

**CITY OF GRANT, MICHIGAN**

**JUNE 30, 2018**



**Baird, Cotter & Bishop, P.C.**  
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REPORT OF EXAMINATION

CITY OF GRANT, MICHIGAN

JUNE 30, 2018

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November 1, 2018

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Grant, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grant, Michigan, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grant, 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 and budgetary comparison schedule on pages iv through xii and 32-33 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 Grant, Michigan's basic financial statements. The combining and individual fund financial statements 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018 on our consideration of City of Grant, Michigan'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Grant, Michigan's 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 Grant, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

## CITY OF GRANT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

#### **Management's Discussion and Analysis**

The management of the City of Grant, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity.

#### **Financial Highlights**

- ❖ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,089,614, (*Net Position*). Of this amount, \$445,886 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$561,714, of which \$227,163 is unassigned.
- ❖ At the end of the current fiscal year, unrestricted fund balance (the total of nonspendable, assigned and unassigned components of fund balance) for the general fund was \$227,163.
- ❖ The City's total outstanding long-term debt decreased by \$103,635 during the current fiscal year.

#### **Overview of the Financial Statements**

This discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also includes supplementary information intended to furnish additional detail to support 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, liabilities and deferred inflows/outflows of resources, with the difference reported as not capitalized 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 for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, public works, community and economic development, culture and recreation, other functions and debt service. Business-type activities of the City include water and sewer utility services.

## CITY OF GRANT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED JUNE 30, 2018

The government-wide financial statements include not only the City of Grant itself (known as the *primary government*), but also a legally separate Downtown Development Authority for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1-3 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 City of Grant, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven 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 Fund, Major Street Fund, Local Street Fund, Roads and Right of Ways Fund, which are considered to be major funds. The remaining funds are considered to be nonmajor funds.

The City adopts an annual appropriated budget for its major funds. A budgetary comparison has been provided for the major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

**Proprietary Funds** The City maintains one type of proprietary fund. *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 water and sewer activity.

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 water and sewer activity, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 8-13 of this report.



CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The Township maintains one type of fiduciary fund. The Agency Fund reports resources held by the City in a custodial capacity for other governments. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 14 of this report.

**Component Unit** The City's financial report includes reporting on separate legal entities for which the City has some level of financial responsibility. These funds shown in a separate column. The City 's component unit includes the Downtown Development Authority.

**Notes to Financial Statements** The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found on pages 15-31 of this report.

**Other Information** In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of the City's financial position. In the case of the City of Grant, assets exceeded liabilities by \$7,089,614 at the close of the most recent fiscal year.

*City of Grant  
Net Position*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>						
Current Assets	\$ 579,847	\$ 443,336	\$ 252,799	\$ 228,807	\$ 832,646	\$ 672,143
Restricted Assets	0	0	696,164	667,890	696,164	667,890
Non Current Assets						
Capital Assets	2,991,567	2,869,141	9,142,543	9,142,543	12,134,110	12,011,684
Less:						
Accumulated Depreciation	(1,093,723)	(969,829)	(3,359,841)	(3,166,181)	(4,453,564)	(4,136,010)
Total Non Current Assets	1,897,844	1,899,312	5,782,702	5,976,362	7,680,546	7,875,674
<b>Total Assets</b>	<u>2,477,691</u>	<u>2,342,648</u>	<u>6,731,665</u>	<u>6,873,059</u>	<u>9,209,356</u>	<u>9,215,707</u>

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

*City of Grant  
Net Position*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Liabilities</b>						
Current Liabilities	31,886	23,803	98,666	88,476	130,552	112,279
Long-Term Liabilities	33,088	49,260	1,956,102	2,043,256	1,989,190	2,092,516
<b>Total Liabilities</b>	<b>64,974</b>	<b>73,063</b>	<b>2,054,768</b>	<b>2,131,732</b>	<b>2,119,742</b>	<b>2,204,795</b>
<b>Net Position</b>						
Net Investment in Capital Assets	1,854,362	1,842,768	3,758,702	3,865,362	5,613,064	5,708,130
Restricted for Specific Purposes	334,499	237,141	696,165	667,890	1,030,664	905,031
Unrestricted	223,856	189,676	222,030	208,075	445,886	397,751
<b>Total Net Position</b>	<b>\$ 2,412,717</b>	<b>\$ 2,269,585</b>	<b>\$ 4,676,897</b>	<b>\$ 4,741,327</b>	<b>\$ 7,089,614</b>	<b>\$ 7,010,912</b>

The most significant portion of the City's net position is cash and the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

The City has \$445,886 in unrestricted net position. These assets represent resources that are available for appropriation, but are limited by City policies regarding their use.

The total net position of the City increased \$78,702 in this fiscal year. Governmental activities increased by \$143,132, while business-type activities decreased by \$64,430.

*City of Grant  
Change in Net Position*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 138,065	\$ 131,378	\$ 528,917	\$ 516,978	\$ 666,982	\$ 648,356
Operating Grants and Contributions	116,853	92,338	0	0	116,853	92,338
Capital Grants and Contributions	84,217	0	0	0	84,217	0
<b>General Revenues</b>						
Taxes	259,131	251,869	35,389	34,765	294,520	286,634
State Shared Revenue	102,875	100,579	0	0	102,875	100,579
Investment Earnings	547	440	2,124	1,913	2,671	2,353
Other Revenue	7,504	7,750	962	76,144	8,466	83,894
<b>Total Revenues</b>	<b>709,192</b>	<b>584,354</b>	<b>567,392</b>	<b>629,800</b>	<b>1,276,584</b>	<b>1,214,154</b>

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b><u>Expenses</u></b>						
General Government	219,216	216,272	0	0	219,216	216,272
Public Safety	150,849	148,621	0	0	150,849	148,621
Public Works	162,069	179,023	0	0	162,069	179,023
Community and Economic Development	116	3,450	0	0	116	3,450
Culture and Recreation	13,743	19,654	0	0	13,743	19,654
Water	0	0	200,364	233,364	200,364	233,364
Sewer	0	0	431,458	487,064	431,458	487,064
Other Functions	17,074	22,863	0	0	17,074	22,863
Interest on Long-Term Debt	2,993	3,314	0	0	2,993	3,314
<b>Total Expenses</b>	<b>566,060</b>	<b>593,197</b>	<b>631,822</b>	<b>720,428</b>	<b>1,197,882</b>	<b>1,313,625</b>
Changes in Net Position	143,132	(8,843)	(64,430)	(90,628)	78,702	(99,471)
<b><u>NET POSITION</u></b> - Beginning of Year	<b>2,269,585</b>	<b>2,278,428</b>	<b>4,741,327</b>	<b>4,831,955</b>	<b>7,010,912</b>	<b>7,110,383</b>
<b><u>NET POSITION</u></b> - End of Year	<b>\$ 2,412,717</b>	<b>\$ 2,269,585</b>	<b>\$ 4,676,897</b>	<b>\$ 4,741,327</b>	<b>\$ 7,089,614</b>	<b>\$ 7,010,912</b>

**Governmental Activities**

During the current fiscal year, net position for the governmental activities increased \$143,132 from the prior fiscal year for an ending balance of \$2,412,717. The most significant part of the revenue for all governmental activities of the City comes from property taxes. The City's governmental activities expenses are dominated by the General Government and Public Works expenses. General Government represented the largest expense at \$219,216. The City spent \$162,069 in this fiscal year on Public Works, which is made up of Public Works expenditures in the General Fund, Major Street Fund, Local Street Fund, and Roads and Right of Ways Fund expenditures.

**Business-Type Activities**

The City's business-type activities accounted for a decrease of \$64,430 in the City's net position for the fiscal year ended June 30, 2018.

The business-type activities of the City include the Water Fund and Sewer Fund, which provide water and sewer utility services to City residents as well as commercial customers.

**Financial Analysis of the Government's Funds**

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

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

**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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At the completion of the City's fiscal year ended June 30, 2018, its governmental funds reported fund balances of \$561,714. There is \$227,163 in unassigned fund balance. The remaining \$334,551 of fund balance of the governmental funds is assigned or restricted and is therefore not available for new appropriation.

**General Fund** – The General Fund fund balance increased by \$31,761, which brings the fund balance to \$227,163. \$227,163 of this fund balance is unassigned. The increase represents revenues received in excess of expenditures.

**Major Street Fund** – The Major Street Fund increased its fund balance by \$60,756, which brings the fund balance to \$193,753. All of this balance is restricted for major street improvements. The increase represents the amount of state funding that was collected in excess of major street expenditures.

**Local Street Fund** – The Local Street Fund increased its fund balance by \$21,069, which brings the balance to \$57,396. All of this balance is restricted for local street improvements. The increase represents the amount of state funding that was collected in excess of local street expenditures.

**Roads and Right-of-Ways Fund** – The Roads and Right-of-Ways Fund increased its fund balance by \$15,897, which brings the balance to \$82,785. All of this balance is restricted for street improvements and projects. Property tax revenues were greater than road improvement expenditures, causing the increase.

**Non-Major Funds** – The Non-Major Funds of the City decreased their combined fund balance by \$364 during the fiscal year. The funds experienced minimal activity causing the small decrease in fund balance.

**Proprietary Funds** The City's proprietary funds provide the same information as the government-wide statements.

**Water Fund** – The Water Fund ended the fiscal year with a decrease in net position of \$19,587. The unrestricted net position increased \$34,313, net position restricted for debt service increased \$20, net position restricted for replacement, repairs, and improvements increased \$98 and net position invested in capital assets decreased by \$54,018. Charges for services to residents for use of the water system was less than operating and non-operating expenses, causing the decrease in net position.

**Sewer Fund** – The Sewer Fund ended the fiscal year with a decrease in net position of \$44,843. The unrestricted net position decreased \$20,358, net position restricted for debt service decreased \$24,860, net position restricted for replacement, repairs, and improvements increased \$53,017, and net position invested in capital assets decreased by \$52,642. Charges for services and other revenue received during the year was less than operating and non-operating expenses, causing the decrease in net position.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

**General Fund Budgetary Highlights**

During the year, various budget amendments resulted in changes in appropriations. These changes are shown on pages 32-33 of this report.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 440,410	\$ 439,911	\$ 466,314
Total Expenditures	\$ 439,469	\$ 436,723	\$ 433,457

Original and final budgeted revenues and expenditures were amended throughout the year as they became clearer as to what the City was collecting and expending. The results were small changes to every revenue source and expenditure function.

The variance between the budgeted revenue compared to actual revenue was due to receiving more tax revenue than expected and receiving revenue from a federal grant that was not budgeted for. The variance between budgeted expenditures and actual expenditures was minimal.

