.

2. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on management's estimates, an allowance for doubtful accounts has been estimated at \$31,740 for 2018. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. The Authority's capitalization policy is to capitalize individual amounts exceeding \$2,500 and an estimated useful life in excess of one year. Donated fixed assets are valued at their estimated acquisition value on the date received.

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

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|-------------------------|--------|
| Furniture and equipment | 5 - 10 |
| Apparatus | 5 - 15 |
| Technology | 3 - 7 |
| Building improvements | 15 |

5. Pension

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.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. 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 Authority has two items that qualify for reporting in this category. It is the pension and other postemployment benefit related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items and is expensed in the plan year in which it applies.

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 Authority has three items that qualify for reporting in this category. The first is unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The second and third are the future resources yet to be recognized in relation to the pension and other postemployment benefits actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

7. Other Postemployment Benefit Costs

The Authority offers retiree healthcare benefits to retirees. For purposes of measuring the Total Other Postemployment Benefit (OPEB) Liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits have been determined on the same basis as they are reported by the actuarial valuation. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. There are no related investments.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

8. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted contributions or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Authority itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Authority's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the Authority that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as committed. The Board of Trustees may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

10. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

G. Revenues and Expenditures/Expenses

1. Property Taxes

Property taxes levied by the Authority are collected by various municipalities and periodically remitted to the Authority. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting agency. Property taxes levied are for the calendar year. Property taxes collected for July 1, 2018 - December 31, 2018 are recorded as deferred inflows of resources.

For the year ended June 30, 2018, the Authority levied \$2.9566 per \$1,000 of assessed valuation.

2. Compensated Absences

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Authority. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

Interest rate risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Authority has no investment policy that would further limit its investment choices. As of June 30, 2018, the Authority had no investments.

Concentration of credit risk. The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2018, the Authority had no investments.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2018, \$600,277 of the Authority's bank balance of \$996,421 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$1,000,650.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority had no investments at June 30, 2018.

Foreign currency risk. The Authority is not authorized to invest in investments which have this type of risk.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

The capital assets for the year ended June 30, 2018 was as follows:

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---|----------------------------|--------------------|-------------|-----------------------------|
| Primary government: | | | | |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 351,366 | \$ - | \$ - | \$ 351,366 |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | 406,936 | 6,593 | - | 413,529 |
| Apparatus | 1,640,057 | - | - | 1,640,057 |
| Technology | 220,283 | - | - | 220,283 |
| Building improvements | 7,860 | - | - | 7,860 |
| Total capital assets, being depreciated | <u>2,275,136</u> | <u>6,593</u> | <u>-</u> | <u>2,281,729</u> |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | 385,154 | 3,577 | - | 388,731 |
| Apparatus | 1,108,355 | 97,424 | - | 1,205,779 |
| Technology | 182,327 | 15,007 | - | 197,334 |
| Building improvements | 4,801 | 524 | - | 5,325 |
| Total accumulated depreciation | <u>1,680,637</u> | <u>116,532</u> | <u>-</u> | <u>1,797,169</u> |
| Total capital assets being depreciated, net | <u>594,499</u> | <u>(109,939)</u> | <u>-</u> | <u>484,560</u> |
| Total capital assets | <u>\$ 945,865</u> | <u>\$(109,939)</u> | <u>\$ -</u> | <u>\$ 835,926</u> |

Depreciation expense of \$116,532 was all charged to the public safety function.

