

CITY OF GRANT, MICHIGAN

JUNE 30, 2021



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CERTIFIED PUBLIC ACCOUNTANTS
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REPORT OF EXAMINATION

CITY OF GRANT, MICHIGAN
JUNE 30, 2021

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CITY OF GRANT, MICHIGAN

JUNE 30, 2021

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October 7, 2021

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, 2021, 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, 2021, 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 xi and 33-34 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 October 7, 2021 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, 2021

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, 2021. 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 \$7,300,455, (*Net Position*). Of this amount, \$769,430 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 \$812,362, of which \$259,376 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 \$259,629.
- ❖ The City's total outstanding long-term obligations decreased by \$181,335 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, 2021

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 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, sewer, and market 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, sewer, and market activity, water and sewer are considered to be major funds of the City, while the market is considered to be a non-major fund.

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

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

of those funds are not available to support the City's own programs. The City maintains one type of fiduciary fund. The Custodial 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 14-15 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 16-32 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 \$7,300,455 at the close of the most recent fiscal year.

*City of Grant
Net Position*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current Assets	\$ 870,639	\$ 822,837	\$ 519,033	\$ 564,984	\$ 1,389,672	\$ 1,387,821
Restricted Assets	0	0	584,248	580,368	584,248	580,368
Non Current Assets						
Capital Assets	3,571,430	3,323,036	9,224,545	9,160,479	12,795,975	12,483,515
Less:						
Accumulated Depreciation	(1,519,837)	(1,362,773)	(3,926,453)	(3,739,777)	(5,446,290)	(5,102,550)
Total Non Current Assets	2,051,593	1,960,263	5,298,092	5,420,702	7,349,685	7,380,965
Total Assets	2,922,232	2,783,100	6,401,373	6,566,054	9,323,605	9,349,154
Liabilities						
Current Liabilities	70,989	42,018	64,029	92,151	135,018	134,169
Long-Term Liabilities	207,825	220,247	1,680,307	1,812,973	1,888,132	2,033,220
Total Liabilities	278,814	262,265	1,744,336	1,905,124	2,023,150	2,167,389
Net Position						
Net Investment in Capital Assets	1,835,515	1,716,225	3,566,092	3,535,702	5,401,607	5,251,927
Restricted for Specific Purposes	552,681	488,754	576,737	571,363	1,129,418	1,060,117
Unrestricted	255,222	315,856	514,208	553,865	769,430	869,721
Total Net Position	\$ 2,643,418	\$ 2,520,835	\$ 4,657,037	\$ 4,660,930	\$ 7,300,455	\$ 7,181,765

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

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 \$769,430 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 \$118,690 in this fiscal year. Governmental activities increased by \$122,583, while business-type activities decreased by \$3,893.

City of Grant
Change in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program Revenues						
Charges for Services	\$ 134,936	\$ 134,120	\$ 569,083	\$ 543,362	\$ 704,019	\$ 677,482
Operating Grants and Contributions	169,393	120,498	0	0	169,393	120,498
Capital Grants and Contributions	22,000	0	32,000	0	54,000	0
General Revenues						
Taxes	368,643	287,879	0	33,366	368,643	321,245
State Shared Revenue	108,336	109,331	0	0	108,336	109,331
Investment Earnings	2,163	1,887	2,941	8,154	5,104	10,041
Other Revenue	16,428	3,987	1,424	2,308	17,852	6,295
Transfers	(38,288)	0	38,288	0	0	0
Total Revenues	783,611	657,702	643,736	587,190	1,427,347	1,244,892
Expenses						
General Government	205,682	212,444	0	0	205,682	212,444
Public Safety	207,285	177,433	0	0	207,285	177,433
Public Works	215,861	213,096	0	0	215,861	213,096
Community and						
Economic Development	3,000	0	0	0	3,000	0
Culture and Recreation	21,852	15,020	0	0	21,852	15,020
Water	0	0	238,134	198,888	238,134	198,888
Sewer	0	0	409,308	393,463	409,308	393,463
Market	0	0	187	0	187	0
Other Functions	6,541	6,474	0	0	6,541	6,474
Interest on Long-Term Debt	807	1,574	0	0	807	1,574
Total Expenses	661,028	626,041	647,629	592,351	1,308,657	1,218,392
Changes in Net Position	122,583	31,661	(3,893)	(5,161)	118,690	26,500
NET POSITION - Beginning of Year	2,520,835	2,489,174	4,660,930	4,666,091	7,181,765	7,155,265
NET POSITION - End of Year	\$ 2,643,418	\$ 2,520,835	\$ 4,657,037	\$ 4,660,930	\$ 7,300,455	\$ 7,181,765