**Capital Assets** The City's investment in capital assets for governmental and business-type activities as of June 30, 2018, amounted to \$7,680,546 net of accumulated depreciation. Capital assets summarized below include any items that were capitalized as outlined in the capitalization policy.

*City of Grant*  
*Capital Assets as of June 30,*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 146,348	\$ 73,025	\$ 53,642	\$ 53,642	\$ 199,990	\$ 126,667
Buildings	562,724	562,724	164,999	164,999	727,723	727,723
Improvements Other than Buildings	303,353	303,353	8,726,892	8,726,892	9,030,245	9,030,245
Machinery and Equipment	298,402	274,309	197,010	197,010	495,412	471,319
Vehicles	109,825	84,815	0	0	109,825	84,815
Infrastructure	1,570,915	1,570,915	0	0	1,570,915	1,570,915
Subtotal	2,991,567	2,869,141	9,142,543	9,142,543	12,134,110	12,011,684
Accumulated Depreciation	1,093,723	969,829	3,359,841	3,166,181	4,453,564	4,136,010
<b>Net Capital Assets</b>	<b>\$ 1,897,844</b>	<b>\$ 1,899,312</b>	<b>\$ 5,782,702</b>	<b>\$ 5,976,362</b>	<b>\$ 7,680,546</b>	<b>\$ 7,875,674</b>

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

Major capital asset events during the fiscal year included the following:

Asset Disposals:

- ❖ 2012 Chevy Impala sold for \$3,000.

Asset Additions:

- ❖ 60" Pick-up Broom at a cost of \$4,395.
- ❖ Radar Gun at a cost of \$2,407.
- ❖ Exmark Zero-Turn Mower at a cost of \$8,479.
- ❖ Gutter Brush at a cost of \$1,595.
- ❖ Election Equipment at a cost of \$7,217.
- ❖ Land was acquired with a value of \$73,323, \$61,000 of which was donated, the City paid the remaining \$12,323.
- ❖ 2018 Ford Explorer at a cost of \$33,910.

**Long-Term Debt** As of June 30, 2018, the City had outstanding debt of \$2,070,943, consisting of general obligation bonds, revenue bonds, and a capital lease obligation. The general obligation debt of \$145,000 in business-type activities is backed by the full faith and credit of the City. The remainder of the debt represents bonds secured solely by the specific revenue sources (water and sewer system revenue bonds, \$1,879,000) and a capital lease obligation for \$43,482.

**Economic Condition and Outlook**

The August 2018 unemployment rate (not seasonally adjusted) for Newaygo County is 3.7%. This is one tenth of a percent (0.10%) lower than the State of Michigan, and 1.1% lower than August of 2017. Newaygo County has had lower unemployment numbers of the past few years. This trend is likely to continue based on current and future investments within the county.

The City of Grant's total taxable value (real and personal) for FY 2018-2019 increased to \$16,887,276 from \$16,382,393 in FY 2017-2018. This is the third consecutive annual increase in taxable value due to increasing property values and investment in the city. This trend is expected to continue as the regional economy is strong.

Listed below are taxable values by fiscal year, pre Great Recession to current. Taxable value is the basis for revenue in conjunction with millage rates. Notice in FY 2018-2019 the city has finally surpassed pre Great Recession levels, and has the highest taxable value in the last ten years.

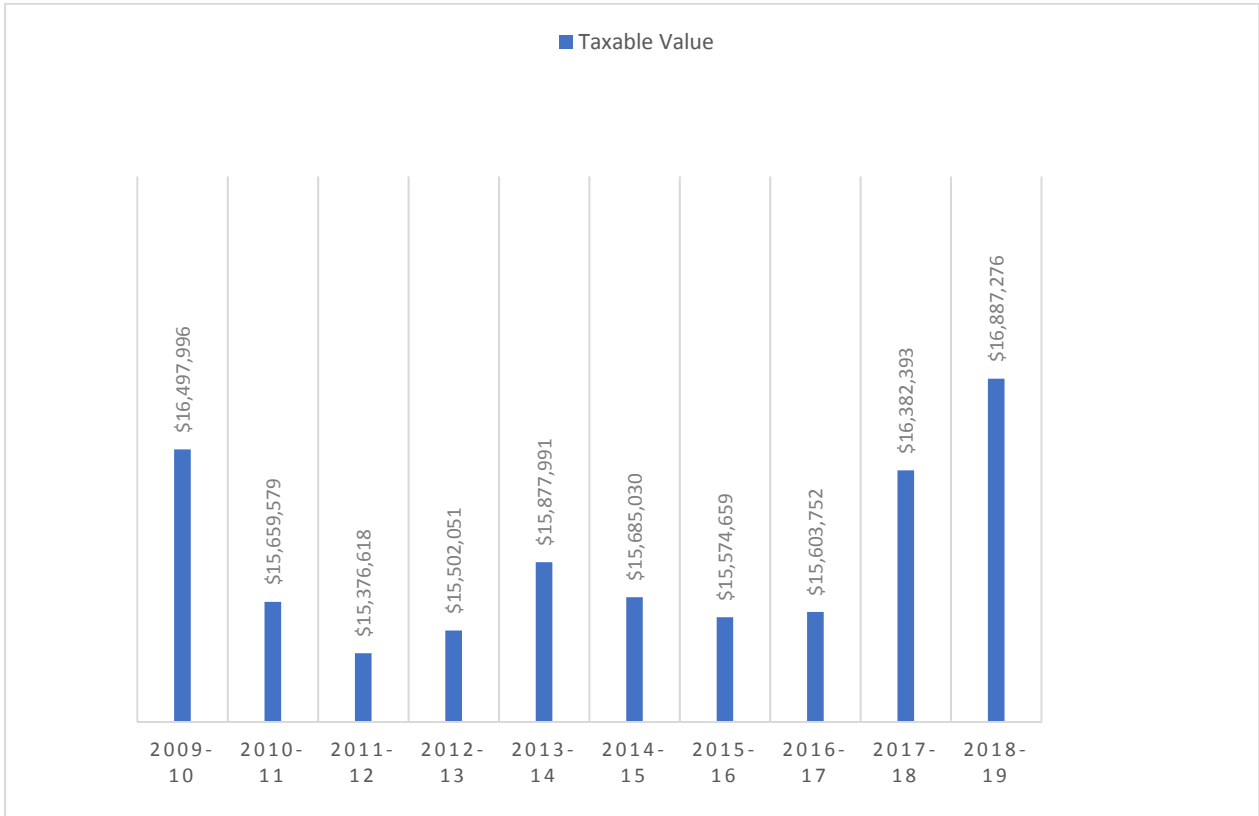
- FY 2009-2010 TV: \$16,497,996
- FY 2010-2011 TV: \$15,659,579
- FY 2011-2012 TV: \$15,376,618
- FY 2012-2013 TV: \$15,502,051
- FY 2013-2014 TV: \$15,877,991
- FY 2014-2015 TV: \$15,685,030
- FY 2015-2016 TV: \$15,574,659

CITY OF GRANT

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

- FY 2016-2017 TV: \$15,603,752
- FY 2017-2018 TV: \$16,382,393
- FY 2018-2019 TV: \$16,887,276



The current expected property tax millage rates, adjusted for Headlee Amendment Rollbacks fraction, is 10.0829 for the General Operating Fund, 2.8736 for Roads and Right-of-Ways Fund, .9721 mill for fire operating and equipment, .9721 mill for public safety and 2.09 for Sewer Bond Debt for the 1992 sewer bonds. The Headlee Amendment and the inaction of the governor and Michigan legislature on revenue sharing has become a strain on small municipalities in regards to their revenue streams.

Improving the quality of life, public services, sense of place and good public infrastructure are all important keys to attracting and retaining investment. The City continues to seek alternative funding for operations and capital projects and is committed to making decisions based on the principles of sustainability.

The City of Grant continually encourages public and private investment. We will work with anyone who wants to contribute to the growth and vibrancy of our community.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. If you have any questions about this report or need any additional information, contact the City of Grant at 280 S. Maple Street, P.O. Box 435, Grant, Michigan 49327.

CITY OF GRANT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 554,177	\$ 121,374	\$ 675,551	\$ 0
Receivables				
Accounts	2,617	130,148	132,765	0
External Parties (Fiduciary Funds)	5,532	1,277	6,809	0
Due from Other Governments	17,521	0	17,521	0
Total Current Assets	579,847	252,799	832,646	0
<u>RESTRICTED ASSETS</u>				
Cash	0	696,164	696,164	0
<u>CAPITAL ASSETS</u>				
Land	146,348	53,642	199,990	0
Buildings	562,724	164,999	727,723	0
Improvements Other Than Buildings	303,353	8,726,892	9,030,245	0
Machinery and Equipment	298,402	197,010	495,412	0
Vehicles	109,825	0	109,825	0
Infrastructure	1,570,915	0	1,570,915	0
	2,991,567	9,142,543	12,134,110	0
Less Accumulated Depreciation	1,093,723	3,359,841	4,453,564	0
Net Capital Assets	1,897,844	5,782,702	7,680,546	0
TOTAL ASSETS	2,477,691	6,731,665	9,209,356	0
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	9,833	24,010	33,843	0
Accrued Interest	0	9,956	9,956	0
Unearned Revenue	5,000	0	5,000	0
Internal Balances	3,300	(3,300)	0	0
Current Portion of Long-Term Debt	13,753	68,000	81,753	0
Total Current Liabilities	31,886	98,666	130,552	0

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



CITY OF GRANT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>LONG-TERM LIABILITIES</u>				
Compensated Absences	3,359	102	3,461	0
Bonds Payable	0	2,024,000	2,024,000	0
Capital Lease Payable	43,482	0	43,482	0
Less: Current Portion	(13,753)	(68,000)	(81,753)	0
Total Long-Term Liabilities	33,088	1,956,102	1,989,190	0
TOTAL LIABILITIES	64,974	2,054,768	2,119,742	0
<u>EQUITY</u>				
Net Position:				
Net Investment in Capital Assets	1,854,362	3,758,702	5,613,064	0
Restricted for Major Street	193,753	0	193,753	0
Restricted for Local Street	57,396	0	57,396	0
Restricted for Fire	555	0	555	0
Restricted for Drug Law Enforcement	10	0	10	0
Restricted for Roads and Right-of-Ways	82,785	0	82,785	0
Restricted for Debt Service	0	238,202	238,202	0
Restricted for Replacement, Repairs and Improvements	0	457,963	457,963	0
Unrestricted	223,856	222,030	445,886	0
TOTAL NET POSITION	\$ 2,412,717	\$ 4,676,897	\$ 7,089,614	\$ 0