NOTE 4 - LONG-TERM DEBT

Long-term debt as of June 30, 2018 is as follows:

| | |
|---|-------------------|
| Installment note for the purchase of land due in yearly installments of \$27,800 through January 2024 with an interest rate of 2.12%. | \$ 134,050 |
| Obligations under contract for compensated absences | <u>104,658</u> |
| Total general long-term debt | <u>\$ 238,708</u> |

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LONG-TERM DEBT (Concluded)

The annual requirements to amortize long-term debt outstanding as of June 30, 2018, including interest of \$11,003 are as follows:

| Year ending June 30, | Principal | Interest | Total |
|-------------------------|-------------------|------------------|-------------------|
| 2019 | \$ 24,385 | \$ 3,415 | \$ 27,800 |
| 2020 | 24,997 | 2,803 | 27,800 |
| 2021 | 25,623 | 2,177 | 27,800 |
| 2022 | 26,266 | 1,534 | 27,800 |
| 2023 | 26,925 | 875 | 27,800 |
| 2024 | 5,854 | 199 | 6,053 |
| | 134,050 | 11,003 | 145,053 |
| Compensated absences | 104,658 | - | 104,658 |
| | <u>\$ 238,708</u> | <u>\$ 11,003</u> | <u>\$ 249,711</u> |

The following is a summary of long-term obligations for the Authority for the year ended June 30, 2018:

| | Compensated absences | Installment notes | Total |
|---------------------------|-------------------------|----------------------|-------------------|
| Balance July 1, 2017 | \$ 102,972 | \$ 158,226 | \$ 261,198 |
| Additions (deletions) | 1,686 | (24,176) | (22,490) |
| Balance June 30, 2018 | 104,658 | 134,050 | 238,708 |
| Due within one year | 21,110 | 24,385 | 45,495 |
| Due in more than one year | <u>\$ 83,548</u> | <u>\$ 109,665</u> | <u>\$ 193,213</u> |

NOTE 5 - LEASES

Capital Lease

The Authority entered into a lease agreement in October 2012 as a lease for financing the acquisition of CPR monitors. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. Capital lease expense for the year ended June 30, 2018 was \$4,942. No further lease payments are required, as the lease term ended as of June 30, 2018.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLAN

Plan Description

The employer's defined benefit 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

| | 2017 Valuation |
|-------------------------------|----------------------------|
| Benefit Multiplier: | 2.25% Multiplier (80% max) |
| Normal Retirement age: | 60 |
| Vesting: | 8 years |
| Early Retirement (Unreduced): | 55/15 |
| Early Retirement (Reduced): | 50/25 |
| Final Average Compensation: | 5 years |
| Member Contributions: | 0.00% |
| Act 88: | No |

Employees covered by benefit terms. At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

| | |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 4 |
| Inactive employees entitled to but not yet receiving benefits | 5 |
| Active employees | 9 |
| | 18 |

Contributions - The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLAN (Continued)

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.

Actuarial assumptions - 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%

Salary Increases: 3.75% in the long-term

Investment rate of return: 7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% male and 50% female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

| Asset class | Target allocation | Long-term expected real rate of return |
|-------------------------|-------------------|---|
| Global Equity | 57.50% | 5.02% |
| Global Fixed Income | 20.00% | 2.18% |
| Real Assets | 12.50% | 4.23% |
| Diversifying Strategies | 10.00% | 6.56% |

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability is 8.00% for 2017. 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 Net Pension Liability

| | Increase (decrease) | | |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
| | Total pension liability (a) | Plan fiduciary net position (b) | Net pension liability (a) - (b) |
| Balances at 12/31/2016 | \$ 1,561,417 | \$ 1,345,385 | \$ 216,032 |
| Changes for the year: | | | |
| Service cost | 49,511 | - | 49,511 |
| Interest on total pension liability | 124,986 | - | 124,986 |
| Changes in benefits | - | - | - |
| Difference between expected and actual experience | 71,440 | - | 71,440 |
| Employer contributions | - | 59,155 | (59,155) |
| Net investment income | - | 180,061 | (180,061) |
| Benefit payments including employee refunds | (47,775) | (47,775) | - |
| Administrative expense | - | (2,845) | 2,845 |
| Net changes | 198,162 | 188,596 | 9,566 |
| Balances as of 12/31/2017 | <u>\$ 1,759,579</u> | <u>\$ 1,533,981</u> | <u>\$ 225,598</u> |

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLAN (Continued)

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% point lower (7%) or 1% higher (9%) than the current rate.

