

**CITY OF GRANT, MICHIGAN**

**JUNE 30, 2019**



**Baird, Cotter & Bishop, P.C.**  
SERVING YOUR PAST, PRESENT & FUTURE

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REPORT OF EXAMINATION

CITY OF GRANT, MICHIGAN  
JUNE 30, 2019

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November 25, 2019

## 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, 2019, 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, 2019, 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 25, 2019 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, 2019

#### **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, 2019. 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 \$7,155,265, (*Net Position*). Of this amount, \$731,660 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 \$678,125, of which \$251,192 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 \$253,699.
- ❖ The City's total outstanding long-term obligations increased by \$161,199 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, 2019

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 governmental-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.

**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 City maintains one type of fiduciary



CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

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 \$7,155,265 at the close of the most recent fiscal year.

*City of Grant  
Net Position*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>						
Current Assets	\$ 687,829	\$ 579,847	\$ 495,907	\$ 252,799	\$ 1,183,736	\$ 832,646
Restricted Assets	0	0	531,748	696,164	531,748	696,164
Non Current Assets						
Capital Assets	3,300,924	2,991,567	9,160,479	9,142,543	12,461,403	12,134,110
Less:						
Accumulated Depreciation	(1,214,378)	(1,093,723)	(3,552,312)	(3,359,841)	(4,766,690)	(4,453,564)
Total Non Current Assets	2,086,546	1,897,844	5,608,167	5,782,702	7,694,713	7,680,546
<b>Total Assets</b>	<b>2,774,375</b>	<b>2,477,691</b>	<b>6,635,822</b>	<b>6,731,665</b>	<b>9,410,197</b>	<b>9,209,356</b>
<b>Liabilities</b>						
Current Liabilities	36,896	31,886	84,086	98,666	120,982	130,552
Long-Term Liabilities	248,305	33,088	1,885,645	1,956,102	2,133,950	1,989,190
<b>Total Liabilities</b>	<b>285,201</b>	<b>64,974</b>	<b>1,969,731</b>	<b>2,054,768</b>	<b>2,254,932</b>	<b>2,119,742</b>
<b>Net Position</b>						
Net Investment in Capital Assets	1,815,316	1,854,362	3,652,167	3,758,702	5,467,483	5,613,064
Restricted for Specific Purposes	424,374	334,499	531,748	696,165	956,122	1,030,664
Unrestricted	249,484	223,856	482,176	222,030	731,660	445,886
<b>Total Net Position</b>	<b>\$ 2,489,174</b>	<b>\$ 2,412,717</b>	<b>\$ 4,666,091</b>	<b>\$ 4,676,897</b>	<b>\$ 7,155,265</b>	<b>\$ 7,089,614</b>

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

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 \$731,660 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 \$65,651 in this fiscal year. Governmental activities increased by \$76,457, while business-type activities decreased by \$10,806.

*City of Grant*  
*Change in Net Position*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 119,970	\$ 138,065	\$ 537,236	\$ 528,917	\$ 657,206	\$ 666,982
Operating Grants and Contributions	128,842	116,853	0	0	128,842	116,853
Capital Grants and Contributions	15,000	84,217	0	0	15,000	84,217
<b>General Revenues</b>						
Taxes	265,395	259,131	35,292	35,389	300,687	294,520
State Shared Revenue	106,363	102,875	0	0	106,363	102,875
Investment Earnings	5,924	547	4,291	2,124	10,215	2,671
Other Revenue	11,481	7,504	15,775	962	27,256	8,466
<b>Total Revenues</b>	<b>652,975</b>	<b>709,192</b>	<b>592,594</b>	<b>567,392</b>	<b>1,245,569</b>	<b>1,276,584</b>
<b>Expenses</b>						
General Government	209,441	219,216	0	0	209,441	219,216
Public Safety	154,019	150,849	0	0	154,019	150,849
Public Works	177,437	162,069	0	0	177,437	162,069
Community and						
Economic Development	52	116	0	0	52	116
Culture and Recreation	12,625	13,743	0	0	12,625	13,743
Water	0	0	190,396	200,364	190,396	200,364
Sewer	0	0	413,004	431,458	413,004	431,458
Other Functions	20,643	17,074	0	0	20,643	17,074
Interest on Long-Term Debt	2,301	2,993	0	0	2,301	2,993
<b>Total Expenses</b>	<b>576,518</b>	<b>566,060</b>	<b>603,400</b>	<b>631,822</b>	<b>1,179,918</b>	<b>1,197,882</b>
Changes in Net Position	76,457	143,132	(10,806)	(64,430)	65,651	78,702
<b>NET POSITION - Beginning of Year</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>
<b>NET POSITION - End of Year</b>	<b>\$ 2,489,174</b>	<b>\$ 2,412,717</b>	<b>\$ 4,666,091</b>	<b>\$ 4,676,897</b>	<b>\$ 7,155,265</b>	<b>\$ 7,089,614</b>

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

**Governmental Activities**

During the current fiscal year, net position for the governmental activities increased \$76,457 from the prior fiscal year for an ending balance of \$2,489,174. 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 \$209,441. The City spent \$177,437 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 \$10,806 in the City's net position for the fiscal year ended June 30, 2019.

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.

***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, 2019, its governmental funds reported fund balances of \$678,125. There is \$251,192 in unassigned fund balance. The remaining \$426,933 of fund balance of the governmental funds is assigned, restricted, or nonspendable and is therefore not available for new appropriation.

**General Fund** – The General Fund fund balance increased by \$26,536, which brings the fund balance to \$253,699. \$251,192 of this fund balance is unassigned and \$2,507 is nonspendable. The increase represents revenues received in excess of expenditures.

**Major Street Fund** – The Major Street Fund increased its fund balance by \$54,766, which brings the fund balance to \$248,519. 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 \$16,525, which brings the balance to \$73,921. 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.

CITY OF GRANT

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

**Roads and Right-of-Ways Fund** – The Roads and Right-of-Ways Fund increased its fund balance by \$18,025, which brings the balance to \$100,810. 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 increased their combined fund balance by \$559 during the fiscal year. The funds experienced minimal activity causing the small increase 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 \$6,632. The unrestricted net position increased \$46,228, net position restricted for debt service increased \$14, net position restricted for replacement, repairs, and improvements increased \$145 and net position invested in capital assets decreased by \$53,019. 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 \$4,174. The unrestricted net position increased \$213,918, net position restricted for debt service decreased \$110,783, net position restricted for replacement, repairs, and improvements decreased \$53,793, and net position invested in capital assets decreased by \$53,516. Charges for services and other revenue received during the year was less than operating and non-operating expenses, causing the decrease in net position.

**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:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 427,119	\$ 420,374	\$ 460,756
Total Expenditures	\$ 438,455	\$ 434,455	\$ 430,211

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 most 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.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

**Capital Assets** The City's investment in capital assets for governmental and business-type activities as of June 30, 2019, amounted to \$7,694,713 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,*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 146,348	\$ 146,348	\$ 53,642	\$ 53,642	\$ 199,990	\$ 199,990
Buildings	562,724	562,724	164,999	164,999	727,723	727,723
Improvements Other than Buildings	303,353	303,353	8,744,828	8,726,892	9,048,181	9,030,245
Machinery and Equipment	313,554	298,402	197,010	197,010	510,564	495,412
Vehicles	141,652	109,825	0	0	141,652	109,825
Infrastructure	1,833,293	1,570,915	0	0	1,833,293	1,570,915
Subtotal	3,300,924	2,991,567	9,160,479	9,142,543	12,461,403	12,134,110
Accumulated Depreciation	1,214,378	1,093,723	3,552,312	3,359,841	4,766,690	4,453,564
<b>Net Capital Assets</b>	<u>\$ 2,086,546</u>	<u>\$ 1,897,844</u>	<u>\$ 5,608,167</u>	<u>\$ 5,782,702</u>	<u>\$ 7,694,713</u>	<u>\$ 7,680,546</u>

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

Asset Disposals:

- ❖ 2010 Dodge Charger sold for \$1,000.

Asset Additions:

- ❖ Banners for lamp posts at a cost of \$6,153.
- ❖ Digital message sign at a cost of \$8,998.
- ❖ Sewer pond projects at a cost of \$17,936.
- ❖ Drain project at a cost of \$254,212.
- ❖ Arthur Street paving at a cost of \$8,167.
- ❖ 2019 Ford F250 at a cost of \$27,872.
- ❖ 2014 Ford Explorer at a cost of \$19,955.