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

CITY OF GRANT, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			COMPONENT UNIT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<u>PRIMARY GOVERNMENT</u>								
<u>GOVERNMENTAL ACTIVITIES</u>								
General Government	\$ 219,216	\$ 97,320	\$ 0	\$ 7,217	\$ (114,679)	\$ 0	\$ (114,679)	\$ 0
Public Safety	150,849	4,420	1,949	16,000	(128,480)	0	(128,480)	0
Public Works	162,069	35,615	114,904	61,000	49,450	0	49,450	0
Community and Economic Development	116	710	0	0	594	0	594	0
Culture and Recreation	13,743	0	0	0	(13,743)	0	(13,743)	0
Other Functions	17,074	0	0	0	(17,074)	0	(17,074)	0
Interest on Long-Term Debt	2,993	0	0	0	(2,993)	0	(2,993)	0
Total Governmental Activities	566,060	138,065	116,853	84,217	(226,925)	0	(226,925)	0
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water Fund	200,364	180,451	0	0	0	(19,913)	(19,913)	0
Sewer Fund	431,458	348,466	0	0	0	(82,992)	(82,992)	0
Total Business-Type Activities	631,822	528,917	0	0	0	(102,905)	(102,905)	0
TOTAL PRIMARY GOVERNMENT	\$ 1,197,882	\$ 666,982	\$ 116,853	\$ 84,217	(226,925)	(102,905)	(329,830)	0
<u>COMPONENT UNIT</u>								
Downtown Development Authority	\$ 0	\$ 0	\$ 0	\$ 0	0	0	0	0
<u>GENERAL REVENUES</u>								
Taxes					259,131	35,389	294,520	0
State Shared Revenue					102,875	0	102,875	0
Investment Earnings					547	2,124	2,671	0
Other Revenue					7,504	962	8,466	0
Total General Revenues					370,057	38,475	408,532	0
Change in Net Position					143,132	(64,430)	78,702	0
<u>NET POSITION</u> - Beginning of Year					2,269,585	4,741,327	7,010,912	0
<u>NET POSITION</u> - End of Year					\$ 2,412,717	\$ 4,676,897	\$ 7,089,614	\$ 0

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

CITY OF GRANT, MICHIGAN  
GOVERNMENTAL FUNDS

BALANCE SHEET  
JUNE 30, 2018

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT-OF- WAYS FUND	NON- MAJOR FUNDS	TOTALS
<b><u>ASSETS</u></b>						
Cash	\$ 235,248	\$ 180,781	\$ 55,939	\$ 81,592	\$ 617	\$ 554,177
Accounts Receivable	2,617	0	0	0	0	2,617
Due from Other Funds	5,532	10	0	2,485	0	8,027
Due from Other Governments	0	13,170	4,351	0	0	17,521
<b>TOTAL ASSETS</b>	<b>\$ 243,397</b>	<b>\$ 193,961</b>	<b>\$ 60,290</b>	<b>\$ 84,077</b>	<b>\$ 617</b>	<b>\$ 582,342</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>						
<b><u>LIABILITIES</u></b>						
Accounts Payable	\$ 7,924	\$ 208	\$ 409	\$ 1,292	\$ 0	\$ 9,833
Due to Other Funds	3,310	0	2,485	0	0	5,795
Unearned Revenue	5,000	0	0	0	0	5,000
<b>Total Liabilities</b>	<b>16,234</b>	<b>208</b>	<b>2,894</b>	<b>1,292</b>	<b>0</b>	<b>20,628</b>
<b><u>FUND BALANCE</u></b>						
Restricted for:						
Major Streets	0	193,753	0	0	0	193,753
Local Streets	0	0	57,396	0	0	57,396
Fire Protection and Equipment	0	0	0	0	555	555
Drug Law Enforcement	0	0	0	0	10	10
Roads and Right-of-Ways	0	0	0	82,785	0	82,785
Assigned for:						
Sidewalk Projects	0	0	0	0	52	52
Unassigned	227,163	0	0	0	0	227,163
<b>Total Fund Balance</b>	<b>227,163</b>	<b>193,753</b>	<b>57,396</b>	<b>82,785</b>	<b>617</b>	<b>561,714</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 243,397</b>	<b>\$ 193,961</b>	<b>\$ 60,290</b>	<b>\$ 84,077</b>	<b>\$ 617</b>	<b>\$ 582,342</b>

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

CITY OF GRANT, MICHIGAN  
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018

Total Fund Balances for Governmental Funds \$ 561,714

Amounts reported for governmental activities in the  
Statement of Net Position are different because:

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

Land	\$ 146,348	
Buildings	562,724	
Improvements Other Than Buildings	303,353	
Machinery and Equipment	298,402	
Vehicles	109,825	
Infrastructure	1,570,915	
Accumulated Depreciation	<u>(1,093,723)</u>	1,897,844

Long-term liabilities are not due and payable in the current period and are  
reported in the funds

Capital Lease Payable (43,482)

Accrued absences (sick and vacation pay) are recognized in the fund statements  
when they mature (when they are due); however these amount are recognized  
when they are earned in the Statement of Net Position.

(3,359)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,412,717

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

CITY OF GRANT, MICHIGAN  
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2018

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT-OF- WAYS FUND	NON- MAJOR FUNDS	TOTALS
<b><u>REVENUES</u></b>						
Taxes	\$ 195,761	\$ 0	\$ 0	\$ 47,352	\$ 16,018	\$ 259,131
Licenses and Permits	10,402	0	0	0	0	10,402
Federal Grants	16,000	0	0	0	0	16,000
State Grants	112,041	76,979	32,925	5,000	0	226,945
Charges for Services	49,880	292	0	0	0	50,172
Fines and Forfeitures	1,020	0	0	0	0	1,020
Interest and Rents	76,706	206	58	48	0	77,018
Other Revenue	4,504	0	0	0	0	4,504
<b>Total Revenues</b>	<b>466,314</b>	<b>77,477</b>	<b>32,983</b>	<b>52,400</b>	<b>16,018</b>	<b>645,192</b>
<b><u>EXPENDITURES</u></b>						
General Government	186,005	0	0	0	0	186,005
Public Safety	154,718	0	0	0	20,478	175,196
Public Works	52,835	16,721	11,914	36,503	0	117,973
Community and Economic Development	116	0	0	0	0	116
Recreation and Culture	6,654	0	0	0	0	6,654
Other Functions	17,074	0	0	0	0	17,074
Debt Service	16,055	0	0	0	0	16,055
<b>Total Expenditures</b>	<b>433,457</b>	<b>16,721</b>	<b>11,914</b>	<b>36,503</b>	<b>20,478</b>	<b>519,073</b>
Excess (Deficiency) of Revenues Over Expenditures	32,857	60,756	21,069	15,897	(4,460)	126,119
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Sale of Capital Assets	3,000	0	0	0	0	3,000
Transfers In (Out)	(4,096)	0	0	0	4,096	0
<b>Total Other Financing Sources (Uses)</b>	<b>(1,096)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,096</b>	<b>3,000</b>
<b>Net Change in Fund Balance</b>	<b>31,761</b>	<b>60,756</b>	<b>21,069</b>	<b>15,897</b>	<b>(364)</b>	<b>129,119</b>
<b>FUND BALANCES - Beginning of Year</b>	<b>195,402</b>	<b>132,997</b>	<b>36,327</b>	<b>66,888</b>	<b>981</b>	<b>432,595</b>
<b>FUND BALANCES - End of Year</b>	<b>\$ 227,163</b>	<b>\$ 193,753</b>	<b>\$ 57,396</b>	<b>\$ 82,785</b>	<b>\$ 617</b>	<b>\$ 561,714</b>

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

CITY OF GRANT, MICHIGAN  
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

Net Change in Fund Balance - Total Governmental Funds \$ 129,119

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation in the Statement of Activities.

Depreciation Expense	(126,861)
Capital Outlay	70,326

Governmental funds do not report donated capital assets under the modified accrual basis of accounting, but are capitalized over their estimated useful lives in the Statement of Activities.

Donated Capital Asset	61,000
-----------------------	--------

In the Statement of Activities, only the gain or loss on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net position differs from the change in fund balances by the cost of the capital assets sold net of accumulated depreciation.

Governmental Funds - Cost of capital assets sold	(5,933)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Capital Lease Principal Payments	13,062
----------------------------------	--------

Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of the Year	5,778
Compensated Absences - End of the Year	<u>(3,359)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 143,132</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF GRANT, MICHIGAN  
PROPRIETARY FUNDS

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>BUSINESS-TYPE ACTIVITIES -</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		
	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 292,172	\$ (170,798)	\$ 121,374
Accounts Receivable	44,208	85,940	130,148
Due From Other Funds	0	4,577	4,577
	<hr/>		
Total Current Assets	336,380	(80,281)	256,099
	<hr/>		
<u>NONCURRENT ASSETS</u>			
<u>RESTRICTED ASSETS</u>			
Cash	174,017	522,147	696,164
	<hr/>		
<u>CAPITAL ASSETS</u>			
Property, Plant and Equipment	3,418,083	5,724,460	9,142,543
Less Accumulated Depreciation	(1,444,694)	(1,915,147)	(3,359,841)
Net Capital Assets	1,973,389	3,809,313	5,782,702
	<hr/>		
Total Noncurrent Assets	2,147,406	4,331,460	6,478,866
	<hr/>		
TOTAL ASSETS	2,483,786	4,251,179	6,734,965
	<hr/>		
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	286	23,724	24,010
Accrued Interest	1,550	8,406	9,956
Current Portion of Long-Term Debt	17,000	51,000	68,000
	<hr/>		
Total Current Liabilities	18,836	83,130	101,966
	<hr/>		

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

CITY OF GRANT, MICHIGAN  
PROPRIETARY FUNDS

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>BUSINESS-TYPE ACTIVITIES -</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		
	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>
<u>NONCURRENT LIABILITIES</u>			
Compensated Absences	89	13	102
Bonds Payable	372,000	1,652,000	2,024,000
Less Current Portion of Long-Term Debt	(17,000)	(51,000)	(68,000)
	<hr/>		
Total Noncurrent Liabilities	355,089	1,601,013	1,956,102
	<hr/>		
TOTAL LIABILITIES	373,925	1,684,143	2,058,068
	<hr/>		
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,601,389	2,157,313	3,758,702
Restricted for Debt Service	27,384	210,818	238,202
Restricted for Replacement, Repairs and Improvements	146,634	311,329	457,963
Unrestricted	334,454	(112,424)	222,030
	<hr/>		
TOTAL NET POSITION	\$ 2,109,861	\$ 2,567,036	\$ 4,676,897
	<hr/> <hr/>		