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

Governmental Activities

During the current fiscal year, net position for the governmental activities increased \$122,583 from the prior fiscal year for an ending balance of \$2,643,418. 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, Public Works, and Public Safety expenses. Public Works represented the largest expense at \$215,861, 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. Public Safety represents the next largest expense at \$207,285. The City spent \$205,682 in this fiscal year on General Government.

Business-Type Activities

The City's business-type activities accounted for a decrease of \$3,893 in the City's net position for the fiscal year ended June 30, 2021.

The business-type activities of the City include the Water Fund, Sewer Fund, and Market Fund, the water and sewer funds provide water and sewer utility services to City residents as well as commercial customers. The Market Fund records the operations of a farmers' market.

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, 2021, its governmental funds reported fund balances of \$812,362. There is \$259,376 in unassigned fund balance. The remaining \$552,986 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 decreased by \$60,343, which brings the fund balance to \$259,629. \$259,376 of this fund balance is unassigned and \$253 is nonspendable. The decrease represents expenditures in excess of revenues received.

Major Street Fund – The Major Street Fund increased its fund balance by \$52,337, which brings the fund balance to \$330,492. 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 \$18,030, which brings the balance to \$103,621. 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, 2021

Roads and Right-of-Ways Fund – The Roads and Right-of-Ways Fund decreased its fund balance by \$6,293, which brings the balance to \$117,811. All of this balance is restricted for street improvements and projects. Property tax revenues were less than road improvement expenditures, causing the decrease.

Non-Major Funds – The Non-Major Funds of the City decreased their combined fund balance by \$147 during the fiscal year. The funds experienced minimal activity causing the small decrease in fund balance.

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

Water Fund – The Water Fund ended the fiscal year with a decrease in net position of \$34,436. The unrestricted net position increased \$16,402, net position restricted for debt service increased \$89, net position restricted for replacement, repairs, and improvements increased \$92 and net position invested in capital assets decreased by \$51,019. 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 an increase in net position of \$30,290. The unrestricted net position decreased \$56,312, net position restricted for debt service decreased \$26,306, net position restricted for replacement, repairs, and improvements increased \$31,499, and net position invested in capital assets increased by \$81,409. A transfer in from the General Fund and a federal capital contribution received caused the increase.

General Fund Budgetary Highlights

During the year, various budget amendments resulted in changes in appropriations. These changes are shown on pages 33-34 of this report.

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 525,210	\$ 610,897	\$ 619,125
Total Expenditures	\$ 481,275	\$ 657,252	\$ 637,312

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 changes to most every revenue source and expenditure function.

The variance between budgeted revenues and actual revenues was minimal. The variance between the budgeted expenditures compared to actual expenditures was minimal.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

Capital Assets The City's investment in capital assets for governmental and business-type activities as of June 30, 2021, amounted to \$7,349,685 net of accumulated depreciation. Capital assets summarized below include any items that were capitalized as outlined in the capitalization policy.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</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	499,837	311,853	8,808,894	8,744,828	9,308,731	9,056,681
Machinery and Equipment	339,043	327,166	197,010	197,010	536,053	524,176
Vehicles	190,185	141,652	0	0	190,185	141,652
Infrastructure	1,833,293	1,833,293	0	0	1,833,293	1,833,293
Subtotal	3,571,430	3,323,036	9,224,545	9,160,479	12,795,975	12,483,515
Accumulated Depreciation	1,519,837	1,362,773	3,926,453	3,739,777	5,446,290	5,102,550
Net Capital Assets	\$ 2,051,593	\$ 1,960,263	\$ 5,298,092	\$ 5,420,702	\$ 7,349,685	\$ 7,380,965

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

Asset Additions:

- ❖ Police Interceptor at a cost of \$48,533.
- ❖ Exmark Lazer mower at a cost of \$11,877.
- ❖ High pressure sewer cleaner at a cost of \$64,066.
- ❖ Farmers Market improvements at a cost of \$187,984.