| | 1% Decrease | Current discount rate | 1% Increase |
|---------------------------------------|-------------------|--------------------------|-----------------|
| Net Pension Liability at 12/31/2017 | \$ - | \$ 225,598 | \$ - |
| Change in Net Pension Liability (NPL) | 269,828 | - | (223,936) |
| Calculated NPL | <u>\$ 495,426</u> | <u>\$ 225,598</u> | <u>\$ 1,662</u> |

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 \$96,898. 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 experiences | \$ 96,411 | \$ 23,494 |
| Differences in assumptions | 32,975 | - |
| Excess (deficit) investment returns | - | 32,799 |
| Contributions subsequent to the measurement date* | 30,583 | - |
| | <u>\$ 159,969</u> | <u>\$ 56,293</u> |

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

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLAN (Concluded)

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

| Year end June 30 | | |
|------------------|----|--------|
| 2019 | \$ | 27,529 |
| 2020 | | 23,990 |
| 2021 | | 588 |
| 2022 | | 9,079 |
| 2023 | | 11,907 |

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Authority provides post-retirement health care benefits, in accordance with the “Plan”. The Plan provides Other Postemployment Benefits (OPEB) for its general employees through a single-employer defined benefit plan. Based on the Plan, the Authority is required to have an actuarial calculation every 3 years. The information provided is the result of the most recent actuarial valuation with a measurement date of June 30, 2017. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Plan Description

Plan Description - The purpose of the Plan is to provide health care benefits to all employees who retire from the Authority on or after attaining age 55 with at least 25 years of service. The retiree may choose to retire and retain coverage under the employer’s health insurance plan. This may include medical care, optical and dental. Benefits under the Plan are administered by the Authority.

Plan membership. At June 30, 2017, the plan membership consisted of the following:

| | |
|---|---|
| Inactive plan members entitled to but not yet receiving benefit payments | - |
| Inactive plan members or beneficiaries currently receiving benefit payments | - |
| Active plan members | 9 |
| Total | 9 |

Benefits provided. The Plan is to provide to health care benefits to retirees. Benefits are provided by the Authority, and the cost of benefits is determined by the schedule of shared participation rate, where the member is liable for their portion. The Authority Board of Trustees has the authority to establish and amend benefit provisions.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Contributions. The contribution requirements of plan members and the Authority are established and may be amended by the Authority. The premium for the coverage described above shall be divided in half between the retiree and the employer. This coverage shall continue until the retiree becomes Medicare eligible and so long as the retiree's share of the premium is paid. Currently there is one employee that has met the eligibility requirements. This employee, however, does not utilize the Authority's plan and there is currently no cost to the Authority in relation to these benefits.

Investments

Because the Authority has elected not to establish a qualifying trust, and operates the Plan on a pay-as-you-go method, there are no investments to disclose under the Plan.

Total OPEB Liability of the Authority

The Authority's total OPEB liability of \$1,019,398 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

| | |
|--|--|
| Inflation | 2.50% |
| Salary increases | 4.00% |
| Discount rate | 3.06% |
| Retirees' share of benefit-related costs | 50% of health insurance premiums |
| Healthcare cost trend rates | 9.75% for 2017 decreasing to an ultimate rate of 5% for 2026 and later years |

The discount rate was based on the S&P Municipal Bond 20 year High-Grade Rate Index.

Mortality rates were based on the RP-2014 Combined Annuitant Mortality Table for males and females.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|---------------------------------|
| Balance at 6/30/2016 | \$ 1,078,896 |
| Changes for the year: | |
| Service cost | 88,153 |
| Interest | 33,014 |
| Difference between expected and actual experience | (193,491) |
| Changes of assumptions | 90,158 |
| Other | (77,332) |
| Net change in total OPEB liability | (59,498) |
| Balance at 6/30/2017 | \$ 1,019,398 |

Changes of assumptions and other inputs reflect a change in the discount and trend rates.