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



CITY OF GRANT, MICHIGAN  
PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
YEAR ENDED JUNE 30, 2018

	<u>BUSINESS-TYPE ACTIVITIES -</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 180,451	\$ 348,466	\$ 528,917
<hr/>			
<u>OPERATING EXPENSES</u>			
Salaries and Wages	5,364	1,997	7,361
FICA	473	167	640
Fringe Benefits	1,597	1,205	2,802
Administration	23,561	18,559	42,120
Health and Life Insurance	5,282	1,160	6,442
Office and Operating Supplies	12,145	18,730	30,875
Professional Services	6,258	5,235	11,493
Property and Liability Insurance	7,198	7,379	14,577
Workers Comp Insurance	1,745	1,745	3,490
Contracted Services	29,663	140,243	169,906
Repairs and Maintenance	2,572	28,690	31,262
Utilities	11,935	34,055	45,990
Telephone	979	415	1,394
Printing and Publishing	767	23	790
Equipment Rental	759	204	963
Miscellaneous	0	29	29
Education and Training	40	40	80
Membership and Subscriptions	675	235	910
Depreciation	70,018	123,642	193,660
	<hr/>		
Total Operating Expenses	181,031	383,753	564,784
	<hr/>		
Operating Income (Loss)	(580)	(35,287)	(35,867)
	<hr/>		

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

CITY OF GRANT, MICHIGAN  
PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
YEAR ENDED JUNE 30, 2018

	<u>BUSINESS-TYPE ACTIVITIES -</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	326	1,798	2,124
Other Revenue	0	962	962
Property Taxes	0	35,389	35,389
Interest Expense	(19,333)	(47,705)	(67,038)
Total Nonoperating Revenues (Expenses)	(19,007)	(9,556)	(28,563)
Change in Net Position	(19,587)	(44,843)	(64,430)
<u>TOTAL NET POSITION - Beginning of Year</u>	2,129,448	2,611,879	4,741,327
<u>TOTAL NET POSITION - End of Year</u>	\$ 2,109,861	\$ 2,567,036	\$ 4,676,897

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

CITY OF GRANT, MICHIGAN  
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018

BUSINESS-TYPE ACTIVITIES -			
ENTERPRISE FUNDS			
MAJOR FUNDS			
	WATER FUND	SEWER FUND	TOTALS

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities			
Cash Received from Customers	\$ 185,958	\$ 353,678	\$ 539,636
Cash Payments to Suppliers for Goods and Services	(80,158)	(219,701)	(299,859)
Cash Payments to Employees for Services	(37,214)	(23,305)	(60,519)
Net Cash Provided (Used) for Operating Activities	68,586	110,672	179,258
Cash Flows from Noncapital Financing Activities			
Collections of Property Taxes	0	35,389	35,389
Other Revenue Received	0	962	962
Net Cash Provided (Used) for Noncapital Financing Activities	0	36,351	36,351
Cash Flows from Capital and Related Financing Activities			
Principal and Interest on Capital Debt	(35,400)	(119,348)	(154,748)
Cash Flows from Investing Activities			
Interest Income	326	1,798	2,124
Net Increase (Decrease) in Cash and Cash Equivalents	33,512	29,473	62,985
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	432,677	321,876	754,553
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 466,189	\$ 351,349	\$ 817,538

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

CITY OF GRANT, MICHIGAN  
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018

<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS MAJOR FUNDS		
	WATER FUND	SEWER FUND	TOTALS
	\$	\$	\$
Operating Income (Loss)	(580)	(35,287)	(35,867)
Adjustments to reconcile Operating Income			
To Net Cash Provided by Operating Activities			
Depreciation	70,018	123,642	193,660
(Increase) Decrease in Current Assets			
Accounts Receivable	5,507	5,212	10,719
Due From Other Funds	0	(962)	(962)
Increase (Decrease) in Current Liabilities			
Accounts Payable	(5,422)	18,284	12,862
Increase (Decrease) in in Long-Term Liabilities			
Compensated Absences	(937)	(217)	(1,154)
Total Adjustments	69,166	145,959	215,125
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 68,586	\$ 110,672	\$ 179,258

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

CITY OF GRANT, MICHIGAN  
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018

	<u>AGENCY FUND TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 10,751
<u>LIABILITIES</u>	
Due to Other Governments	3,942
Due to Other Funds	6,809
Total Liabilities	<u>10,751</u>
<u>NET POSITION</u>	<u><u>\$ 0</u></u>

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Governmental-Wide Financial Statements**

The governmental-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable.

**B. Reporting Entity**

The City of Grant, Michigan, was incorporated under the laws of the State of Michigan and operates under a Council-Manager form of government. As required by generally accepted accounting principles, these financial statements present all activities of the City. Entities for which the City is considered to be financially accountable are called component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 year-end.

**1. *Blended Component Units***

The City has no blended component units.

**2. *Discretely Presented Component Units***

*Downtown Development Authority (DDA)* – The DDA was established through City Ordinance under Act No. 197 of the Public Acts of Michigan 1975. The City Council determined that it was necessary and in the best interest of the City to halt property value deterioration, to eliminate the causes of that deterioration and to promote economic growth. The members of the board of the DDA are appointed by the City Council. Its operational and capital budgets must be approved by the City Council.

The taxable valuation of the City of Grant within the DDA was below the base year, so no taxes were captured. Therefore, there is no activity to report on the financial statements for the current fiscal year. Since the Ordinance was adopted in September of 2008, there has not been a capture of taxes.

**C. Basis of Presentation – Governmental-Wide Financial Statements**

While separate governmental-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City of Grant reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunk lines.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Roads and Right of Ways Fund* accounts for property taxes levied to build, maintain and improve the City's infrastructure.

The City of Grant reports the following major proprietary funds:

The *Water and Sewer Funds* account for the provision of water and sewer services to the residents of the City. All activities, including debt service, related to such services are accounted for in the water and sewer system funds which are generally self-supporting. Primary financing is provided through user-charges.

Additionally, the City of Grant reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted or assigned to expenditure for specific purposes.

Additionally, the City of Grant reports the following fiduciary fund:

The *Agency Fund* accounts for property taxes collected by the City on behalf of other governmental units as well as the City's General Fund, Roads and Right of Ways Fund, Sewer Fund, and Fire Fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the governmental-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**E. Measurement Focus and Basis of Accounting**

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.

The government-wide financial statements 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 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.

The 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. 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. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.



CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**F. Budgetary Information**

***1. Budgetary Basis of Accounting***

- Prior to June 30, the City Clerk submits to the City Council a proposed operating budget for all governmental funds for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to June 30, the budget is legally enacted through passage of a budget ordinance. Budgets are submitted on a line-item basis but adopted by the Council on a major function basis.
- All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
- Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year-end. Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year.
- Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

***2. Excess of Expenditures Over Appropriations***

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Elections	\$ 5,190	\$ 9,873
Public Safety		
Police Department	136,498	154,718
Debt Service		
Principal	0	13,062
Interest	0	2,993

These overages were funded by beginning fund balance and greater than anticipated revenues.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund balance**

***1. Cash and Cash Equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

***2. Investments***

The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, certificates of deposit, and money market funds. The City does not have any investments other than interest bearing bank accounts. Some investments authorized by state law are shown as cash on the financial statements. Some investments authorized by state law are shown as cash on the financial statements.

***3. Inventories and Prepaid Items***

Payments for inventory types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

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.

***4. Restricted Assets***

Certain proceeds of enterprise fund special assessment bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

***5. Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities 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 for land improvements, buildings and building improvements; \$1,500 for machinery and equipment and vehicles; and \$10,000 for assets in the Water and Sewer funds and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and Improvements	25-40
Land Improvements	10-20
Water and Sewer Line	50-75
Roads and Other Infrastructure	20-30
Vehicles, Machinery and Equipment	5-10

**6. *Unearned Revenue***

Unearned revenue arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The City has unearned revenue related to a grant.

**7. *Long-Term Obligations***

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

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

**8. *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 does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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 does not have any items that qualify for reporting in this category.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**9. *Net Position Flow Assumption***

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 and unrestricted – net position in the government-wide and proprietary fund financial statements, 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 consider restricted – net position to have been depleted before unrestricted – net position is applied.

**10. *Fund Balance Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements 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 consider restricted fund balance to have depleted before using any of the components of unrestricted fund balance. 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.

**11. *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 government 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 government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also 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 normally 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.

**12. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**H. Revenues and Expenditures/Expenses**

***1. Program Revenues***

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

***2. Property Taxes***

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. City taxes, state education taxes, and county taxes are levied and due July 1, and become delinquent after September 14. School taxes and the balance of taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. City property tax revenues are recognized when they become both measurable and available for use to finance City operations. Amounts which are not expected to be collected within sixty days are treated as unavailable revenues.

The 2017 taxable valuation of the City of Grant totaled \$16,382,393, on which ad valorem taxes levied consisted of 10.0941 mills for general operating, .9732 mills for fire protection services, 2.8768 mills for roads, .9732 mills for public safety, and 2.1500 mills for sewer bond debt. These levies raised approximately \$165,300 for operating purposes, \$15,950 for fire protection, \$47,125 for roads, \$15,950 for public safety, and \$35,250 for sewer bond debt.

***3. Proprietary Funds Operating and Nonoperating Revenues and Expenses***

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 water fund and sewer fund are charges to customers for services. Operating expenses for enterprise funds include 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.

***4. Compensated Absences (Vacation and Sick Leave)***

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. These benefits are considered current liabilities. A liability for one half of unused sick pay and all vacation pay is recorded in the government-wide and proprietary fund financial statements. Compensated absences are not accrued for modified accrual statements.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

Note I.F.2., on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2018.

**III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

The City's deposits and investments are on deposit with Choice One Bank in Grant, Michigan, Fifth Third Bank in Grand Rapids, Michigan and Independent Bank in Sparta, Michigan.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2018, \$457,537 of the City's bank balance of \$1,418,167 was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the City's funds. Although the City's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the City's deposits.

*Interest rate risk.* The City will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the City's cash requirement.

*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 (NRSOs).

*Concentration of credit risk.* The City will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Foreign currency risk.* The City is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

**Fair Market Value Disclosure** - The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The City does not have any investments that qualify for fair value disclosure.