Long-Term Obligations As of June 30, 2021, the City had outstanding obligations of \$1,953,844, consisting of general obligation bonds, revenue bonds, accrued compensated absences, and an installment purchase agreement. The debt represents bonds secured solely by the specific revenue sources (water and sewer system revenue bonds, \$1,732,000), accrued compensated absences of \$5,766, and an installment purchase agreement for \$216,078.

Economic Condition and Outlook

The August 2021 unemployment rate (not seasonally adjusted) for Newaygo County is 4.6%. This is two tenths of a percent (0.20%) higher than the state of Michigan and three and three tenths of a percent (3.3%) lower than August 2020. This rate reflects a recovery in progress due to the economic impact of the COVID-19 pandemic. Despite the pandemic and elevated unemployment rate, the housing market has remained strong resulting in stable property tax revenues.

The City of Grant's total taxable value (real and personal) for FY 2021-2022 increased to \$19,115,965 from \$18,360,441 in FY 2020-2021. This is the sixth 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 strongly recovering from the pandemic.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

Listed below are taxable values by fiscal year:

2010-2011:	\$15,659,579		2016-2017:	\$15,603,752	0.19%
2011-2012:	\$15,376,618	-1.81%	2017-2018:	\$16,382,393	4.99%
2012-2013:	\$15,502,051	0.82%	2018-2019:	\$16,887,276	3.08%
2013-2014:	\$15,877,991	2.43%	2019-2020:	\$17,712,984	4.89%
2014-2015:	\$15,685,030	-1.22%	2020-2021:	\$18,360,441	3.66%
2015-2016:	\$15,574,659	-0.70%	2021-2022:	\$19,115,965	4.11%

Taxable value is the basis for revenue in conjunction with millage rates. The current expected property tax millage rates, adjusted for Headlee Amendment Rollbacks fraction, is 11.9676 for the General Operating Fund, 2.7964 for Roads and Right-of-Ways Fund, .9894 mill for fire operating and equipment, .9894 mill for public safety, .9894 for community policing.

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 City Manager Kasey Jernberg at the City of Grant, 280 S. Maple Street, P.O. Box 435, Grant, Michigan 49327 or by phone at 231-834-7904.

CITY OF GRANT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2021

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 843,258	\$ 368,555	\$ 1,211,813	\$ 0
Receivables				
Accounts	7,508	149,116	156,624	0
Internal Balances	(856)	856	0	0
Prepaid Expenses	253	506	759	0
Due from Other Governments	20,476	0	20,476	0
Total Current Assets	870,639	519,033	1,389,672	0
<u>RESTRICTED ASSETS</u>				
Cash	0	584,248	584,248	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	499,837	8,808,894	9,308,731	0
Machinery and Equipment	339,043	197,010	536,053	0
Vehicles	190,185	0	190,185	0
Infrastructure	1,833,293	0	1,833,293	0
	3,571,430	9,224,545	12,795,975	0
Less Accumulated Depreciation	1,519,837	3,926,453	5,446,290	0
Net Capital Assets	2,051,593	5,298,092	7,349,685	0
TOTAL ASSETS	2,922,232	6,401,373	9,323,605	0
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	6,130	3,518	9,648	0
Accrued Wages	2,718	0	2,718	0
Accrued Interest	0	7,511	7,511	0
Unearned Revenue	49,429	0	49,429	0
Current Portion of Long-Term Debt	12,712	53,000	65,712	0
Total Current Liabilities	70,989	64,029	135,018	0