**Long-Term Obligations** As of June 30, 2019, the City had outstanding obligations of \$2,232,142, consisting of general obligation bonds, revenue bonds, a capital lease obligation, accrued compensated absences, and an installment purchase agreement. The general obligation debt of \$124,000 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, \$1,832,000), accrued compensated absences of \$4,912, an installment purchase agreement for \$241,501, and a capital lease obligation for \$29,729.

CITY OF GRANT

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

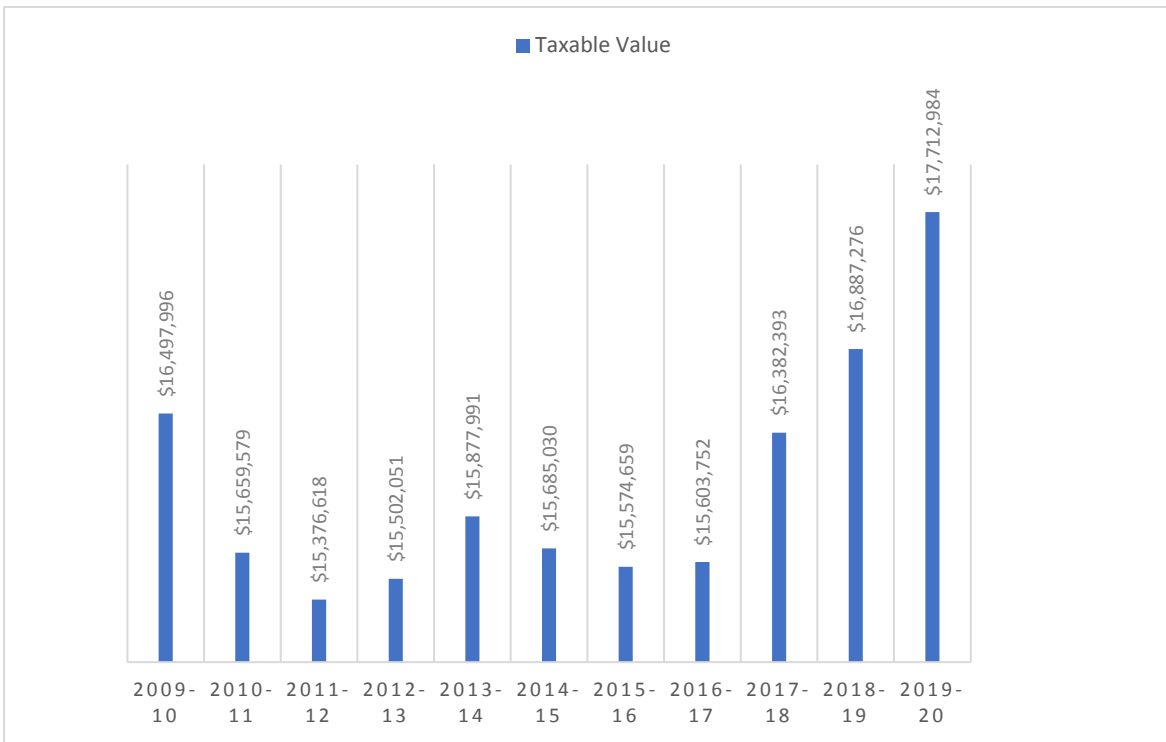
**Economic Condition and Outlook**

The September 2019 unemployment rate (not seasonally adjusted) for Newaygo County is 3.5%. This is two tenths of a percent (0.20%) lower than the State of Michigan. Newaygo County has had lower unemployment numbers of the past few years. The September 2019 rate is only four tenths of a percent (0.40%) higher than the county’s all time historic low of 3.1% that occurred in October 2000.

The City of Grant’s total taxable value (real and personal) for FY 2019-2020 increased to \$17,712,984 from \$16,887,276 in FY 2018-2019. This is the fourth 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 the City has 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
- FY 2016-2017 TV: \$15,603,752
- FY 2017-2018 TV: \$16,382,393
- FY 2018-2019 TV: \$16,887,276
- FY 2019-2020 TV: \$17,712,984



CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

The current expected property tax millage rates, adjusted for Headlee Amendment Rollbacks fraction, is 9.9175 for the General Operating Fund, 2.8265 for Roads and Right-of-Ways Fund, .9562 mill for fire operating and equipment, .9562 mill for public safety, 1.0000 for community policing, and 1.89 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 regard 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, 2019

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 646,515	\$ 357,564	\$ 1,004,079	\$ 0
Receivables				
Accounts	4,791	136,981	141,772	0
Prepaid Expenses	2,507	1,362	3,869	0
Due from Other Governments	34,016	0	34,016	0
Total Current Assets	687,829	495,907	1,183,736	0
<u>RESTRICTED ASSETS</u>				
Cash	0	531,748	531,748	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	8,744,828	9,048,181	0
Machinery and Equipment	313,554	197,010	510,564	0
Vehicles	141,652	0	141,652	0
Infrastructure	1,833,293	0	1,833,293	0
	3,300,924	9,160,479	12,461,403	0
Less Accumulated Depreciation	1,214,378	3,552,312	4,766,690	0
Net Capital Assets	2,086,546	5,608,167	7,694,713	0
TOTAL ASSETS	2,774,375	6,635,822	9,410,197	0
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	4,704	3,595	8,299	0
Accrued Interest	0	9,491	9,491	0
Unearned Revenue	5,000	0	5,000	0
Current Portion of Long-Term Debt	27,192	71,000	98,192	0
Total Current Liabilities	36,896	84,086	120,982	0

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



CITY OF GRANT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2019

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>LONG-TERM LIABILITIES</u>				
Compensated Absences	4,267	645	4,912	0
Bonds Payable	0	1,956,000	1,956,000	0
Installment Purchase Agreement	241,501	0	241,501	
Capital Lease Payable	29,729	0	29,729	0
Less: Current Portion	(27,192)	(71,000)	(98,192)	0
Total Long-Term Liabilities	248,305	1,885,645	2,133,950	0
TOTAL LIABILITIES	285,201	1,969,731	2,254,932	0
<u>EQUITY</u>				
Net Position:				
Net Investment in Capital Assets	1,815,316	3,652,167	5,467,483	0
Restricted for Major Street	248,519	0	248,519	0
Restricted for Local Street	73,921	0	73,921	0
Restricted for Fire	1,114	0	1,114	0
Restricted for Drug Law Enforcement	10	0	10	0
Restricted for Roads and Right-of-Ways	100,810	0	100,810	0
Restricted for Debt Service	0	127,433	127,433	0
Restricted for Replacement, Repairs and Improvements	0	404,315	404,315	0
Unrestricted	249,484	482,176	731,660	0
TOTAL NET POSITION	\$ 2,489,174	\$ 4,666,091	\$ 7,155,265	\$ 0

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

CITY OF GRANT, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

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	\$ 209,441	\$ 76,859	\$ 0	\$ 0	\$ (132,582)	\$ 0	\$ (132,582)	\$ 0
Public Safety	154,019	1,374	1,786	15,000	(135,859)	0	(135,859)	0
Public Works	177,437	40,887	127,056	0	(9,494)	0	(9,494)	0
Community and Economic Development	52	850	0	0	798	0	798	0
Culture and Recreation	12,625	0	0	0	(12,625)	0	(12,625)	0
Other Functions	20,643	0	0	0	(20,643)	0	(20,643)	0
Interest on Long-Term Debt	2,301	0	0	0	(2,301)	0	(2,301)	0
Total Governmental Activities	576,518	119,970	128,842	15,000	(312,706)	0	(312,706)	0
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water Fund	190,396	173,211	0	0	0	(17,185)	(17,185)	0
Sewer Fund	413,004	364,025	0	0	0	(48,979)	(48,979)	0
Total Business-Type Activities	603,400	537,236	0	0	0	(66,164)	(66,164)	0
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,179,918</b>	<b>\$ 657,206</b>	<b>\$ 128,842</b>	<b>\$ 15,000</b>	<b>(312,706)</b>	<b>(66,164)</b>	<b>(378,870)</b>	<b>0</b>
<u>COMPONENT UNIT</u>								
Downtown Development Authority	\$ 0	\$ 0	\$ 0	\$ 0	0	0	0	0
<u>GENERAL REVENUES</u>								
Taxes					265,395	35,292	300,687	0
State Shared Revenue					106,363	0	106,363	0
Investment Earnings					5,924	4,291	10,215	0
Other Revenue					11,481	15,775	27,256	0
Total General Revenues					389,163	55,358	444,521	0
Change in Net Position					76,457	(10,806)	65,651	0
<u>NET POSITION</u> - Beginning of Year					2,412,717	4,676,897	7,089,614	0
<u>NET POSITION</u> - End of Year					\$ 2,489,174	\$ 4,666,091	\$ 7,155,265	\$ 0