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$10,751	<u>\$ 1,382,466</u>

The above amounts are reported in the financial statements as follows:

	<u>Total</u>
Cash - Fiduciary Funds	\$ 10,751
Cash - Governmental Activities	554,177
Cash - Business-Type Activities	121,374
Restricted Cash - Business-Type Activities	<u>696,164</u>
	<u>\$ 1,382,466</u>

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**B. Receivables**

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

	General	Major Street	Local Street	Water Fund	Sewer Fund	Total
Receivables						
Accounts	\$ 2,617	\$ 0	\$ 0	\$ 44,208	\$ 85,940	\$ 132,765
Due from Other Governments	0	13,170	4,351	0	0	17,521
<b>TOTAL</b>	<b>\$ 2,617</b>	<b>\$ 13,170</b>	<b>\$ 4,351</b>	<b>\$ 44,208</b>	<b>\$ 85,940</b>	<b>\$ 150,286</b>

Amounts due from other governments include due from state and local sources for various projects and programs.

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 73,025	\$ 73,323	\$ 0	\$ 146,348
Capital Assets, Being Depreciated				
Buildings	562,724	0	0	562,724
Improvements Other Than Buildings	303,353	0	0	303,353
Machinery and Equipment	274,309	24,093	0	298,402
Vehicles	84,815	33,910	8,900	109,825
Infrastructure	1,570,915	0	0	1,570,915
Total Capital Assets, Being Depreciated	2,796,116	58,003	8,900	2,845,219
Less Accumulated Depreciation for:				
Buildings	137,283	14,457	0	151,740
Improvements other than buildings	105,592	13,626	0	119,218
Machinery and Equipment	94,745	27,993	0	122,738
Vehicles	60,394	5,604	2,967	63,031
Infrastructure	571,815	65,181	0	636,996
Total Accumulated Depreciation	969,829	126,861	2,967	1,093,723
Total Capital Assets, Being Depreciated, Net	1,826,287	(68,858)	5,933	1,751,496
Governmental Activities Capital Assets, Net	\$ 1,899,312	\$ 4,465	\$ 5,933	\$ 1,897,844



CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 53,642	\$ 0	\$ 0	\$ 53,642
Capital Assets, Being Depreciated				
Buildings	164,999	0	0	164,999
Machinery and Equipment	197,010	0	0	197,010
Improvements Other Than Buildings	8,726,892	0	0	8,726,892
Total Capital Assets, Being Depreciated	9,088,901	0	0	9,088,901
Less Accumulated Depreciation for:				
Buildings	100,145	1,907	0	102,052
Machinery and Equipment	147,627	13,634	0	161,261
Improvements Other Than Buildings	2,918,409	178,119	0	3,096,528
Total Accumulated Depreciation	3,166,181	193,660	0	3,359,841
Total Capital Assets, Being Depreciated, Net	5,922,720	(193,660)	0	5,729,060
Business-Type Activities Capital Assets, Net	\$ 5,976,362	\$ (193,660)	\$ 0	\$ 5,782,702

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

Governmental Activities:	
General Government	\$ 42,847
Public Safety	6,036
Public Works, Including Depreciation	
General Infrastructure Assets	70,889
Recreation and Culture	7,089
Total Depreciation Expense - Governmental Activities	<u>\$ 126,861</u>
Business-Type Activities:	
Water Fund	\$ 70,018
Sewer Fund	123,642
Total Depreciation Expense - Business-Type Activities	<u>\$ 193,660</u>

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at June 30, 2018, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 5,532	\$ 3,310
Major Street Fund	10	0
Local Street Fund	0	2,485
Roads and Right of Ways Fund	2,485	0
Sewer Fund	4,577	0
Tax Collection Fund	0	6,809
	<u>\$ 12,604</u>	<u>\$ 12,604</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2018, are expected to be repaid within one year.

Interfund Transfers as of June 30, 2018 were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 4,096
Fire Fund	4,096	0
	<u>\$ 4,096</u>	<u>\$ 4,096</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**E. Leases**

**1. Capital Lease**

The City has entered into a lease agreement for financing the acquisition of a wheeled excavator. This lease qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The wheeled excavator purchased under the capital lease totals a cost of \$92,535 and is included in the capital assets of the City. The amortization of this wheeled excavator has been included in the City's depreciation expense. Obligations of the City's governmental activities under capital leases at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 13,753	\$ 2,302	\$ 16,055
2020	14,481	1,574	16,055
2021	15,248	807	16,055
<b>Total Lease Payments</b>	<b>\$ 43,482</b>	<b>\$ 4,683</b>	<b>\$ 48,165</b>

**F. Long-Term Debt**

**1. Primary Government**

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

	<u>WATER REVENUE BOND</u>	<u>SEWER LINE BONDS</u>	<u>SEWER SYSTEM REVENUE BONDS</u>	<u>CAPITAL LEASE OBLIGATIONS</u>	<u>COMPENSATED ABSENCES</u>	<u>TOTAL</u>
Debt Payable at July 1, 2017	\$ 388,000	\$ 186,000	\$ 1,537,000	\$ 56,544	\$ 7,034	\$ 2,174,578
New Debt Incurred	0	0	0	0	0	0
Debt Retired	(16,000)	(41,000)	(30,000)	(13,062)	(3,573)	(103,635)
Debt Payable at June 30, 2018	\$ 372,000	\$ 145,000	\$ 1,507,000	\$ 43,482	\$ 3,461	\$ 2,070,943
Due within one year	\$ 17,000	\$ 21,000	\$ 30,000	\$ 13,753	\$ 0	\$ 81,753

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Debt payable at June 30, 2018, is comprised of the following individual issues:

Bonds:

\$586,000 Water Revenue Bonds, Series 1994 bonds, due in annual installments of \$17,000 to \$27,000 through June 1, 2034; plus interest at 5.00%	\$ 372,000
\$1,722,000 Sewer System Revenue Bonds, Series 2009 Bonds in annual installments of \$30,000 to \$68,000 through September 1, 2049; plus interest at 2.625%	1,507,000
\$670,000 Sewer Line Bonds, General Obligation Limited Tax due in annual installments of \$21,000 to \$28,000 through October 1, 2023; plus interest at 5.00%	145,000

Capital Lease Obligations:

Due in annual installments of \$13,753 to \$15,248 through August 1, 2020, interest at 5.169%	43,482
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Other Long-Term Debt:

Accumulated sick and vacation pay owed to City employees	3,461
	\$ 2,070,943

The annual requirements to amortize these debts outstanding other than capital lease obligations and compensated absences as of June 30, 2018, including interest payments of \$912,592, are as follows:

<u>Year Ending June 30,</u>	Business-Type Activities	
	Principal	Interest
2019	\$ 68,000	\$ 64,490
2020	71,000	61,764
2021	74,000	58,913
2022	78,000	55,909
2023	81,000	52,755
2024-2028	332,000	223,366
2029-2033	341,000	165,644
2034-2038	264,000	111,088
2039-2043	270,000	76,492
2044-2048	310,000	38,614
2049-2050	135,000	3,557
	\$ 2,024,000	\$ 912,592

The annual requirements to amortize the accrued compensated absences are uncertain because it is unknown when the employees will use the benefit. Compensated absences will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**IV. OTHER INFORMATION**

**A. Statement of Cash Flows**

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**B. Deferred Compensation Plan**

The City has a deferred compensation plan in accordance with the Internal Revenue Code Section 457. The plan is administered by Security Benefit Group through an administrative service agreement. Eligible employees are allowed to defer a portion of their salary until future years. In addition, the City has a policy in place to contribute 6% of each employee's gross compensation into the plan after one year of service has been completed. All amounts contributed are 100% vested immediately and therefore are the property of the employee as soon as the contributions are made. For the year ended June 30, 2018, the City contributed \$7,070 to the plan. Employees voluntarily deferred an additional \$5,143 to their individual plans. Covered wages for the year were approximately \$117,883, while total wages were approximately \$217,452. The City board has the authority to amend or terminate the plan.

**C. Cafeteria Plan**

The City administers its own cafeteria plan under Internal Revenue Code Section 125(b). Employees may elect to set aside a portion of their income for medical or dependent care purposes. Employees may not withdraw more than they have withheld during the plan year; also, if they do not use the full amount withheld within the plan year, the money becomes the City's funds. At June 30, 2018, the City has withheld no more than it has disbursed.

**D. Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation).

The City participates a distinct pool of governmental entities within the State of Michigan for various risks of loss related to property loss, torts, and errors and omissions. The pool is considered a public entity risk pool. The City pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total 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.

**E. Endowment Fund**

The Fremont Area Community Foundation holds an endowment fund which has been earmarked for the City of Grant. As of June 30, 2018, the Fremont Area Community Foundation holds endowment funds for the City of Grant in the amount of \$53,698.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

**F. Commitments and Contingencies**

Under the terms and various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the City.

**G. Subsequent Event**

After fiscal year-end, the City of Grant spent \$14,700 on sewer improvements. The City also purchased a police car in the amount of \$15,000.

Our opinion has not been modified and no adjustments were made to the financial statements as it relates to the subsequent events noted above.