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

CITY OF GRANT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2021

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>LONG-TERM LIABILITIES</u>				
Compensated Absences	4,459	1,307	5,766	0
Bonds Payable	0	1,732,000	1,732,000	0
Installment Purchase Agreement	216,078	0	216,078	0
Less: Current Portion	(12,712)	(53,000)	(65,712)	0
Total Long-Term Liabilities	207,825	1,680,307	1,888,132	0
TOTAL LIABILITIES	278,814	1,744,336	2,023,150	0
<u>EQUITY</u>				
Net Position:				
Net Investment in Capital Assets	1,835,515	3,566,092	5,401,607	0
Restricted for Major Street	330,492	0	330,492	0
Restricted for Local Street	103,621	0	103,621	0
Restricted for Fire	747	0	747	0
Restricted for Drug Law Enforcement	10	0	10	0
Restricted for Roads and Right-of-Ways	117,811	0	117,811	0
Restricted for Debt Service	0	109,912	109,912	0
Restricted for Replacement, Repairs and Improvements	0	466,825	466,825	0
Unrestricted	255,222	514,208	769,430	0
TOTAL NET POSITION	\$ 2,643,418	\$ 4,657,037	\$ 7,300,455	\$ 0

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

CITY OF GRANT, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

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	\$ 205,682	\$ 89,502	\$ 0	\$ 0	\$ (116,180)	\$ 0	\$ (116,180)	\$ 0
Public Safety	207,285	2,454	33,088	22,000	(149,743)	0	(149,743)	0
Public Works	215,861	37,675	129,905	0	(48,281)	0	(48,281)	0
Community and Economic Development	3,000	5,305	0	0	2,305	0	2,305	0
Culture and Recreation	21,852	0	6,400	0	(15,452)	0	(15,452)	0
Other Functions	6,541	0	0	0	(6,541)	0	(6,541)	0
Interest on Long-Term Debt	807	0	0	0	(807)	0	(807)	0
Total Governmental Activities	661,028	134,936	169,393	22,000	(334,699)	0	(334,699)	0
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water Fund	238,134	203,047	0	0	0	(35,087)	(35,087)	0
Sewer Fund	409,308	365,596	0	32,000	0	(11,712)	(11,712)	0
Market Fund	187	440	0	0	0	253	253	0
Total Business-Type Activities	647,629	569,083	0	32,000	0	(46,546)	(46,546)	0
TOTAL PRIMARY GOVERNMENT	\$ 1,308,657	\$ 704,019	\$ 169,393	\$ 54,000	(334,699)	(46,546)	(381,245)	0
<u>COMPONENT UNIT</u>								
Downtown Development Authority	\$ 0	\$ 0	\$ 0	\$ 0	0	0	0	0
<u>GENERAL REVENUES</u>								
Taxes					368,643	0	368,643	0
State Shared Revenue					108,336	0	108,336	0
Investment Earnings					2,163	2,941	5,104	0
Other Revenue					16,428	1,424	17,852	0
Transfers					(38,288)	38,288	0	0
Total General Revenues					457,282	42,653	499,935	0
Change in Net Position					122,583	(3,893)	118,690	0
NET POSITION - Beginning of Year					2,520,835	4,660,930	7,181,765	0
NET POSITION - End of Year					\$ 2,643,418	\$ 4,657,037	\$ 7,300,455	\$ 0