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

CITY OF GRANT, MICHIGAN  
GOVERNMENTAL FUNDS

BALANCE SHEET  
JUNE 30, 2019

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT-OF- WAYS FUND	NON- MAJOR FUNDS	TOTALS
<b><u>ASSETS</u></b>						
Cash	\$ 233,779	\$ 239,875	\$ 72,215	\$ 99,470	\$ 1,176	\$ 646,515
Accounts Receivable	4,791	0	0	0	0	4,791
Due from Other Funds	6,170	0	0	2,485	0	8,655
Due from Other Governments	15,000	14,297	4,719	0	0	34,016
Prepaid Expenditures	2,507	0	0	0	0	2,507
<b>TOTAL ASSETS</b>	<b>\$ 262,247</b>	<b>\$ 254,172</b>	<b>\$ 76,934</b>	<b>\$ 101,955</b>	<b>\$ 1,176</b>	<b>\$ 696,484</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>						
<b><u>LIABILITIES</u></b>						
Accounts Payable	\$ 3,548	\$ 11	\$ 0	\$ 1,145	\$ 0	\$ 4,704
Due to Other Funds	0	5,642	3,013	0	0	8,655
Unearned Revenue	5,000	0	0	0	0	5,000
<b>Total Liabilities</b>	<b>8,548</b>	<b>5,653</b>	<b>3,013</b>	<b>1,145</b>	<b>0</b>	<b>18,359</b>
<b><u>FUND BALANCE</u></b>						
Nonspendable, Prepaid Expenditure	2,507	0	0	0	0	2,507
Restricted for:						
Major Streets	0	248,519	0	0	0	248,519
Local Streets	0	0	73,921	0	0	73,921
Fire Protection and Equipment	0	0	0	0	1,114	1,114
Drug Law Enforcement	0	0	0	0	10	10
Roads and Right-of-Ways	0	0	0	100,810	0	100,810
Assigned for:						
Sidewalk Projects	0	0	0	0	52	52
Unassigned	251,192	0	0	0	0	251,192
<b>Total Fund Balance</b>	<b>253,699</b>	<b>248,519</b>	<b>73,921</b>	<b>100,810</b>	<b>1,176</b>	<b>678,125</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 262,247</b>	<b>\$ 254,172</b>	<b>\$ 76,934</b>	<b>\$ 101,955</b>	<b>\$ 1,176</b>	<b>\$ 696,484</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, 2019

Total Fund Balances for Governmental Funds \$ 678,125

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	313,554	
Vehicles	141,652	
Infrastructure	1,833,293	
Accumulated Depreciation	<u>(1,214,378)</u>	2,086,546

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

Capital Lease Payable	(29,729)
Installment Purchase Agreement	(241,501)

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.

(4,267)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,489,174</u>
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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, 2019

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT-OF- WAYS FUND	NON- MAJOR FUNDS	TOTALS
<b><u>REVENUES</u></b>						
Taxes	\$ 201,035	\$ 0	\$ 0	\$ 47,946	\$ 16,414	\$ 265,395
Licenses and Permits	10,661	0	0	0	0	10,661
Federal Grants	15,000	0	0	0	0	15,000
State Grants	108,149	82,137	39,955	4,964	0	235,205
Charges for Services	45,890	25	0	0	0	45,915
Fines and Forfeitures	1,374	0	0	0	0	1,374
Interest and Rents	67,411	338	108	87	0	67,944
Other Revenue	11,236	0	0	0	0	11,236
<b>Total Revenues</b>	<b>460,756</b>	<b>82,500</b>	<b>40,063</b>	<b>52,997</b>	<b>16,414</b>	<b>652,730</b>
<b><u>EXPENDITURES</u></b>						
General Government	173,898	0	0	0	0	173,898
Public Safety	141,064	0	0	0	21,109	162,173
Public Works	72,962	194,370	98,404	34,972	0	400,708
Community and Economic Development	52	0	0	0	0	52
Recreation and Culture	5,537	0	0	0	0	5,537
Other Functions	20,643	0	0	0	0	20,643
Debt Service	16,055	8,770	3,940	0	0	28,765
<b>Total Expenditures</b>	<b>430,211</b>	<b>203,140</b>	<b>102,344</b>	<b>34,972</b>	<b>21,109</b>	<b>791,776</b>
Excess (Deficiency) of Revenues Over Expenditures	30,545	(120,640)	(62,281)	18,025	(4,695)	(139,046)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Installment Purchase Agreement Proceeds	0	175,406	78,806	0	0	254,212
Sale of Capital Assets	1,245	0	0	0	0	1,245
Transfers In (Out)	(5,254)	0	0	0	5,254	0
<b>Total Other Financing Sources (Uses)</b>	<b>(4,009)</b>	<b>175,406</b>	<b>78,806</b>	<b>0</b>	<b>5,254</b>	<b>255,457</b>
Net Change in Fund Balance	26,536	54,766	16,525	18,025	559	116,411
<b><u>FUND BALANCES</u></b> - Beginning of Year	<b>227,163</b>	<b>193,753</b>	<b>57,396</b>	<b>82,785</b>	<b>617</b>	<b>561,714</b>
<b><u>FUND BALANCES</u></b> - End of Year	<b>\$ 253,699</b>	<b>\$ 248,519</b>	<b>\$ 73,921</b>	<b>\$ 100,810</b>	<b>\$ 1,176</b>	<b>\$ 678,125</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, 2019

Net Change in Fund Balance - Total Governmental Funds \$ 116,411

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	(131,084)
Capital Outlay	325,357

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	(5,571)
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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	13,753
Installment Purchase Agreement Principal Payments	12,711

The issuance of long-term debt provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Installment Purchase Agreement Proceeds	(254,212)
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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	3,359
Compensated Absences - End of the Year	<u>(4,267)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 76,457</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, 2019

	<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	\$ 338,127	\$ 19,437	\$ 357,564
Accounts Receivable	44,267	92,714	136,981
Prepaid Expenses	876	486	1,362
Total Current Assets	383,270	112,637	495,907
<u>NONCURRENT ASSETS</u>			
<u>RESTRICTED ASSETS</u>			
Cash	174,177	357,571	531,748
<u>CAPITAL ASSETS</u>			
Property, Plant and Equipment	3,418,083	5,742,396	9,160,479
Less Accumulated Depreciation	(1,514,713)	(2,037,599)	(3,552,312)
Net Capital Assets	1,903,370	3,704,797	5,608,167
Total Noncurrent Assets	2,077,547	4,062,368	6,139,915
TOTAL ASSETS	2,460,817	4,175,005	6,635,822
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	730	2,865	3,595
Accrued Interest	1,479	8,012	9,491
Current Portion of Long-Term Debt	18,000	53,000	71,000
Total Current Liabilities	20,209	63,877	84,086

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

CITY OF GRANT, MICHIGAN  
PROPRIETARY FUNDS

STATEMENT OF NET POSITION  
JUNE 30, 2019

	<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	379	266	645
Bonds Payable	355,000	1,601,000	1,956,000
Less Current Portion of Long-Term Debt	(18,000)	(53,000)	(71,000)
	<hr/>		
Total Noncurrent Liabilities	337,379	1,548,266	1,885,645
	<hr/>		
TOTAL LIABILITIES	357,588	1,612,143	1,969,731
	<hr/>		
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,548,370	2,103,797	3,652,167
Restricted for Debt Service	27,398	100,035	127,433
Restricted for Replacement, Repairs and Improvements	146,779	257,536	404,315
Unrestricted	380,682	101,494	482,176
	<hr/>		
TOTAL NET POSITION	\$ 2,103,229	\$ 2,562,862	\$ 4,666,091
	<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, 2019

	<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	\$ 173,211	\$ 364,025	\$ 537,236
 <u>OPERATING EXPENSES</u>			
Salaries and Wages	12,118	4,444	16,562
FICA	886	314	1,200
Fringe Benefits	1,478	850	2,328
Administration	25,305	14,805	40,110
Health and Life Insurance	5,164	1,199	6,363
Office and Operating Supplies	7,452	19,866	27,318
Professional Services	4,832	5,624	10,456
Property and Liability Insurance	8,222	8,429	16,651
Workers Comp Insurance	1,566	1,567	3,133
Contracted Services	7,520	120,347	127,867
Repairs and Maintenance	10,003	26,682	36,685
Utilities	13,044	39,397	52,441
Telephone	1,153	590	1,743
Printing and Publishing	754	0	754
Equipment Rental	630	578	1,208
Miscellaneous	171	110	281
Education and Training	841	0	841
Membership and Subscriptions	709	254	963
Depreciation	70,019	122,452	192,471
 Total Operating Expenses	 171,867	 367,508	 539,375
 Operating Income (Loss)	 1,344	 (3,483)	 (2,139)