CITY OF GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND			MAJOR STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 177,442	\$ 185,372	\$ 195,761	\$ 0	\$ 0	\$ 0
Licenses and Permits	9,700	10,335	10,402	0	0	0
Federal Grants	0	0	16,000	0	0	0
State Grants	114,987	112,987	112,041	57,000	57,000	76,979
Charges for Services	50,220	49,880	49,880	0	0	292
Fines and Forfeitures	2,000	1,020	1,020	0	0	0
Interest and Rents	64,411	73,697	76,706	50	50	206
Other Revenue	21,650	6,620	4,504	0	0	0
Total Revenues	<u>440,410</u>	<u>439,911</u>	<u>466,314</u>	<u>57,050</u>	<u>57,050</u>	<u>77,477</u>
<u>EXPENDITURES</u>						
General Government						
Mayor and City Council	10,580	10,500	8,831	0	0	0
Manager	67,480	67,480	67,180	0	0	0
Clerk	41,531	41,531	40,903	0	0	0
Board of Review	1,000	1,000	651	0	0	0
Treasurer	26,150	28,482	28,477	0	0	0
Assessor	8,600	9,500	9,500	0	0	0
Elections	5,190	5,190	9,873	0	0	0
City Hall	8,980	8,150	7,449	0	0	0
Community Building	10,370	10,370	9,999	0	0	0
Cemetery	4,800	4,800	3,142	0	0	0
Public Safety						
Police Department	123,060	136,498	154,718	0	0	0
Public Works						
Drains	550	550	299	0	0	0
Department of Public Works	80,970	64,444	52,536	0	0	0
Highways, Streets and Bridges	0	0	0	0	0	0
Street Department	0	0	0	29,840	29,841	16,721
Community and Economic Development						
Planning Commission	438	438	116	0	0	0
Zoning Administration	0	0	0	0	0	0
Economic Development	3,000	3,000	0	0	0	0
Recreation and Culture						
Parks and Recreation	11,320	9,340	6,654	0	0	0
Other Functions	35,450	35,450	17,074	0	0	0
Debt Service						
Principal	0	0	13,062	0	0	0
Interest	0	0	2,993	0	0	0
Total Expenditures	<u>439,469</u>	<u>436,723</u>	<u>433,457</u>	<u>29,840</u>	<u>29,841</u>	<u>16,721</u>
Excess (Deficiency) of Revenues						
Over Expenditures	941	3,188	32,857	27,210	27,209	60,756
<u>OTHER FINANCING SOURCES (USES)</u>						
Sale of Capital Assets	0	0	3,000	0	0	0
Transfers In (Out)	0	(4,096)	(4,096)	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(4,096)</u>	<u>(1,096)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	941	(908)	31,761	27,210	27,209	60,756
<u>FUND BALANCE</u> - Beginning of Year	<u>195,402</u>	<u>195,402</u>	<u>195,402</u>	<u>132,997</u>	<u>132,997</u>	<u>132,997</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 196,343</u>	<u>\$ 194,494</u>	<u>\$ 227,163</u>	<u>\$ 160,207</u>	<u>\$ 160,206</u>	<u>\$ 193,753</u>

CITY OF GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	LOCAL STREET FUND			RIGHT-OF-WAY FUND		
	ORIGINAL	FINAL	ACTUAL	ORIGINAL	FINAL	ACTUAL
	BUDGET	BUDGET		BUDGET	BUDGET	
<u>REVENUES</u>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 43,265	\$ 43,265	\$ 47,352
Licenses and Permits	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0
State Grants	18,000	18,000	32,925	3,500	3,500	5,000
Charges for Services	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0	0
Interest and Rents	30	30	58	30	45	48
Other Revenue	0	0	0	0	0	0
Total Revenues	<u>18,030</u>	<u>18,030</u>	<u>32,983</u>	<u>46,795</u>	<u>46,810</u>	<u>52,400</u>
<u>EXPENDITURES</u>						
General Government						
Mayor and City Council	0	0	0	0	0	0
Manager	0	0	0	0	0	0
Clerk	0	0	0	0	0	0
Board of Review	0	0	0	0	0	0
Treasurer	0	0	0	0	0	0
Assessor	0	0	0	0	0	0
Elections	0	0	0	0	0	0
City Hall	0	0	0	0	0	0
Community Building	0	0	0	0	0	0
Cemetery	0	0	0	0	0	0
Public Safety						
Police Department	0	0	0	0	0	0
Public Works						
Drains	0	0	0	0	0	0
Department of Public Works	0	0	0	0	0	0
Highways, Streets and Bridges	0	0	0	36,700	37,430	36,503
Street Department	15,310	17,325	11,914	0	0	0
Community and Economic Development						
Planning Commission	0	0	0	0	0	0
Zoning Administration	0	0	0	0	0	0
Economic Development	0	0	0	0	0	0
Recreation and Culture						
Parks and Recreation	0	0	0	0	0	0
Other Functions	0	0	0	0	0	0
Debt Service						
Principal	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Total Expenditures	<u>15,310</u>	<u>17,325</u>	<u>11,914</u>	<u>36,700</u>	<u>37,430</u>	<u>36,503</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,720</u>	<u>705</u>	<u>21,069</u>	<u>10,095</u>	<u>9,380</u>	<u>15,897</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Sale of Capital Assets	0	0	0	0	0	0
Transfers In (Out)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	2,720	705	21,069	10,095	9,380	15,897
<u>FUND BALANCE - Beginning of Year</u>	<u>36,327</u>	<u>36,327</u>	<u>36,327</u>	<u>66,888</u>	<u>66,888</u>	<u>66,888</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 39,047</u>	<u>\$ 37,032</u>	<u>\$ 57,396</u>	<u>\$ 76,983</u>	<u>\$ 76,268</u>	<u>\$ 82,785</u>



CITY OF GRANT, MICHIGAN  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET  
JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	FIRE	SIDEWALK	DRUG LAW ENFORCEMENT	TOTALS
<u>ASSETS</u>				
Cash	\$ 555	\$ 52	\$ 10	\$ 617
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>				
Restricted for:				
Fire Protection and Equipment	555	0	0	555
Drug Law Enforcement	0	0	10	10
Assigned for:				
Sidewalk Projects	0	52	0	52
Total Fund Balance	555	52	10	617
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 555	\$ 52	\$ 10	\$ 617

CITY OF GRANT, MICHIGAN  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			TOTALS
	FIRE	SIDEWALK	DRUG LAW ENFORCEMENT	
<u>REVENUES</u>				
Taxes	\$ 16,018	\$ 0	\$ 0	\$ 16,018
<u>EXPENDITURES</u>				
Public Safety	20,478	0	0	20,478
Excess (Deficiency) of Revenues Over Expenditures	(4,460)	0	0	(4,460)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In				
General Fund	4,096	0	0	4,096
Net Change in Fund Balance	(364)	0	0	(364)
<u>FUND BALANCE</u> - Beginning of Year	919	52	10	981
<u>FUND BALANCE</u> - End of Year	\$ 555	\$ 52	\$ 10	\$ 617

CITY OF GRANT, MICHIGAN  
GENERAL FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash	\$ 235,248	\$ 196,835
Accounts Receivable	2,617	4,148
Due from Other Funds	5,532	4,541
Due from Other Governments	0	2,856
	<hr/>	
TOTAL ASSETS	<u>\$ 243,397</u>	<u>\$ 208,380</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 7,924	\$ 5,607
Due to Other Funds	3,310	7,371
Unearned Revenue	5,000	0
	<hr/>	
Total Liabilities	16,234	12,978
 <u>FUND BALANCE</u>		
Unassigned	<u>227,163</u>	<u>195,402</u>
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 243,397</u>	<u>\$ 208,380</u>

CITY OF GRANT, MICHIGAN  
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017

	<u>2018</u>		<u>2017</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 185,372	\$ 195,761	\$ 190,182
Licenses and Permits	10,335	10,402	10,410
Federal Grants	0	16,000	0
State Grants	112,987	112,041	102,418
Charges for Services	49,880	49,880	53,319
Fines and Forfeitures	1,020	1,020	1,614
Interest and Rents	73,697	76,706	66,243
Other Revenue	6,620	4,504	5,675
	<hr/>		
Total Revenues	439,911	466,314	429,861
<hr/>			
<u>EXPENDITURES</u>			
General Government	187,003	186,005	174,022
Public Safety	136,498	154,718	123,479
Public Works	64,994	52,835	61,400
Community and Economic Development	3,438	116	3,450
Recreation and Culture	9,340	6,654	12,565
Other Functions	35,450	17,074	22,863
Debt Service	0	16,055	16,305
	<hr/>		
Total Expenditures	436,723	433,457	414,084
	<hr/>		
Excess (Deficiency) of Revenues Over Expenditures	3,188	32,857	15,777
<hr/>			
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	0	3,000	2,075
Transfers Out	(4,096)	(4,096)	(3,901)
	<hr/>		
Total Other Financing Sources (Uses)	(4,096)	(1,096)	(1,826)
	<hr/>		
Net Change in Fund Balance	(908)	31,761	13,951
	<hr/>		
<u>FUND BALANCE</u> - Beginning of Year	195,402	195,402	181,451
	<hr/>		
<u>FUND BALANCE</u> - End of Year	\$ 194,494	\$ 227,163	\$ 195,402
	<hr/>		

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017

	2018		2017
	BUDGET	ACTUAL	ACTUAL
<u>TAXES</u>			
Current and Delinquent Taxes	\$ 175,532	\$ 182,262	\$ 175,787
Trailer	140	56	242
Penalties and Interest	2,000	4,803	6,018
Property Tax Administration Fee	7,700	8,640	8,135
 Total Taxes	 185,372	 195,761	 190,182
<u>LICENSES AND PERMITS</u>			
Franchise Fees	9,885	9,952	10,010
Business Licenses and Permits	450	450	400
 Total Licenses and Permits	 10,335	 10,402	 10,410
<u>FEDERAL GRANTS</u>			
USDA - COMMUNITY FEDERAL GRANT	0	16,000	0
<u>STATE GRANTS</u>			
Sales and Use Tax	91,987	97,274	94,749
Small Taxpayer Loss Reimbursement	9,000	5,601	5,830
Liquor Licenses	0	1,449	1,084
MI Justice Trainers Fund Grant	0	500	0
Voting Equipment Grant	0	7,217	0
MJTC Grant	0	0	755
Other State Grant	12,000	0	0
 Total State Grants	 112,987	 112,041	 102,418
<u>CHARGES FOR SERVICES</u>			
Cemetery Lot Sales	200	200	1,000
Monuments and Foundation Sales	0	0	314
Zoning Fees	260	260	135
Contracted Services	3,400	3,400	5,850
Administration	46,020	46,020	46,020
 Total Charges for Services	 49,880	 49,880	 53,319
<u>FINES AND FORFEITURES</u>			
Violation Bureau and Ordinance Fines	1,020	1,020	1,614

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017

	2018		2017
	BUDGET	ACTUAL	ACTUAL
<u>INTEREST AND RENTS</u>			
Interest	152	235	208
Rent (Community Building and Equipment)	23,065	23,068	33,534
Land Lease	28,220	28,223	8,970
Water Tower Lease	22,260	25,180	23,531
Total Interest and Rents	73,697	76,706	66,243
 <u>OTHER REVENUE</u>			
Private Donations	445	445	137
Refunds and Rebates	2,020	2,305	4,433
Other Revenue	4,155	1,754	1,105
Total Other Revenue	6,620	4,504	5,675
Total Revenues	439,911	466,314	429,861
 <u>OTHER FINANCING SOURCES</u>			
Sale of Capital Assets	0	3,000	2,075
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 439,911	\$ 469,314	\$ 431,936