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

CITY OF GRANT, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2021

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT-OF- WAYS FUND	NON- MAJOR FUNDS	TOTALS
<u>ASSETS</u>						
Cash	\$ 260,821	\$ 332,886	\$ 129,701	\$ 119,041	\$ 809	\$ 843,258
Accounts Receivable	7,508	0	0	0	0	7,508
Due from Other Governments	0	15,458	5,018	0	0	20,476
Prepaid Expenditures	253	0	0	0	0	253
TOTAL ASSETS	\$ 268,582	\$ 348,344	\$ 134,719	\$ 119,041	\$ 809	\$ 871,495
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 4,900	\$ 0	\$ 0	\$ 1,230	\$ 0	\$ 6,130
Due to Other Funds	856	0	0	0	0	856
Accrued Wages	2,718	0	0	0	0	2,718
Unearned Revenue	479	17,852	31,098	0	0	49,429
Total Liabilities	8,953	17,852	31,098	1,230	0	59,133
<u>FUND BALANCE</u>						
Nonspendable, Prepaid Expenditure	253	0	0	0	0	253
Restricted for:						
Major Streets	0	330,492	0	0	0	330,492
Local Streets	0	0	103,621	0	0	103,621
Fire Protection and Equipment	0	0	0	0	747	747
Drug Law Enforcement	0	0	0	0	10	10
Roads and Right-of-Ways	0	0	0	117,811	0	117,811
Assigned for:						
Sidewalk Projects	0	0	0	0	52	52
Unassigned	259,376	0	0	0	0	259,376
Total Fund Balance	259,629	330,492	103,621	117,811	809	812,362
TOTAL LIABILITIES AND FUND BALANCE	\$ 268,582	\$ 348,344	\$ 134,719	\$ 119,041	\$ 809	\$ 871,495

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, 2021

Total Fund Balances for Governmental Funds \$ 812,362

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	499,837	
Machinery and Equipment	339,043	
Vehicles	190,185	
Infrastructure	1,833,293	
Accumulated Depreciation	<u>(1,519,837)</u>	2,051,593

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

Installment Purchase Agreement (216,078)

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.

(4,459)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,643,418

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, 2021

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT-OF- WAYS FUND	NON- MAJOR FUNDS	TOTALS
<u>REVENUES</u>						
Taxes	\$ 297,189	\$ 0	\$ 0	\$ 52,795	\$ 18,659	\$ 368,643
Licenses and Permits	14,926	0	0	0	0	14,926
Federal Grants	43,527	0	0	0	0	43,527
State Grants	119,897	95,076	30,647	4,182	0	249,802
Charges for Services	58,706	0	0	0	0	58,706
Fines and Forfeitures	2,134	0	0	0	0	2,134
Interest and Rents	60,050	1,090	108	85	0	61,333
Other Revenue	22,696	0	0	0	0	22,696
Total Revenues	619,125	96,166	30,755	57,062	18,659	821,767
<u>EXPENDITURES</u>						
General Government	161,683	0	0	0	0	161,683
Public Safety	221,518	0	0	0	22,806	244,324
Public Works	77,287	35,058	8,784	63,355	0	184,484
Community and Economic Development	3,000	0	0	0	0	3,000
Recreation and Culture	151,228	0	0	0	0	151,228
Other Functions	6,541	0	0	0	0	6,541
Debt Service	16,055	8,771	3,941	0	0	28,767
Total Expenditures	637,312	43,829	12,725	63,355	22,806	780,027
Excess (Deficiency) of Revenues Over Expenditures	(18,187)	52,337	18,030	(6,293)	(4,147)	41,740
<u>OTHER FINANCING SOURCES (USES)</u>						
Sale of Capital Assets	132	0	0	0	0	132
Transfers In (Out)	(42,288)	0	0	0	4,000	(38,288)
Total Other Financing Sources (Uses)	(42,156)	0	0	0	4,000	(38,156)
Net Change in Fund Balance	(60,343)	52,337	18,030	(6,293)	(147)	3,584
<u>FUND BALANCES</u> - Beginning of Year	319,972	278,155	85,591	124,104	956	808,778
<u>FUND BALANCES</u> - End of Year	\$ 259,629	\$ 330,492	\$ 103,621	\$ 117,811	\$ 809	\$ 812,362

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, 2021

Net Change in Fund Balance - Total Governmental Funds	\$ 3,584
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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	(157,064)
Capital Outlay	248,394

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	15,248
Installment Purchase Agreement Principal Payments	12,712

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	4,168
Compensated Absences - End of the Year	<u>(4,459)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 122,583</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, 2021