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, 2019

	<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	509	3,782	4,291
Other Revenue	10,044	5,731	15,775
Property Taxes	0	35,292	35,292
Interest Expense	(18,529)	(45,496)	(64,025)
Total Nonoperating Revenues (Expenses)	(7,976)	(691)	(8,667)
Change in Net Position	(6,632)	(4,174)	(10,806)
<u>TOTAL NET POSITION</u> - Beginning of Year	2,109,861	2,567,036	4,676,897
<u>TOTAL NET POSITION</u> - End of Year	\$ 2,103,229	\$ 2,562,862	\$ 4,666,091

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, 2019

	<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>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 173,152	\$ 357,251	\$ 530,403
Cash Payments to Suppliers for Goods and Services	(56,453)	(239,726)	(296,179)
Cash Payments to Employees for Services	(45,537)	(21,845)	(67,382)
	<hr/>		
Net Cash Provided (Used) for Operating Activities	71,162	95,680	166,842
	<hr/>		
Cash Flows from Noncapital Financing Activities			
Collections of Property Taxes	0	35,292	35,292
Other Revenue Received	10,044	5,731	15,775
	<hr/>		
Net Cash Provided (Used) for Noncapital Financing Activities	10,044	41,023	51,067
	<hr/>		
Cash Flows from Capital and Related Financing Activities			
Principal and Interest on Capital Debt	(35,600)	(96,890)	(132,490)
Acquisition of Capital Assets	0	(17,936)	(17,936)
	<hr/>		
Net Cash Provided (Used) for Capital and Related Financing Activities	(35,600)	(114,826)	(150,426)
	<hr/>		
Cash Flows from Investing Activities			
Interest Income	509	3,782	4,291
	<hr/>		
Net Increase (Decrease) in Cash and Cash Equivalents	46,115	25,659	71,774
	<hr/>		
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	466,189	351,349	817,538
	<hr/>		
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 512,304	\$ 377,008	\$ 889,312
	<hr/> <hr/>		

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, 2019

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	MAJOR FUNDS		
	WATER FUND	SEWER FUND	TOTALS
<u>RECONCILIATION OF OPERATING INCOME</u>			
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ 1,344	\$ (3,483)	\$ (2,139)
Adjustments to reconcile Operating Income			
To Net Cash Provided by Operating Activities			
Depreciation	70,019	122,452	192,471
(Increase) Decrease in Current Assets			
Accounts Receivable	(59)	(6,774)	(6,833)
Prepaid Expenses	(876)	(486)	(1,362)
Due From Other Funds	0	4,577	4,577
Increase (Decrease) in Current Liabilities			
Accounts Payable	444	(20,859)	(20,415)
Increase (Decrease) in in Long-Term Liabilities			
Compensated Absences	290	253	543
Total Adjustments	69,818	99,163	168,981
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 71,162	\$ 95,680	\$ 166,842

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

CITY OF GRANT, MICHIGAN  
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019

	<u>AGENCY FUND TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$          3,943
<u>LIABILITIES</u>	
Due to Other Governments	<u>                  3,943</u>
<u>NET POSITION</u>	<u><u>\$                  0</u></u>

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

**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, 2019

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, 2019

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, 2019

**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		
Debt Service		
Principal	\$ 6,055	\$ 13,753
Interest	0	2,302
Major Street Fund		
Street Department	36,335	194,370
Local Street Fund		
Street Department	25,055	98,404

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

**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.

**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.

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.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 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 obligation.

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.

**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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019

**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 2018 taxable valuation of the City of Grant totaled \$16,887,276, on which ad valorem taxes levied consisted of 10.0829 mills for general operating, .9721 mills for fire protection services, 2.8736 mills for roads, .9721 mills for public safety, and 2.0900 mills for sewer bond debt. These levies raised approximately \$170,271 for operating purposes, \$16,414 for fire protection, \$47,946 for roads, \$16,414 for public safety, and \$35,292 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, 2019

**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, 2019.

**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, 2019, \$645,745 of the City's bank balance of \$1,562,219 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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

based on market data obtained from sources independent of the reporting entity. These may include 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 \$3,943	<u>\$ 1,539,770</u>

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

	<u>Total</u>
Cash - Fiduciary Funds	\$ 3,943
Cash - Governmental Activities	646,515
Cash - Business-Type Activities	357,564
Restricted Cash - Business-Type Activities	<u>531,748</u>
	<u>\$ 1,539,770</u>

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

**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	\$ 4,791	\$ 0	\$ 0	\$44,267	\$92,714	\$141,772
Due from Other Governments	15,000	14,297	4,719	0	0	34,016
<b>TOTAL</b>	<b>\$19,791</b>	<b>\$ 14,297</b>	<b>\$ 4,719</b>	<b>\$44,267</b>	<b>\$92,714</b>	<b>\$175,788</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	\$ 146,348	\$ 0	\$ 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	298,402	15,152	0	313,554
Vehicles	109,825	47,827	16,000	141,652
Infrastructure	1,570,915	262,378	0	1,833,293
Total Capital Assets, Being Depreciated	2,845,219	325,357	16,000	3,154,576
Less Accumulated Depreciation for:				
Buildings	151,740	14,457	0	166,197
Improvements other than buildings	119,218	13,626	0	132,844
Machinery and Equipment	122,738	29,013	0	151,751
Vehicles	63,031	8,569	10,429	61,171
Infrastructure	636,996	65,419	0	702,415
Total Accumulated Depreciation	1,093,723	131,084	10,429	1,214,378
Total Capital Assets, Being Depreciated, Net	1,751,496	194,273	5,571	1,940,198
Governmental Activities Capital Assets, Net	\$ 1,897,844	\$ 194,273	\$ 5,571	\$ 2,086,546



CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

	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	17,936	0	8,744,828
Total Capital Assets, Being Depreciated	9,088,901	17,936	0	9,106,837
Less Accumulated Depreciation for:				
Buildings	102,052	1,907	0	103,959
Machinery and Equipment	161,261	12,236	0	173,497
Improvements Other Than Buildings	3,096,528	178,328	0	3,274,856
Total Accumulated Depreciation	3,359,841	192,471	0	3,552,312
Total Capital Assets, Being Depreciated, Net	5,729,060	(174,535)	0	5,554,525
Business-Type Activities Capital Assets, Net	\$ 5,782,702	\$ (174,535)	\$ 0	\$ 5,608,167

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

Governmental Activities:	
General Government	\$ 43,633
Public Safety	7,230
Public Works, Including Depreciation	
General Infrastructure Assets	73,133
Recreation and Culture	7,088
Total Depreciation Expense - Governmental Activities	<u>\$ 131,084</u>
Business-Type Activities:	
Water Fund	\$ 70,019
Sewer Fund	122,452
Total Depreciation Expense - Business-Type Activities	<u>\$ 192,471</u>

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Individual fund interfund receivable and payable balances at June 30, 2019, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 6,170	\$ 0
Major Street Fund	0	5,642
Local Street Fund	0	3,013
Roads and Right-of-Ways Fund	2,485	0
	<u>\$ 8,655</u>	<u>\$ 8,655</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, 2019, are expected to be repaid within one year.

Interfund Transfers as of June 30, 2019 were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 5,254
Fire Fund	5,254	0
	<u>\$ 5,254</u>	<u>\$ 5,254</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.