Discount rate. The discount rate used to measure the total OPEB liability was 3.06%. The projection of cash flows used to determine the discount rate assumed the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.06%) or 1% point higher (4.06%). At the current discount rate:

| | 1% Decrease (2.06%) | Discount rate (3.06%) | 1% Increase (4.06%) |
|--------------------|------------------------|--------------------------|------------------------|
| Net OPEB liability | \$ 1,131,515 | \$ 1,019,398 | \$ 917,334 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Authority, as well as the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rate of 9.75% (decreasing to 5.0%), as well as what the liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current healthcare cost trend rates:

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (Concluded)

| | 1% Decrease (8.75%) decreasing to 4.0%) | Healthcare cost trend rates (9.75%) decreasing to 5.0%) | 1% Increase (10.75%) decreasing to 6.0%) |
|--------------------|--|---|---|
| Net OPEB liability | <u>\$ 875,038</u> | <u>\$ 1,019,398</u> | <u>\$ 1,190,883</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the employer recognized OPEB expense of \$36,372. The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred outflows of resources | Deferred inflows of resources |
|----------------------------|--------------------------------------|-------------------------------------|
| Differences in experiences | \$ - | \$ 179,520 |
| Differences in assumptions | 83,650 | - |
| | <u>\$ 83,650</u> | <u>\$ 179,520</u> |

Amounts reported as deferred outflows and inflows of resources related to other postemployment benefit will be recognized in pension expense as follows:

| <u>Year end June 30</u> | |
|-------------------------|------------|
| 2019 | \$ (7,463) |
| 2020 | (7,463) |
| 2021 | (7,463) |
| 2022 | (7,463) |
| 2023 | (7,463) |
| Therafter | (58,555) |

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2018 or any of the prior 3 years.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

During the year, the Authority incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

| | <u>Budget appropriation</u> | <u>Actual expenditures</u> | <u>Variance</u> |
|---------------------------|---------------------------------|--------------------------------|---------------------|
| Operating supplies | \$ 29,500 | \$ 44,705 | \$ (15,205) |
| Gas and oil | 15,460 | 16,565 | (1,105) |
| Laundry and dry cleaning | 8,740 | 8,828 | (88) |
| Professional services | 55,850 | 72,502 | (16,652) |
| Insurance | 17,777 | 19,337 | (1,560) |
| Building maintenance | 6,000 | 8,490 | (2,490) |
| Bad debt expense | - | 158,986 | (158,986) |
| Human resource management | 2,000 | 2,072 | (72) |
| Debt service | 27,800 | 32,742 | (4,942) |
| | <u>\$ 163,127</u> | <u>\$ 364,227</u> | <u>\$ (201,100)</u> |

NOTE 10 - TAX ABATEMENTS

The Authority is required to disclose significant tax abatements as required by GASB Statement 77, *Tax Abatements*.

The Authority receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

| <u>Municipality</u> | <u>Taxes abated</u> |
|---------------------|---------------------|
| Oneida Township | \$ 11,288 |
| City of Grand Ledge | 1,679 |
| | <u>\$ 12,967</u> |

There are no significant abatements made by the Authority.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the Authority's 2020 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 12 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2018, the Authority implemented the following new pronouncement: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Summary:

GASB Statement No. 75 requires governments that participate in defined benefit Other Postemployment Benefits (OPEB) plans to report in the statement of net position a total OPEB liability. The total OPEB liability is the present value of projected benefit payments to employees based on their past service. The statement required single-employer plans to record a liability and expense equal to the collective total OPEB liability and expense for the plan. The statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

| | Governmental activities |
|--|----------------------------|
| Net position as previously stated July 1, 2017 | \$ 48,436 |
| Adoption of GASB Statement No. 75: | |
| Annual required contribution | |
| Deferred inflows and outflows | 944,135 |
| Net other postemployment benefit liability | (1,078,896) |
| Net position as restated July 1, 2017 | \$ (86,325) |