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017

	2018		2017
	BUDGET	ACTUAL	ACTUAL
<u>GENERAL GOVERNMENT</u>			
Mayor and City Council			
Salaries and Wages	\$ 6,000	\$ 4,813	\$ 5,063
Social Security Tax	460	368	387
Office and Operating Supplies	350	258	503
Professional Services	465	300	411
Printing and Publishing	400	96	95
Membership and Dues	1,055	1,055	1,048
Transportation	0	278	0
Education and Training	850	845	446
Telephone	720	641	576
Miscellaneous	200	177	894
	10,500	8,831	9,423
Manager			
Salaries and Wages	57,000	57,000	52,727
Social Security Tax	4,253	4,211	3,850
Fringes	1,300	1,140	1,088
Office and Operating Supplies	410	406	557
Professional Services	781	781	290
Membership and Dues	586	586	534
Education and Training	915	911	755
Telephone	1,920	1,814	1,807
Transportation	265	265	206
Miscellaneous	50	66	86
	67,480	67,180	61,900
Clerk			
Salaries and Wages	32,910	32,908	31,929
Social Security Tax	2,335	2,334	2,258
Fringes	180	180	180
Office and Operating Supplies	735	391	497
Professional Services	810	806	273
Membership and Dues	350	350	355
Education and Training	2,336	2,236	2,324
Telephone	1,520	1,349	1,435
Transportation	305	301	246
Miscellaneous	50	49	52
Capital Outlay	0	0	0
	41,531	40,904	39,549

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017

	2018		2017
	BUDGET	ACTUAL	ACTUAL
<b>Board of Review</b>			
Salaries and Wages	539	230	338
Social Security Tax	50	18	26
Printing and Publishing	300	294	294
Transportation	35	34	0
Education and Training	40	40	0
Miscellaneous	36	35	55
	1,000	651	713
<b>Treasurer</b>			
Salaries and Wages	19,555	19,554	17,759
Social Security Tax	1,496	1,496	1,301
Office and Operating Supplies	375	373	550
Professional Services	1,166	1,166	190
Contracted Services	1,534	1,534	1,502
Membership and Dues	110	110	50
Education and Training	3,245	3,244	1,572
Telephone	735	734	727
Transportation	243	243	289
Miscellaneous	23	22	52
	28,482	28,476	23,992
<b>Assessor</b>			
Office and Operating Supplies	0	0	12
Contracted Services	9,500	9,500	10,221
	9,500	9,500	10,233
<b>Elections</b>			
Salaries and Wages	1,850	579	2,415
Social Security Tax	45	44	185
Office and Operating Supplies	500	332	114
Contracted Services	935	429	148
Printing and Publishing	415	415	175
Transportation	220	220	107
Education and Training	700	636	0
Miscellaneous	25	0	0
Capital Outlay	500	7,217	0
	5,190	9,872	3,144
<b>City Hall</b>			
Salaries and Wages	1,600	1,266	3,366
Social Security Tax	150	95	243
Operating Supplies	450	265	423
Professional Services	200	200	0
Utilities	3,700	3,773	3,773
Repairs and Maintenance	2,000	1,816	1,100
Equipment Rental	0	0	132
Miscellaneous	50	35	442
	8,150	7,450	9,479



CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017

	2018		2017
	BUDGET	ACTUAL	ACTUAL
Community Building			
Salaries and Wages	800	706	1,832
Social Security Tax	60	53	136
Operating and Maintenance Supplies	770	751	1,465
Contracted Services	200	141	253
Utilities	6,030	6,096	6,246
Repairs and Maintenance	1,400	1,393	792
Refunds	250	0	0
Equipment Rental	0	0	45
Miscellaneous	50	50	550
Capita Outlay	810	809	0
	10,370	9,999	11,319
Cemetery			
Salaries and Wages	3,500	2,200	3,657
Social Security Tax	300	167	272
Operating and Maintenance Supplies	510	470	281
Contracted Services	300	300	0
Equipment Rental	190	5	60
	4,800	3,142	4,270
Total General Government	187,003	186,005	174,022
<u>PUBLIC SAFETY</u>			
Police Department			
Salaries and Wages	80,183	80,179	67,948
Social Security Tax	5,860	5,859	5,096
Fringes	2,345	2,344	1,140
Office and Operating Supplies	6,505	6,500	2,376
Professional Services	2,050	2,041	307
Contracted Services	2,570	2,568	22,622
Printing and Publishing	0	0	769
Utilities	450	423	376
Repairs and Maintenance	380	376	569
Gas and Oil	5,000	4,373	0
Membership and Dues	400	397	1,300
Education and Training	1,310	1,310	1,375
Telephone	1,115	1,115	1,066
Transportation	11,780	11,762	7,383
Uniforms	1,050	1,047	1,474
Equipment Rental	150	149	455
Miscellaneous	250	250	283
Capital Outlay	15,100	34,025	8,940
Total Public Safety	136,498	154,718	123,479

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017

	2018		2017
	BUDGET	ACTUAL	ACTUAL
<u>PUBLIC WORKS</u>			
Drains	550	299	531
Department of Public Works			
Salaries and Wages	19,954	13,083	27,517
Social Security Tax	2,600	982	1,962
Fringes	1,720	783	1,437
Office and Operating Supplies	8,080	7,478	3,262
Professional Services	1,490	1,489	736
Contracted Services	6,000	4,097	770
Telephone	550	415	571
Transportation	2,600	2,510	9,639
Uniforms	250	249	0
Utilities	1,330	1,242	1,589
Gas and Oil	8,500	8,903	0
Membership and Dues	90	90	90
Education and Training	40	40	0
Repairs and Maintenance	460	442	275
Equipment Rental	150	122	0
Miscellaneous	2,150	2,132	861
Capital Outlay	8,480	8,479	12,160
	64,444	52,536	60,869
Total Public Works	64,994	52,835	61,400
<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>			
Planning Commission			
Salaries and Wages	360	108	288
Social Security Tax	28	8	22
Office and Operating Supplies	50	0	25
	438	116	335
Zoning Administration			
Enforcement	0	0	115
Economic Development	3,000	0	3,000
Total Community and Economic Development	3,438	116	3,450
<u>RECREATION AND CULTURE</u>			
Parks and Recreation			
Salaries and Wages	4,000	2,577	4,986
Social Security Tax	240	196	374
Operating and Maintenance Supplies	1,400	1,373	208
Contracted Services	2,500	2,189	1,984
Equipment Rental	700	292	498
Utilities	100	0	0
Repairs and Maintenance	300	0	0
Miscellaneous	100	27	615
Capital Outlay	0	0	3,900
Total Recreation and Culture	9,340	6,654	12,565

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017

	2018	2017
	BUDGET	ACTUAL
<u>OTHER FUNCTIONS</u>		
Fringe Benefits		
Health and Life Insurance	28,650	11,181
Workers' Compensation	1,800	1,745
Insurance		
Property and Liability Insurance	5,000	4,148
Total Other Functions	35,450	17,074
<u>DEBT SERVICE</u>		
Principal	0	13,062
Interest	0	2,993
Total Debt Service	0	16,055
Total Expenditures	436,723	433,457
<u>OTHER FINANCING USES</u>		
Transfers Out		
Fire Fund	4,096	4,096
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 440,819	\$ 437,553
		\$ 417,985

CITY OF GRANT, MICHIGAN  
WATER FUND

COMPARATIVE STATEMENT OF NET POSITION  
JUNE 30,

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 292,172	\$ 258,777
Accounts Receivable	44,208	49,715
Total Current Assets	336,380	308,492
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	174,017	173,900
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	3,418,083	3,418,083
Less Accumulated Depreciation	(1,444,694)	(1,374,676)
Net Capital Assets	1,973,389	2,043,407
Total Noncurrent Assets	2,147,406	2,217,307
TOTAL ASSETS	2,483,786	2,525,799
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	286	5,708
Accrued Interest	1,550	1,617
Current Portion of Long-Term Debt	17,000	16,000
Total Current Liabilities	18,836	23,325
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	89	1,026
Bonds Payable	372,000	388,000
Less Current Portion of Long-Term Debt	(17,000)	(16,000)
Total Long-Term Debt	355,089	373,026
TOTAL LIABILITIES	373,925	396,351
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,601,389	1,655,407
Restricted for Debt Service	27,384	27,364
Restricted for Replacement, Repairs and Improvements	146,634	146,536
Unrestricted	334,454	300,141
TOTAL NET POSITION	\$ 2,109,861	\$ 2,129,448

CITY OF GRANT, MICHIGAN  
WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
YEAR ENDED JUNE 30.

	2018	2017
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 180,451	\$ 175,351
Miscellaneous	0	1,148
Total Operating Revenues	180,451	176,499
<u>OPERATING EXPENSES</u>		
Salaries and Wages	5,364	22,584
FICA	473	1,824
Fringe Benefits	1,597	1,927
Administration	23,561	23,561
Health and Life Insurance	5,282	9,738
Office and Operating Supplies	12,145	16,649
Professional Services	6,258	4,296
Property and Liability Insurance	7,198	6,514
Workers Comp Insurance	1,745	1,985
Contracted Services	29,663	12,959
Repairs and Maintenance	2,572	17,881
Utilities	11,935	11,365
Telephone	979	1,134
Printing and Publishing	767	1,418
Equipment Rental	759	7,213
Miscellaneous	0	376
Education and Training	40	253
Membership and Subscriptions	675	830
Depreciation	70,018	70,769
Total Operating Expenses	181,031	213,276
Operating Income (Loss)	(580)	(36,777)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	326	511
Other Revenue	0	436
Interest Expense	(19,333)	(20,088)
Total Nonoperating Revenues (Expenses)	(19,007)	(19,141)
Change in Net Position	(19,587)	(55,918)
<u>TOTAL NET POSITION</u> - Beginning of Year	2,129,448	2,185,366
<u>TOTAL NET POSITION</u> - End of Year	\$ 2,109,861	\$ 2,129,448

CITY OF GRANT, MICHIGAN  
WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 185,958	\$ 178,905
Receipts from Other Sources	0	1,148
Cash Payments to Suppliers for Goods and Services	(80,158)	(77,794)
Cash Payments to Employees for Services	(37,214)	(61,931)
	<hr/>	<hr/>
Net Cash Provided (Used) for Operating Activities	68,586	40,328
Cash Flows from Noncapital Financing Activities		
Other Revenue Received	0	436
Cash Flows from Capital and Related Financing Activities		
Principal and Interest on Capital Debt	(35,400)	(35,150)
Cash Flows from Investing Activities		
Interest Income	326	511
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	33,512	6,125
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<hr/> 432,677	<hr/> 426,552
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<hr/> <u>\$ 466,189</u>	<hr/> <u>\$ 432,677</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	<hr/> \$ (580)	<hr/> \$ (36,777)
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	70,018	70,769
(Increase) Decrease in Current Assets		
Accounts Receivable	5,507	3,554
Increase (Decrease) in Current Liabilities		
Accounts Payable	(5,422)	5,079
Other Accrued Expenses	0	(1,133)
Increase (Decrease) in Long-Term Liabilities		
Compensated Absences	(937)	(1,164)
	<hr/>	<hr/>
Total Adjustments	69,166	77,105
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<hr/> <u>\$ 68,586</u>	<hr/> <u>\$ 40,328</u>