**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, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 14,481	\$ 1,574	\$ 16,055
2021	15,248	807	16,055
Total Lease Payments	<u>\$ 29,729</u>	<u>\$ 2,381</u>	<u>\$ 32,110</u>

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

**F. Long-Term Obligations**

**1. Primary Government**

The following is a summary of obligation transactions of the City of Grant for the year ended June 30, 2019:

		NOTES FROM DIRECT BORROWINGS AND DIRECT CAPITAL LEASE OBLIGATIONS COMPENSATED ABSENCES					
	BONDS	PLACEMENTS	OBLIGATIONS	ABSENCES	TOTAL		
Obligations Payable at July 1, 2018	\$ 2,024,000	\$ 0	\$ 43,482	\$ 3,461	\$ 2,070,943		
New Obligations Incurred	0	254,212	0	1,451	255,663		
Obligations Retired	(68,000)	(12,711)	(13,753)	0	(94,464)		
Obligations Payable at June 30, 2019	\$ 1,956,000	\$ 241,501	\$ 29,729	\$ 4,912	\$ 2,232,142		
Due within one year	\$ 71,000	\$ 12,711	\$ 14,481	Unknown	\$ 98,192		

Obligations payable at June 30, 2019, is comprised of the following individual issues:

**Bonds:**

\$586,000 Water Revenue Bonds, Series 1994 bonds, due in annual installments of \$18,000 to \$27,000 through June 1, 2034; plus interest at 5.00%	\$ 355,000
\$1,722,000 Sewer System Revenue Bonds, Series 2009 Bonds in annual installments of \$31,000 to \$68,000 through September 1, 2049; plus interest at 2.625%	1,477,000
\$670,000 Sewer Line Bonds, General Obligation Limited Tax due in annual installments of \$22,000 to \$28,000 through October 1, 2023; plus interest at 5.00%	124,000

**Notes From Direct Borrowings and Direct Placements**

Due in annual installments of \$12,711 through December 31, 2037, interest at 0%	241,501
--	---------

**Capital Lease Obligations:**

Due in annual installments of \$14,481 to \$15,248 through August 1, 2020, interest at 5.169%	29,729
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**Sick and Vacation Pay Liability:**

Accumulated sick and vacation pay owed to City employees	4,912
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**\$ 2,232,142**

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The Cities outstanding notes from capital lease obligations related to governmental activities of \$29,729 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize these obligations outstanding other than compensated absences as of June 30, 2019, including interest payments of \$850,483, are as follows:

Year Ending June 30,	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL
	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	CAPITAL LEASE OBLIGATIONS	BONDS		
2020					
PRINCIPAL	\$ 12,711	\$ 14,481	\$ 71,000	\$ 98,192	
INTEREST	0	1,574	61,764	63,338	
TOTAL	12,711	16,055	132,764	161,530	
2021					
PRINCIPAL	12,711	15,248	74,000	101,959	
INTEREST	0	807	58,913	59,720	
TOTAL	12,711	16,055	132,913	161,679	
2022					
PRINCIPAL	12,711	0	78,000	90,711	
INTEREST	0	0	55,909	55,909	
TOTAL	12,711	0	133,909	146,620	
2023					
PRINCIPAL	12,711	0	81,000	93,711	
INTEREST	0	0	52,755	52,755	
TOTAL	12,711	0	133,755	146,466	
2024					
PRINCIPAL	12,711	0	85,000	97,711	
INTEREST	0	0	49,449	49,449	
TOTAL	12,711	0	134,449	147,160	
2025-2029					
PRINCIPAL	63,555	0	312,000	375,555	
INTEREST	0	0	211,794	211,794	
TOTAL	63,555	0	523,794	587,349	
2030-2034					
PRINCIPAL	63,551	0	348,000	411,551	
INTEREST	0	0	153,516	153,516	
TOTAL	63,551	0	501,516	565,067	

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Year Ending June 30,	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	CAPITAL LEASE OBLIGATIONS	BONDS	TOTAL
	2035-2039			
PRINCIPAL	50,840	0	243,000	293,840
INTEREST	0	0	103,438	103,438
TOTAL	<u>50,840</u>	<u>0</u>	<u>346,438</u>	<u>397,278</u>
2040-2044				
PRINCIPAL	0	0	277,000	277,000
INTEREST	0	0	69,313	69,313
TOTAL	<u>0</u>	<u>0</u>	<u>346,313</u>	<u>346,313</u>
2045-2049				
PRINCIPAL	0	0	319,000	319,000
INTEREST	0	0	30,358	30,358
TOTAL	<u>0</u>	<u>0</u>	<u>349,358</u>	<u>349,358</u>
2050				
PRINCIPAL	0	0	68,000	68,000
INTEREST	0	0	893	893
TOTAL	<u>0</u>	<u>0</u>	<u>68,893</u>	<u>68,893</u>
TOTAL				
PRINCIPAL	241,501	29,729	1,956,000	2,227,230
INTEREST	0	2,381	848,102	850,483
TOTAL	<u>\$ 241,501</u>	<u>\$ 32,110</u>	<u>\$ 2,804,102</u>	<u>\$3,077,713</u>

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.

**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, 2019, the City contributed \$6,729 to the plan. Employees voluntarily deferred an additional \$5,159 to their

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

individual plans. Covered wages for the year were approximately \$112,149, while total wages were approximately \$237,495. 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, 2019, 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, including general liability, property and casualty, and workers' disability compensation. The pool is considered a public entity risk pools. 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, 2019, the Fremont Area Community Foundation holds endowment funds for the City of Grant in the amount of \$54,663.

**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. Upcoming Accounting Pronouncements**

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the City's 2020 fiscal year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Cities with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

CITY OF GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	GENERAL FUND			MAJOR STREET FUND		
	ORIGINAL	FINAL	ACTUAL	ORIGINAL	FINAL	ACTUAL
	BUDGET	BUDGET		BUDGET	BUDGET	
<u>REVENUES</u>						
Taxes	\$ 180,242	\$ 180,242	\$ 201,035	\$ 0	\$ 0	\$ 0
Licenses and Permits	9,750	9,750	10,661	0	0	0
Federal Grants	0	0	15,000	0	0	0
State Grants	114,246	112,646	108,149	80,425	80,425	82,137
Charges for Services	48,370	45,545	45,890	0	0	25
Fines and Forfeitures	1,000	1,000	1,374	0	0	0
Interest and Rents	65,381	56,081	67,411	100	100	338
Other Revenue	8,130	15,110	11,236	0	0	0
Total Revenues	<u>427,119</u>	<u>420,374</u>	<u>460,756</u>	<u>80,525</u>	<u>80,525</u>	<u>82,500</u>
<u>EXPENDITURES</u>						
General Government						
Mayor and City Council	10,660	10,425	10,340	0	0	0
Manager	67,530	52,775	52,122	0	0	0
Clerk	42,950	40,930	39,539	0	0	0
Board of Review	1,085	770	731	0	0	0
Treasurer	23,850	22,200	22,049	0	0	0
Assessor	8,750	10,245	10,243	0	0	0
Elections	4,720	5,499	5,488	0	0	0
City Hall	19,680	19,920	18,761	0	0	0
Community Building	11,320	11,495	11,451	0	0	0
Cemetery	4,650	4,250	3,174	0	0	0
Public Safety						
Police Department	116,000	141,167	141,064	0	0	0
Public Works						
Drains	550	700	690	0	0	0
Department of Public Works	78,537	73,496	72,272	0	0	0
Highways, Streets and Bridges	0	0	0	0	0	0
Street Department	0	0	0	41,493	36,335	194,370
Community and Economic Development						
Planning Commission	438	438	52	0	0	0
Economic Development	500	0	0	0	0	0
Recreation and Culture						
Parks and Recreation	10,650	6,240	5,537	0	0	0
Other Functions	30,530	27,850	20,643	0	0	0
Debt Service						
Principal	6,055	6,055	13,753	0	0	8,770
Interest	0	0	2,302	0	0	0
Total Expenditures	<u>438,455</u>	<u>434,455</u>	<u>430,211</u>	<u>41,493</u>	<u>36,335</u>	<u>203,140</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>(11,336)</u>	<u>(14,081)</u>	<u>30,545</u>	<u>39,032</u>	<u>44,190</u>	<u>(120,640)</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Installment Purchase Agreement Proceeds	0	0	0	0	0	175,406
Sale of Capital Assets	0	1,250	1,245	0	0	0
Transfers In (Out)	(3,901)	(6,153)	(5,254)	0	0	0
Total Other Financing Sources (Uses)	<u>(3,901)</u>	<u>(4,903)</u>	<u>(4,009)</u>	<u>0</u>	<u>0</u>	<u>175,406</u>
Net Change in Fund Balance	(15,237)	(18,984)	26,536	39,032	44,190	54,766
<u>FUND BALANCE</u> - Beginning of Year	<u>227,163</u>	<u>227,163</u>	<u>227,163</u>	<u>193,753</u>	<u>193,753</u>	<u>193,753</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 211,926</u>	<u>\$ 208,179</u>	<u>\$ 253,699</u>	<u>\$ 232,785</u>	<u>\$ 237,943</u>	<u>\$ 248,519</u>