REQUIRED SUPPLEMENTARY INFORMATION

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

| | Original budget | Final budget | Actual | Variance with final budget |
|--------------------------------------|----------------------------|---------------------|------------------|---|
| REVENUES: | | | | |
| Local sources: | | | | |
| Property taxes levied | \$ 1,004,653 | \$ 949,552 | \$ 1,002,400 | \$ 52,848 |
| Ambulance billings | 389,500 | 389,500 | 640,577 | 251,077 |
| Miscellaneous income | 100 | 100 | 28,330 | 28,230 |
| Interest earned | 900 | 900 | 1,578 | 678 |
| Total revenues | <u>1,395,153</u> | <u>1,340,052</u> | <u>1,672,885</u> | <u>332,833</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and employee benefits: | | | | |
| Salaries | 771,701 | 766,301 | 757,681 | 8,620 |
| Fringe benefits | 200,313 | 205,713 | 186,669 | 19,044 |
| Retirement | 62,473 | 62,473 | 59,034 | 3,439 |
| Payroll taxes | 59,234 | 59,234 | 57,931 | 1,303 |
| Operating supplies and expenditures: | | | | |
| Operating supplies | 29,500 | 29,500 | 44,705 | (15,205) |
| Gas and oil | 15,460 | 15,460 | 16,565 | (1,105) |
| Uniforms | 7,200 | 7,200 | 6,211 | 989 |
| Maintenance supplies | 26,077 | 26,077 | 25,239 | 838 |
| Trash removal | 950 | 950 | 925 | 25 |
| Laundry and dry cleaning | 8,740 | 8,740 | 8,828 | (88) |
| Office supplies | 3,000 | 3,000 | 2,766 | 234 |
| Professional services | 55,850 | 55,850 | 72,502 | (16,652) |

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget</u> |
|-------------------------------------|----------------------------|---------------------|-------------------|---|
| EXPENDITURES (Concluded): | | | | |
| Current (Concluded): | | | | |
| Training and departmental programs: | | | | |
| Inner-departmental programs | \$ 5,500 | \$ 5,500 | \$ 5,372 | \$ 128 |
| Training | 11,700 | 11,700 | 6,482 | 5,218 |
| Insurance | 17,777 | 17,777 | 19,337 | (1,560) |
| Rent and utilities: | | | | |
| Telephone | 8,878 | 8,878 | 8,273 | 605 |
| Rent | 25,000 | 25,000 | 25,000 | - |
| Utilities | 18,000 | 20,500 | 17,774 | 2,726 |
| Sewer and water storm sewer | 2,500 | - | - | - |
| Building maintenance | 6,000 | 6,000 | 8,490 | (2,490) |
| Bad debt expense | - | - | 158,986 | (158,986) |
| Human resource management | 2,000 | 2,000 | 2,072 | (72) |
| Total current | <u>1,337,853</u> | <u>1,337,853</u> | <u>1,490,842</u> | <u>(152,989)</u> |
| Capital outlay | <u>29,500</u> | <u>29,500</u> | <u>19,858</u> | <u>9,642</u> |
| Debt service: | | | | |
| Principal retirement | 23,014 | 24,176 | 29,118 | (4,942) |
| Interest payments | <u>4,786</u> | <u>3,624</u> | <u>3,624</u> | <u>-</u> |
| Total debt service | <u>27,800</u> | <u>27,800</u> | <u>32,742</u> | <u>(4,942)</u> |
| Total expenditures | <u>1,395,153</u> | <u>1,395,153</u> | <u>1,543,442</u> | <u>(148,289)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ (55,101)</u> | 129,443 | <u>\$ 184,544</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>400,445</u> | |
| End of year | | | <u>\$ 529,888</u> | |