CITY OF GRANT, MICHIGAN  
SEWER FUND

COMPARATIVE STATEMENT OF NET POSITION  
JUNE 30,

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ (170,798)	\$ (172,114)
Accounts Receivable	85,940	91,152
Due From Other Funds	4,577	3,615
	<hr/>	<hr/>
Total Current Assets	(80,281)	(77,347)
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	522,147	493,990
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	5,724,460	5,724,460
Less Accumulated Depreciation	(1,915,147)	(1,791,505)
	<hr/>	<hr/>
Net Capital Assets	3,809,313	3,932,955
	<hr/>	<hr/>
Total Noncurrent Assets	4,331,460	4,426,945
	<hr/>	<hr/>
TOTAL ASSETS	4,251,179	4,349,598
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	23,724	5,440
Accrued Interest	8,406	9,049
Current Portion of Long-Term Debt	51,000	53,000
	<hr/>	<hr/>
Total Current Liabilities	83,130	67,489
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	13	230
Bonds Payable	1,652,000	1,723,000
Less Current Portion of Long-Term Debt	(51,000)	(53,000)
	<hr/>	<hr/>
Total Long-Term Liabilities	1,601,013	1,670,230
	<hr/>	<hr/>
TOTAL LIABILITIES	1,684,143	1,737,719
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,157,313	2,209,955
Restricted for Debt Service	210,818	235,678
Restricted for Repairs, Replacement and Improvements	311,329	258,312
Unrestricted - (Deficit)	(112,424)	(92,066)
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 2,567,036	\$ 2,611,879
	<hr/>	<hr/>

CITY OF GRANT, MICHIGAN  
SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
YEAR ENDED JUNE 30,

	2018	2017
<u>OPERATING REVENUES</u>		
Charges for Services and Connection Fees	\$ 348,466	\$ 341,627
<u>OPERATING EXPENSES</u>		
Salaries and Wages	1,997	8,354
FICA	167	656
Fringe Benefits	1,205	1,208
Administration	18,559	18,559
Health and Life Insurance	1,160	2,056
Office and Operating Supplies	18,730	18,366
Professional Services	5,235	4,364
Property and Liability Insurance	7,379	6,817
Workers Comp Insurance	1,745	1,985
Contracted Services	140,243	164,229
Repairs and Maintenance	28,690	40,377
Utilities	34,055	35,584
Telephone	415	1,853
Printing and Publishing	23	0
Equipment Rental	204	4,848
Miscellaneous	29	2,315
Education and Training	40	158
Memberships and Dues	235	405
Depreciation	123,642	124,755
Total Operating Expenses	383,753	436,889
Operating Income (Loss)	(35,287)	(95,262)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	1,798	1,402
Property Taxes	35,389	34,765
Other Revenue	962	74,560
Interest Expense	(47,705)	(50,175)
Total Nonoperating Revenues (Expenses)	(9,556)	60,552
Change in Net Position	(44,843)	(34,710)
<u>TOTAL NET POSITION</u> - Beginning of Year	2,611,879	2,646,589
<u>TOTAL NET POSITION</u> - End of Year	\$ 2,567,036	\$ 2,611,879



CITY OF GRANT, MICHIGAN  
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
<b><u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 353,678	\$ 337,968
Cash Payments to Suppliers for Goods and Services	(219,701)	(301,193)
Cash Payments to Employees for Services	(23,305)	(31,553)
	<hr/>	<hr/>
Net Cash Provided (Used) for Operating Activities	110,672	5,222
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities		
Collections of Property Taxes	35,389	34,765
Other Revenue Received	962	74,560
	<hr/>	<hr/>
Net Cash Provided (Used) for Noncapital Financing Activities	36,351	109,325
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities		
Principal and Interest on Capital Debt	(119,348)	(101,577)
Acquisition of Capital Assets	0	(62,373)
	<hr/>	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	(119,348)	(163,950)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest Income	1,798	1,402
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	29,473	(48,001)
	<hr/>	<hr/>
<b><u>CASH AND CASH EQUIVALENTS - Beginning of Year</u></b>	321,876	369,877
	<hr/>	<hr/>
<b><u>CASH AND CASH EQUIVALENTS - End of Year</u></b>	<u>\$ 351,349</u>	<u>\$ 321,876</u>
	<hr/>	<hr/>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Operating Income (Loss)	\$ (35,287)	\$ (95,262)
	<hr/>	<hr/>
Adjustments to reconcile Operating Income To Net Cash Provided by Operating Activities		
Depreciation	123,642	124,755
(Increase) Decrease in Current Assets		
Accounts Receivable	5,212	(3,659)
Due From Other Funds	(962)	(3,615)
Increase (Decrease) in Current Liabilities		
Accounts Payable	18,284	(16,277)
Other Accrued Expenses	0	(200)
Increase (Decrease) In Long-Term Liabilities		
Compensated Absences	(217)	(520)
	<hr/>	<hr/>
Total Adjustments	145,959	100,484
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 110,672</u>	<u>\$ 5,222</u>
	<hr/>	<hr/>

CITY OF GRANT, MICHIGAN  
TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2018

	BALANCE 7/1/2017	INCREASES	DECREASES	BALANCE 6/30/2018
<u>ASSETS</u>				
Cash	\$ 9,538	\$ 813,752	\$ 812,539	\$ 10,751
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 479	\$ 479	\$ 0
Due to Other Governments	3,720	532,172	531,950	3,942
Due to Other Funds	5,818	281,101	280,110	6,809
 TOTAL LIABILITIES	 \$ 9,538	 \$ 813,752	 \$ 812,539	 \$ 10,751

CITY OF GRANT, MICHIGAN  
COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unassigned	<u>0</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF GRANT, MICHIGAN  
COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
<u>REVENUES</u>	\$ 0	\$ 0
<u>EXPENDITURES</u>		
Community and Economic Development	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	0
<u>FUND BALANCE</u> - Beginning of Year	0	0
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0



# Baird, Cotter & Bishop, P.C.

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November 1, 2018

INDEPENDENT AUDITOR'S 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

To the City Council  
City of Grant  
Newaygo County  
Grant, 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 unit, each major fund, and the aggregate remaining fund information of City of Grant, Michigan as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Grant, Michigan's basic financial statements and have issued our report thereon dated November 1, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Grant, 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 City of Grant, Michigan's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

1) *Lack of Segregation of Duties*

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities detailed above may be occurring on a routine basis, but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the government's resources to provide an appropriate balance between sound internal controls and fiscal prudence.

Corrective Action Plan: The City is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. City Council is responsible for the corrective action. City Council will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

2) *Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Corrective Action Plan: The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation. The persons responsible for the corrective action is the City Council. Unless circumstances change, the City Council will continue to rely on its external auditors and realizes this comment will be repeated in subsequent years.

### 3) *Utility Receivable Reconciliations*

Criteria: Management is responsible for reconciling the utility billing receivables from the billing software to the related accounts receivable control accounts in the Water and Sewer Funds.

Condition: The government attempts to perform the reconciliations on a regular basis, but not always does the billing software receivables balance to the accounts receivable control accounts in the general ledger software.

Cause: The condition is primarily caused by timing differences and the spreading of water and sewer charges to the individual funds.

Effect: As a result of this condition, the government is exposed to increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented, or detected and corrected by management on a timely basis.

Recommendation: We recommend the Village implement procedures to reconcile accounts receivable and billings between the billing system and the general ledger software on a monthly basis.

View of Responsible Officials: Management recognizes that this is an important control and that the account balances in the funds general ledgers should be reconciled to the aged accounts receivable reports generated by the billing software on a regular basis to ensure that all billing and collection transactions are being accounted for properly.

Corrective Action Plan: Management will begin to get the reconcilable differences to an acceptable level and reconcile the utility receivables on a regular basis in the future

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Grant, Michigan'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*.

### **City of Grant, Michigan's response to Findings**

City of Grant, Michigan's response to the findings identified in our audit is described above. City of Grant, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*





# Baird, Cotter & Bishop, P.C.

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November 1, 2018

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

To the City Council  
City of Grant, Michigan  
Newaygo County  
Grant, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Grant for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 12, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Grant are described in Note I to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2017/2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities, the business-type activities, and each major fund of City of Grant's financial statements was:

Management's estimates of the useful lives of depreciable capital assets which is based on previous history and management's estimate of the accrued compensated absences is based on current contracts, rates and policies regarding payment of these benefits. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all misstatements. We detected various misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of converting the entity's financial records from cash to modified accrual basis of accounting.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 1, 2018.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

During the course of our audit of the basic financial statements of City of Grant for the year ended June 30, 2018, we noted the following items which we feel deserve comment:

#### Budgetary Accounting

Expenditures in the General Fund exceeded appropriated amounts. The City should continue to monitor its budgets on an ongoing basis and make budget amendments prior to incurring expenditures in excess of budgeted amounts.

## Deposits

In the course of our examination it became apparent that deposits were not being made timely. We recommend the City begin depositing all items as soon as possible.

## Untimely Deposit and Disbursement of Property Tax Collections

During the course of our audit, we noticed that property tax collections were not being deposited and disbursed in accordance with state law. Per the Uniform Accounting Procedures Manual, distribution of tax collections must occur within 10 days after the 1<sup>st</sup> and 15<sup>th</sup> of each month. We noted instances where tax collections were not distributed within this time frame.

## Bank Reconciliations

When examining the bank reconciliations that were completed it was not apparent what records the bank balances were being reconciled to. We recommend the bank balances be reconciled to the computerized general ledger.

## Outstanding Checks

During our audit we noted several old outstanding checks in the pooled bank account. We recommend that the City investigate as to whether these checks were issued in error and should be voided, or are valid and should be reissued or escheated to the State of Michigan.

## State Chart of Account Changes

The State of Michigan Treasury Department has issued an updated Uniform Chart of Accounts. The State has delayed the required implementation date until 2019. More information can be obtained from the state website or by contacting your auditor.

## Condition of Accounting Records and Accounting Controls

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

## Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and management of City of Grant and is not intended to be, and should not be, used by anyone other than these specific parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*