CITY OF GRANT, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

	<u>LOCAL STREET FUND</u>			<u>RIGHT-OF-WAY FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 44,215	\$ 45,200	\$ 47,946
Licenses and Permits	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0
State Grants	26,575	39,405	39,955	0	0	4,964
Charges for Services	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0	0
Interest and Rents	30	30	108	0	0	87
Other Revenue	0	0	0	0	0	0
Total Revenues	<u>26,605</u>	<u>39,435</u>	<u>40,063</u>	<u>44,215</u>	<u>45,200</u>	<u>52,997</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	26,050	37,600	34,972
Street Department	22,730	25,055	98,404	0	0	0
Community and Economic Development						
Planning Commission	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	3,940	0	0	0
Interest	0	0	0	0	0	0
Total Expenditures	<u>22,730</u>	<u>25,055</u>	<u>102,344</u>	<u>26,050</u>	<u>37,600</u>	<u>34,972</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>3,875</u>	<u>14,380</u>	<u>(62,281)</u>	<u>18,165</u>	<u>7,600</u>	<u>18,025</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Installment Purchase Agreement Proceeds	0	0	78,806	0	0	0
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>78,806</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	3,875	14,380	16,525	18,165	7,600	18,025
<u>FUND BALANCE</u> - Beginning of Year	<u>57,396</u>	<u>57,396</u>	<u>57,396</u>	<u>82,785</u>	<u>82,785</u>	<u>82,785</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 61,271</u>	<u>\$ 71,776</u>	<u>\$ 73,921</u>	<u>\$ 100,950</u>	<u>\$ 90,385</u>	<u>\$ 100,810</u>



CITY OF GRANT, MICHIGAN  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET  
JUNE 30, 2019

	SPECIAL REVENUE FUNDS			TOTALS
	FIRE	SIDEWALK	DRUG LAW ENFORCEMENT	
<u>ASSETS</u>				
Cash	\$ 1,114	\$ 52	\$ 10	\$ 1,176
<hr/>				
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0
<hr/>				
<u>FUND BALANCE</u>				
Restricted for:				
Fire Protection and Equipment	1,114	0	0	1,114
Drug Law Enforcement	0	0	10	10
Assigned for:				
Sidewalk Projects	0	52	0	52
<hr/>				
Total Fund Balance	1,114	52	10	1,176
<hr/>				
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 1,114	\$ 52	\$ 10	\$ 1,176
<hr/>				

CITY OF GRANT, MICHIGAN  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUNDS			TOTALS
	FIRE	SIDEWALK	DRUG LAW ENFORCEMENT	
<u>REVENUES</u>				
Taxes	\$ 16,414	\$ 0	\$ 0	\$ 16,414
<u>EXPENDITURES</u>				
Public Safety	21,109	0	0	21,109
Excess (Deficiency) of Revenues Over Expenditures	(4,695)	0	0	(4,695)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In				
General Fund	5,254	0	0	5,254
Net Change in Fund Balance	559	0	0	559
<u>FUND BALANCE</u> - Beginning of Year	555	52	10	617
<u>FUND BALANCE</u> - End of Year	\$ 1,114	\$ 52	\$ 10	\$ 1,176

CITY OF GRANT, MICHIGAN  
GENERAL FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ 233,779	\$ 235,248
Accounts Receivable	4,791	2,617
Due from Other Funds	6,170	5,532
Due from Other Governments	15,000	0
Prepaid Expenditures	2,507	0
	<hr/>	<hr/>
TOTAL ASSETS	\$ 262,247	\$ 243,397
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 3,548	\$ 7,924
Due to Other Funds	0	3,310
Unearned Revenue	5,000	5,000
	<hr/>	<hr/>
Total Liabilities	8,548	16,234
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Nonspendable, Prepaid Expenditures	2,507	0
Unassigned	251,192	227,163
	<hr/>	<hr/>
Total Fund Balance	253,699	227,163
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 262,247	\$ 243,397
	<hr/> <hr/>	<hr/> <hr/>

CITY OF GRANT, MICHIGAN  
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018

	2019		2018
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 180,242	\$ 201,035	\$ 195,761
Licenses and Permits	9,750	10,661	10,402
Federal Grants	0	15,000	16,000
State Grants	112,646	108,149	112,041
Charges for Services	45,545	45,890	49,880
Fines and Forfeitures	1,000	1,374	1,020
Interest and Rents	56,081	67,411	76,706
Other Revenue	15,110	11,236	4,504
Total Revenues	420,374	460,756	466,314
<u>EXPENDITURES</u>			
General Government	178,509	173,898	186,005
Public Safety	141,167	141,064	154,718
Public Works	74,196	72,962	52,835
Community and Economic Development	438	52	116
Recreation and Culture	6,240	5,537	6,654
Other Functions	27,850	20,643	17,074
Debt Service	6,055	16,055	16,055
Total Expenditures	434,455	430,211	433,457
Excess (Deficiency) of Revenues Over Expenditures	(14,081)	30,545	32,857
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	1,250	1,245	3,000
Transfers Out	(6,153)	(5,254)	(4,096)
Total Other Financing Sources (Uses)	(4,903)	(4,009)	(1,096)
Net Change in Fund Balance	(18,984)	26,536	31,761
<u>FUND BALANCE</u> - Beginning of Year	227,163	227,163	195,402
<u>FUND BALANCE</u> - End of Year	\$ 208,179	\$ 253,699	\$ 227,163

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018

	2019		2018
	BUDGET	ACTUAL	ACTUAL
<u>TAXES</u>			
Current and Delinquent Taxes	\$ 170,102	\$ 186,684	\$ 182,262
Trailer	140	124	56
Penalties and Interest	2,000	5,359	4,803
Property Tax Administration Fee	8,000	8,868	8,640
 Total Taxes	 180,242	 201,035	 195,761
<u>LICENSES AND PERMITS</u>			
Franchise Fees	9,500	10,231	9,952
Business Licenses and Permits	250	430	450
 Total Licenses and Permits	 9,750	 10,661	 10,402
<u>FEDERAL GRANTS</u>			
USDA - COMMUNITY FEDERAL GRANT	0	15,000	16,000
<u>STATE GRANTS</u>			
Sales and Use Tax	96,643	100,874	97,274
Small Taxpayer Loss Reimbursement	5,400	5,489	5,601
Liquor Licenses	0	1,286	1,449
MI Justice Trainers Fund Grant	0	500	500
Voting Equipment Grant	0	0	7,217
MJTC Grant	0	0	0
Other State Grant	10,603	0	0
 Total State Grants	 112,646	 108,149	 112,041
<u>CHARGES FOR SERVICES</u>			
Cemetery Lot Sales	650	800	200
Monuments and Foundation Sales	0	0	0
Zoning Fees	225	420	260
Contracted Services	0	0	3,400
Administration	44,670	44,670	46,020
 Total Charges for Services	 45,545	 45,890	 49,880
<u>FINES AND FORFEITURES</u>			
Violation Bureau and Ordinance Fines	1,000	1,374	1,020

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018

	2019		2018
	BUDGET	ACTUAL	ACTUAL
<u>INTEREST AND RENTS</u>			
Interest	151	5,391	235
Rent (Community Building and Equipment)	24,700	24,207	23,068
Land Lease	8,970	9,718	28,223
Water Tower Lease	22,260	28,095	25,180
Total Interest and Rents	56,081	67,411	76,706
 <u>OTHER REVENUE</u>			
Private Donations	930	788	445
Refunds and Rebates	3,800	4,807	2,305
Other Revenue	10,380	5,641	1,754
Total Other Revenue	15,110	11,236	4,504
Total Revenues	420,374	460,756	466,314
 <u>OTHER FINANCING SOURCES</u>			
Sale of Capital Assets	1,250	1,245	3,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 421,624	\$ 462,001	\$ 469,314

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018

	2019		2018
	BUDGET	ACTUAL	ACTUAL
<u>GENERAL GOVERNMENT</u>			
Mayor and City Council			
Salaries and Wages	\$ 5,625	\$ 5,625	\$ 4,813
Social Security Tax	435	430	368
Office and Operating Supplies	275	216	258
Professional Services	275	253	300
Printing and Publishing	1,100	1,217	96
Membership and Dues	1,100	1,074	1,055
Transportation	300	0	278
Education and Training	450	440	845
Telephone	700	679	641
Miscellaneous	165	406	177
	10,425	10,340	8,831
Manager			
Salaries and Wages	44,500	44,498	57,000
Social Security Tax	3,400	3,334	4,211
Fringes	750	745	1,140
Office and Operating Supplies	550	271	406
Professional Services	850	674	781
Membership and Dues	450	448	586
Education and Training	900	894	911
Telephone	1,200	1,099	1,814
Transportation	125	109	265
Miscellaneous	50	50	66
	52,775	52,122	67,180
Clerk			
Salaries and Wages	33,300	33,212	32,908
Social Security Tax	2,550	2,462	2,334
Fringes	180	180	180
Office and Operating Supplies	700	260	391
Professional Services	750	617	806
Printing and Publishing	100	0	0
Membership and Dues	400	390	350
Education and Training	1,000	849	2,236
Telephone	1,500	1,399	1,349
Transportation	200	143	301
Miscellaneous	100	27	49
Capital Outlay	150	0	0
	40,930	39,539	40,904