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN EMPLOYER'S NET POSITION LIABILITY
AND RELATED RATIOS**

LAST 10 FISCAL YEARS (DETERMINED AS OF THE PLAN YEAR ENDED DECEMBER 31)

| | 2017 | 2016 | 2015 | 2014 |
|---|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | |
| Service cost | \$ 49,511 | \$ 45,797 | \$ 50,713 | \$ 47,600 |
| Interest | 124,986 | 114,337 | 104,026 | 90,679 |
| Difference between expected and actual experience | 71,440 | 55,317 | (41,115) | - |
| Changes of assumptions | - | - | 57,706 | - |
| Benefit payments including employee refunds | (47,775) | (38,195) | (12,435) | (13,560) |
| Other | - | (3,056) | (1,026) | 1,716 |
| Net change in total pension liability | 198,162 | 174,200 | 157,869 | 126,435 |
| Total pension liability beginning | 1,561,417 | 1,387,217 | 1,229,348 | 1,102,913 |
| Total pension liability ending | <u>\$ 1,759,579</u> | <u>\$ 1,561,417</u> | <u>\$ 1,387,217</u> | <u>\$ 1,229,348</u> |
| Plan fiduciary net position | | | | |
| Contributions-employer | \$ 59,155 | \$ 52,881 | \$ 55,487 | \$ 57,973 |
| Net investment income | 180,061 | 138,525 | (18,570) | 68,984 |
| Benefit payments including employee refunds | (47,775) | (38,195) | (12,435) | (13,560) |
| Administrative expense | (2,845) | (2,730) | (2,641) | (3,142) |
| Net change in plan fiduciary net position | 188,596 | 150,481 | 21,841 | 110,255 |
| Plan fiduciary net position beginning | 1,345,385 | 1,194,904 | 1,173,063 | 1,062,808 |
| Plan fiduciary net position ending | <u>\$ 1,533,981</u> | <u>\$ 1,345,385</u> | <u>\$ 1,194,904</u> | <u>\$ 1,173,063</u> |
| Employer net pension liability | <u>\$ 225,598</u> | <u>\$ 216,032</u> | <u>\$ 192,313</u> | <u>\$ 56,285</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 87.18% | 86.16% | 86.14% | 95.42% |
| Covered employee payroll | \$ 542,893 | \$ 495,102 | \$ 549,434 | \$ 515,710 |
| Employer's net pension liability as a percentage of covered employee payroll | 41.55% | 43.63% | 35.00% | 10.91% |

Notes to schedule:

Benefit changes - there were no benefit changes for 2017

Changes in assumptions - 2017 reflects no change in assumed life expectancies, as there were no updates to the morality tables.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
FOR THE LAST 10 YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|---------------|---------------|
| Actuarial determined contributions | \$ 59,155 | \$ 52,881 | \$ 55,487 | \$ 57,973 |
| Contributions in relation to the actuarially determined contribution | <u>59,155</u> | <u>52,881</u> | <u>55,487</u> | <u>57,973</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 542,893 | \$ 495,102 | \$ 549,434 | \$ 515,710 |
| Contributions as a percentage of covered employee payroll | 10.90% | 10.68% | 10.10% | 11.24% |

Notes to Schedule

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | 22 years |
| Asset valuation method | 5 year smoothed |
| Inflation | 2.5% |
| Salary Increases | 3.75% |
| Investment rate of return | 7.75% |
| Retirement age | Varies depending on plan adoption |
| Mortality | 50% Female/50% Male RP-2014 Group Annuity Mortality Table |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND
RELATED RATIOS (DETERMINED AS OF THE PLAN YEAR ENDED JUNE 30)**

| | 2017 |
|--|--------------|
| Total OPEB liability | |
| Service cost | \$ 85,536 |
| Interest | 35,632 |
| Difference between expected and actual experience | (193,491) |
| Changes of assumptions | 90,158 |
| Other | (77,333) |
| Net change in total OPEB liability | (59,498) |
| Total OPEB liability beginning | 1,078,896 |
| Total OPEB liability ending | \$ 1,019,398 |
| Covered employee payroll | \$ 458,955 |
| Employer's net OPEB liability as a percentage of covered employee payroll | 222.11% |

Notes to schedule:

Benefit changes - there were no benefit changes.

Changes in assumptions - there were no benefit changes.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is