BUSINESS-TYPE ACTIVITIES -
ENTERPRISE FUNDS

	<u>MAJOR FUNDS</u>			<u>NONMAJOR</u>	<u>TOTALS</u>
			<u>FUND</u>		
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>MARKET FUND</u>		
<u>ASSETS</u>					
<u>CURRENT ASSETS</u>					
Cash	\$ 385,522	\$ (17,333)	\$ 366	\$	368,555
Accounts Receivable	55,224	93,892	0		149,116
Prepaid Expenses	253	253	0		506
Due From Other Funds	0	856	0		856
	<hr/>				
Total Current Assets	440,999	77,668	366		519,033
<hr/>					
<u>NONCURRENT ASSETS</u>					
<u>RESTRICTED ASSETS</u>					
Cash	174,663	409,585	0		584,248
<hr/>					
<u>CAPITAL ASSETS</u>					
Property, Plant and Equipment	3,418,083	5,806,462	0		9,224,545
Less Accumulated Depreciation	(1,654,751)	(2,271,702)	0		(3,926,453)
Net Capital Assets	1,763,332	3,534,760	0		5,298,092
	<hr/>				
Total Noncurrent Assets	1,937,995	3,944,345	0		5,882,340
	<hr/>				
TOTAL ASSETS	2,378,994	4,022,013	366		6,401,373
<hr/>					
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES</u>					
Accounts Payable	904	2,501	113		3,518
Accrued Interest	1,325	6,186	0		7,511
Current Portion of Long-Term Debt	20,000	33,000	0		53,000
	<hr/>				
Total Current Liabilities	22,229	41,687	113		64,029
<hr/>					

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

CITY OF GRANT, MICHIGAN
PROPRIETARY FUNDS

STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>BUSINESS-TYPE ACTIVITIES -</u>			TOTALS
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>		<u>NONMAJOR</u>	
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>MARKET FUND</u>	
<u>NONCURRENT LIABILITIES</u>				
Compensated Absences	995	312	0	1,307
Bonds Payable	318,000	1,414,000	0	1,732,000
Less Current Portion of Long-Term Debt	(20,000)	(33,000)	0	(53,000)
Total Noncurrent Liabilities	298,995	1,381,312	0	1,680,307
TOTAL LIABILITIES	321,224	1,422,999	113	1,744,336
<u>NET POSITION</u>				
Net Investment in Capital Assets	1,445,332	2,120,760	0	3,566,092
Restricted for Debt Service	26,094	83,818	0	109,912
Restricted for Replacement, Repairs and Improvements	147,244	319,581	0	466,825
Unrestricted	439,100	74,855	253	514,208
TOTAL NET POSITION	\$ 2,057,770	\$ 2,599,014	\$ 253	\$ 4,657,037

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, 2021

	<u>BUSINESS-TYPE ACTIVITIES -</u>			TOTALS
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>		<u>NONMAJOR</u>	
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>MARKET FUND</u>	
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 203,047	\$ 365,596	\$ 440	\$ 569,083
<u>OPERATING EXPENSES</u>				
Salaries and Wages	13,810	3,101	0	16,911
FICA	1,039	270	0	1,309
Fringe Benefits	2,354	1,185	0	3,539
Administration	27,161	14,978	0	42,139
Health and Life Insurance	9,820	2,399	0	12,219
Office and Operating Supplies	14,841	18,074	0	32,915
Professional Services	8,896	5,352	0	14,248
Property and Liability Insurance	9,245	9,505	0	18,750
Workers Comp Insurance	1,089	1,089	0	2,178
Contracted Services	42,929	133,723	0	176,652
Repairs and Maintenance	468	30,023	0	30,491
Utilities	15,649	33,379	0	49,028
Telephone	1,206	643	0	1,849
Printing and Publishing	700	0	187	887
Equipment Rental	651	139	0	790
Miscellaneous	189	189	0	378
Education and Training	140	0	0	140
Membership and Subscriptions	1,157	672	0	1,829
Depreciation	70,019	116,657	0	186,676
Total Operating Expenses	221,363	371,378	187	592,928
Operating Income (Loss)	(18,316)	(5,782)	253	(23,845)