CITY OF GRANT, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018

	<u>2019</u>		<u>2018</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Board of Review			
Salaries and Wages	375	369	230
Social Security Tax	30	28	18
Printing and Publishing	300	294	294
Transportation	0	0	34
Education and Training	25	0	40
Miscellaneous	40	40	35
	<u>770</u>	<u>731</u>	<u>651</u>
Treasurer			
Salaries and Wages	13,850	13,754	19,554
Social Security Tax	1,060	1,052	1,496
Office and Operating Supplies	296	287	373
Professional Services	1,100	1,098	1,166
Contracted Services	1,648	1,647	1,534
Membership and Dues	50	50	110
Education and Training	3,265	3,263	3,244
Telephone	710	679	734
Transportation	200	199	243
Miscellaneous	21	20	22
	<u>22,200</u>	<u>22,049</u>	<u>28,476</u>
Assessor			
Contracted Services	<u>10,245</u>	<u>10,243</u>	<u>9,500</u>
Elections			
Salaries and Wages	2,501	2,500	579
Social Security Tax	191	191	44
Office and Operating Supplies	435	430	332
Contracted Services	1,062	1,062	429
Printing and Publishing	1,005	1,003	415
Transportation	305	302	220
Education and Training	0	0	636
Capital Outlay	0	0	7,217
	<u>5,499</u>	<u>5,488</u>	<u>9,872</u>
City Hall			
Salaries and Wages	1,900	1,640	1,266
Social Security Tax	145	123	95
Operating Supplies	400	272	265
Professional Services	50	50	200
Utilities	3,800	3,857	3,773



CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018

	2019		2018
	BUDGET	ACTUAL	ACTUAL
Repairs and Maintenance	2,300	1,832	1,816
Equipment Rental	150	130	0
Miscellaneous	1,675	1,644	35
Capital Outlay	9,500	9,213	0
	19,920	18,761	7,450
Community Building			
Salaries and Wages	1,250	1,009	706
Social Security Tax	100	76	53
Operating and Maintenance Supplies	675	672	751
Contracted Services	1,200	1,200	141
Utilities	6,270	6,478	6,096
Repairs and Maintenance	1,950	2,016	1,393
Equipment Rental	50	0	0
Miscellaneous	0	0	50
Capita Outlay	0	0	809
	11,495	11,451	9,999
Cemetery			
Salaries and Wages	3,500	2,862	2,200
Social Security Tax	300	216	167
Operating and Maintenance Supplies	150	49	470
Contracted Services	50	0	300
Equipment Rental	250	47	5
	4,250	3,174	3,142
Total General Government	178,509	173,898	186,005
<b><u>PUBLIC SAFETY</u></b>			
Police Department			
Salaries and Wages	86,877	87,081	80,179
Social Security Tax	6,750	6,410	5,859
Fringes	2,300	2,400	2,344
Office and Operating Supplies	3,050	2,742	6,500
Professional Services	7,500	8,582	2,041
Contracted Services	1,800	1,679	2,568
Printing and Publishing	270	28	0
Utilities	500	406	423
Repairs and Maintenance	2,605	2,049	376
Gas and Oil	5,600	5,727	4,373
Membership and Dues	700	700	397
Education and Training	775	974	1,310
Telephone	1,100	1,110	1,115

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018

	2019		2018
	BUDGET	ACTUAL	ACTUAL
Transportation	0	0	11,762
Uniforms	1,250	1,110	1,047
Equipment Rental	40	49	149
Miscellaneous	150	127	250
Capital Outlay	19,900	19,890	34,025
Total Public Safety	<u>141,167</u>	<u>141,064</u>	<u>154,718</u>
<b><u>PUBLIC WORKS</u></b>			
Drains	700	690	299
<b>Department of Public Works</b>			
Salaries and Wages	24,000	22,463	13,083
Social Security Tax	1,836	1,685	982
Fringes	1,275	1,256	783
Office and Operating Supplies	3,350	3,193	7,478
Professional Services	1,000	890	1,489
Contracted Services	1,800	1,698	4,097
Telephone	650	590	415
Transportation	0	0	2,510
Uniforms	390	386	249
Utilities	1,500	1,454	1,242
Gas and Oil	7,000	7,500	8,903
Membership and Dues	100	90	90
Education and Training	220	215	40
Repairs and Maintenance	2,225	2,891	442
Equipment Rental	50	0	122
Miscellaneous	200	89	2,132
Capital Outlay	27,900	27,872	8,479
	<u>73,496</u>	<u>72,272</u>	<u>52,536</u>
Total Public Works	<u>74,196</u>	<u>72,962</u>	<u>52,835</u>
<b><u>COMMUNITY AND ECONOMIC DEVELOPMENT</u></b>			
<b>Planning Commission</b>			
Salaries and Wages	360	48	108
Social Security Tax	28	4	8
Office and Operating Supplies	50	0	0
Total Community and Economic Development	<u>438</u>	<u>52</u>	<u>116</u>

CITY OF GRANT, MICHIGAN  
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2018

	2019		2018
	BUDGET	ACTUAL	ACTUAL
<u>RECREATION AND CULTURE</u>			
Parks and Recreation			
Salaries and Wages	3,750	2,972	2,577
Social Security Tax	290	226	196
Operating and Maintenance Supplies	400	321	1,373
Contracted Services	900	1,329	2,189
Equipment Rental	300	98	292
Utilities	600	591	0
Miscellaneous	0	0	27
Total Recreation and Culture	6,240	5,537	6,654
<u>OTHER FUNCTIONS</u>			
Fringe Benefits			
Health and Life Insurance	21,080	14,413	11,181
Workers' Compensation	2,000	1,462	1,745
Insurance			
Property and Liability Insurance	4,770	4,768	4,148
Total Other Functions	27,850	20,643	17,074
<u>DEBT SERVICE</u>			
Principal	6,055	13,753	13,062
Interest	0	2,302	2,993
Total Debt Service	6,055	16,055	16,055
Total Expenditures	434,455	430,211	433,457
<u>OTHER FINANCING USES</u>			
Transfers Out			
Fire Fund	6,153	5,254	4,096
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 440,608	\$ 435,465	\$ 437,553

CITY OF GRANT, MICHIGAN  
WATER FUND

COMPARATIVE STATEMENT OF NET POSITION  
JUNE 30,

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 338,127	\$ 292,172
Accounts Receivable	44,267	44,208
Prepaid Expenses	876	0
Total Current Assets	383,270	336,380
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	174,177	174,017
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	3,418,083	3,418,083
Less Accumulated Depreciation	(1,514,713)	(1,444,694)
Net Capital Assets	1,903,370	1,973,389
Total Noncurrent Assets	2,077,547	2,147,406
TOTAL ASSETS	2,460,817	2,483,786
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	730	286
Accrued Interest	1,479	1,550
Current Portion of Long-Term Debt	18,000	17,000
Total Current Liabilities	20,209	18,836
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	379	89
Bonds Payable	355,000	372,000
Less Current Portion of Long-Term Debt	(18,000)	(17,000)
Total Long-Term Debt	337,379	355,089
TOTAL LIABILITIES	357,588	373,925
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,548,370	1,601,389
Restricted for Debt Service	27,398	27,384
Restricted for Replacement, Repairs and Improvements	146,779	146,634
Unrestricted	380,682	334,454
TOTAL NET POSITION	\$ 2,103,229	\$ 2,109,861

CITY OF GRANT, MICHIGAN  
WATER FUND

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

	2019	2018
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 173,211	\$ 180,451
<u>OPERATING EXPENSES</u>		
Salaries and Wages	12,118	5,364
FICA	886	473
Fringe Benefits	1,478	1,597
Administration	25,305	23,561
Health and Life Insurance	5,164	5,282
Office and Operating Supplies	7,452	12,145
Professional Services	4,832	6,258
Property and Liability Insurance	8,222	7,198
Workers Comp Insurance	1,566	1,745
Contracted Services	7,520	29,663
Repairs and Maintenance	10,003	2,572
Utilities	13,044	11,935
Telephone	1,153	979
Printing and Publishing	754	767
Equipment Rental	630	759
Miscellaneous	171	0
Education and Training	841	40
Membership and Subscriptions	709	675
Depreciation	70,019	70,018
 Total Operating Expenses	 171,867	 181,031
 Operating Income (Loss)	 1,344	 (580)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	509	326
Other Revenue	10,044	0
Interest Expense	(18,529)	(19,333)
 Total Nonoperating Revenues (Expenses)	 (7,976)	 (19,007)
 Change in Net Position	 (6,632)	 (19,587)
<u>TOTAL NET POSITION</u> - Beginning of Year	2,109,861	2,129,448
<u>TOTAL NET POSITION</u> - End of Year	\$ 2,103,229	\$ 2,109,861

CITY OF GRANT, MICHIGAN  
WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30,

	2019	2018
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 173,152	\$ 185,958
Cash Payments to Suppliers for Goods and Services	(56,453)	(80,158)
Cash Payments to Employees for Services	(45,537)	(37,214)
	71,162	68,586
Cash Flows from Noncapital Financing Activities		
Other Revenue Received	10,044	0
Cash Flows from Capital and Related Financing Activities		
Principal and Interest on Capital Debt	(35,600)	(35,400)
Cash Flows from Investing Activities		
Interest Income	509	326
	46,115	33,512
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	466,189	432,677
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 512,304	\$ 466,189
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ 1,344	\$ (580)
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	70,019	70,018
(Increase) Decrease in Current Assets		
Accounts Receivable	(59)	5,507
Prepaid Expenses	(876)	0
Increase (Decrease) in Current Liabilities		
Accounts Payable	444	(5,422)
Increase (Decrease) in Long-Term Liabilities		
Compensated Absences	290	(937)
	69,818	69,166
Total Adjustments	69,818	69,166
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	\$ 71,162	\$ 68,586

CITY OF GRANT, MICHIGAN  
SEWER FUND

COMPARATIVE STATEMENT OF NET POSITION  
JUNE 30,

	2019	2018
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 19,437	\$ (170,798)
Accounts Receivable	92,714	85,940
Prepaid Expenses	486	0
Due From Other Funds	0	4,577
	112,637	(80,281)
 <u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	357,571	522,147
 <u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	5,742,396	5,724,460
Less Accumulated Depreciation	(2,037,599)	(1,915,147)
	3,704,797	3,809,313
Total Noncurrent Assets	4,062,368	4,331,460
 <b>TOTAL ASSETS</b>	<b>4,175,005</b>	<b>4,251,179</b>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	2,865	23,724
Accrued Interest	8,012	8,406
Current Portion of Long-Term Debt	53,000	51,000
	63,877	83,130
 <u>LONG-TERM LIABILITIES</u>		
Compensated Absences	266	13
Bonds Payable	1,601,000	1,652,000
Less Current Portion of Long-Term Debt	(53,000)	(51,000)
	1,548,266	1,601,013
 <b>TOTAL LIABILITIES</b>	<b>1,612,143</b>	<b>1,684,143</b>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	2,103,797	2,157,313
Restricted for Debt Service	100,035	210,818
Restricted for Repairs, Replacement and Improvements	257,536	311,329
Unrestricted - (Deficit)	101,494	(112,424)
	2,462,862	2,566,036
 <b>TOTAL NET POSITION</b>	<b>\$ 2,562,862</b>	<b>\$ 2,567,036</b>

CITY OF GRANT, MICHIGAN  
SEWER FUND

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

	2019	2018
<u>OPERATING REVENUES</u>		
Charges for Services and Connection Fees	\$ 364,025	\$ 348,466
<u>OPERATING EXPENSES</u>		
Salaries and Wages	4,444	1,997
FICA	314	167
Fringe Benefits	850	1,205
Administration	14,805	18,559
Health and Life Insurance	1,199	1,160
Office and Operating Supplies	19,866	18,730
Professional Services	5,624	5,235
Property and Liability Insurance	8,429	7,379
Workers Comp Insurance	1,567	1,745
Contracted Services	120,347	140,243
Repairs and Maintenance	26,682	28,690
Utilities	39,397	34,055
Telephone	590	415
Printing and Publishing	0	23
Equipment Rental	578	204
Miscellaneous	110	29
Education and Training	0	40
Memberships and Dues	254	235
Depreciation	122,452	123,642
Total Operating Expenses	367,508	383,753
Operating Income (Loss)	(3,483)	(35,287)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	3,782	1,798
Property Taxes	35,292	35,389
Other Revenue	5,731	962
Interest Expense	(45,496)	(47,705)
Total Nonoperating Revenues (Expenses)	(691)	(9,556)
Change in Net Position	(4,174)	(44,843)
<u>TOTAL NET POSITION</u> - Beginning of Year	2,567,036	2,611,879
<u>TOTAL NET POSITION</u> - End of Year	\$ 2,562,862	\$ 2,567,036



CITY OF GRANT, MICHIGAN  
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
<b><u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 357,251	\$ 353,678
Cash Payments to Suppliers for Goods and Services	(239,726)	(219,701)
Cash Payments to Employees for Services	(21,845)	(23,305)
	<hr/>	<hr/>
Net Cash Provided (Used) for Operating Activities	95,680	110,672
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities		
Collections of Property Taxes	35,292	35,389
Other Revenue Received	5,731	962
	<hr/>	<hr/>
Net Cash Provided (Used) for Noncapital Financing Activities	41,023	36,351
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities		
Principal and Interest on Capital Debt	(96,890)	(119,348)
Acquisition of Capital Assets	(17,936)	0
	<hr/>	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	(114,826)	(119,348)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest Income	3,782	1,798
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	25,659	29,473
	<hr/>	<hr/>
<b><u>CASH AND CASH EQUIVALENTS - Beginning of Year</u></b>	<b>351,349</b>	<b>321,876</b>
	<hr/>	<hr/>
<b><u>CASH AND CASH EQUIVALENTS - End of Year</u></b>	<b>\$ 377,008</b>	<b>\$ 351,349</b>
	<hr/> <hr/>	<hr/> <hr/>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Operating Income (Loss)	\$ (3,483)	\$ (35,287)
	<hr/>	<hr/>
Adjustments to reconcile Operating Income To Net Cash Provided by Operating Activities		
Depreciation	122,452	123,642
(Increase) Decrease in Current Assets		
Accounts Receivable	(6,774)	5,212
Prepaid Expenses	(486)	0
Due From Other Funds	4,577	(962)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(20,859)	18,284
Increase (Decrease) In Long-Term Liabilities		
Compensated Absences	253	(217)
	<hr/>	<hr/>
Total Adjustments	99,163	145,959
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 95,680</b>	<b>\$ 110,672</b>
	<hr/> <hr/>	<hr/> <hr/>

CITY OF GRANT, MICHIGAN  
TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2019

	BALANCE 7/1/2018	INCREASES	DECREASES	BALANCE 6/30/2019
<u>ASSETS</u>				
Cash	\$ 10,751	\$ 845,137	\$ 851,945	\$ 3,943
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 1,160	\$ 1,160	\$ 0
Due to Other Governments	3,942	567,992	567,991	3,943
Due to Other Funds	6,809	275,985	282,794	0
<b>TOTAL LIABILITIES</b>	<b>\$ 10,751</b>	<b>\$ 845,137</b>	<b>\$ 851,945</b>	<b>\$ 3,943</b>

CITY OF GRANT, MICHIGAN  
COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2019</u>	<u>2018</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>2019</u>	<u>2018</u>
<u>REVENUES</u>	\$ 0	\$ 0
<u>EXPENDITURES</u>		
Community and Economic Development	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0
<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>	<u>0</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>



CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

November 25, 2019

**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, 2019, 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 25, 2019.

**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 25, 2019

## 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, 2019. 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 23, 2019. 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 2018/2019. 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. 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 and providing client assistance as the client knew the adjustment was necessary but requested our assistance.

#### *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 25, 2019.

#### *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, 2019, we noted the following items which we feel deserve comment:

##### Budgetary Accounting

Expenditures in the General Fund, Major Street Fund and Local Street 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.

### Act 51 Nonmotorized Expenses

In fiscal year 2019/2020 the City will need to spend money out of the Major and/or Local Street Funds on nonmotorized expenditures. The State mandates that a certain percentage of Act 51 monies received are to be spent on nonmotorized expenditures over the last ten years of reporting.

### Balance in the Tax Collection Fund

A balance remained in the Tax Collection Fund at June 30, 2019. We recommend that the City disburse each year all remaining funds in the Tax Collection Fund by June 30, except a small residual amount to maintain a minimum balance in order to keep the bank account open.

### Equipment Rental

While testing the equipment rental charged to other funds, we did note a few errors in the calculations. We recommend procedures be implemented to prevent these errors in the future.

### 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.

### State Chart of Account Changes

The State of Michigan Treasury Department has issued an updated Uniform Chart of Accounts. It is required for all local units in 2021. More information can be obtained from the state website or by contacting your auditor.

### 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.*