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, 2021

	<u>BUSINESS-TYPE ACTIVITIES -</u>			TOTALS
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>		<u>NONMAJOR</u>	
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>MARKET FUND</u>	
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	367	2,574	0	2,941
Other Revenue	284	1,140	0	1,424
Interest Expense	(16,771)	(37,930)	0	(54,701)
Total Nonoperating Revenues (Expenses)	(16,120)	(34,216)	0	(50,336)
Income (Loss) Before Contributions and Transfers	(34,436)	(39,998)	253	(74,181)
Federal Capital Contribution	0	32,000	0	32,000
Interfund Transfers	0	38,288	0	38,288
Change in Net Position	(34,436)	30,290	253	(3,893)
<u>TOTAL NET POSITION - Beginning of Year</u>	2,092,206	2,568,724	0	4,660,930
<u>TOTAL NET POSITION - End of Year</u>	<u>\$ 2,057,770</u>	<u>\$ 2,599,014</u>	<u>\$ 253</u>	<u>\$ 4,657,037</u>

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, 2021

BUSINESS-TYPE ACTIVITIES -
ENTERPRISE FUNDS

	MAJOR FUNDS		NONMAJOR	TOTALS
	WATER FUND	SEWER FUND	FUND	
	WATER FUND	SEWER FUND	MARKET FUND	
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 194,088	\$ 362,880	\$ 440	\$ 557,408
Cash Payments to Suppliers for Goods and Services	(97,486)	(239,059)	(74)	(336,619)
Cash Payments to Employees for Services	(54,347)	(22,436)	0	(76,783)
Net Cash Provided (Used) for Operating Activities	42,255	101,385	366	144,006
Cash Flows from Noncapital Financing Activities				
Cash Transfers Between Funds	0	38,288	0	38,288
Other Revenue Received	284	1,140	0	1,424
Net Cash Provided (Used) for Noncapital Financing Activities	284	39,428	0	39,712
Cash Flows from Capital and Related Financing Activities				
Principal and Interest on Capital Debt	(35,850)	(173,345)	0	(209,195)
Acquisition of Capital Assets	0	(64,066)	0	(64,066)
Proceeds from Grant Funds	0	32,000	0	32,000
Net Cash Provided (Used) for Capital Financing Activities	(35,850)	(205,411)	0	(241,261)
Cash Flows from Investing Activities				
Interest Income	367	2,574	0	2,941
Net Increase (Decrease) in Cash and Cash Equivalents	7,056	(62,024)	366	(54,602)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	553,129	454,276	0	1,007,405
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 560,185	\$ 392,252	\$ 366	\$ 952,803

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, 2021

<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTALS
	MAJOR FUNDS		NONMAJOR FUND	
	WATER FUND	SEWER FUND	MARKET FUND	
Operating Income (Loss)	\$ (18,316)	\$ (5,782)	\$ 253	\$ (23,845)
Adjustments to reconcile Operating Income				
To Net Cash Provided by Operating Activities				
Depreciation	70,019	116,657	0	186,676
(Increase) Decrease in Current Assets				
Accounts Receivable	(8,959)	(2,716)	0	(11,675)
Due from Other Funds	0	(856)	0	(856)
Increase (Decrease) in Current Liabilities				
Accounts Payable	(326)	(5,415)	113	(5,628)
Increase (Decrease) in in Long-Term Liabilities				
Compensated Absences	(163)	(503)	0	(666)
Total Adjustments	60,571	107,167	113	167,851
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 42,255	\$ 101,385	\$ 366	\$ 144,006

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

CITY OF GRANT, MICHIGAN
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	<u>CUSTODIAL FUND TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 3,737
<u>LIABILITIES</u>	
Due to Other Governments	<u> 3,737</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
FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021

	<u>CUSTODIAL FUND</u> <u>TAX</u> <u>COLLECTION</u> <u>FUND</u>
<u>ADDITIONS</u>	
Property Taxes Collected	\$ 921,572
Miscellaneous	1,400
TOTAL ADDITIONS	<u>922,972</u>
<u>DEDUCTIONS</u>	
Property Taxes Distributed	921,572
Miscellaneous	1,400
TOTAL DEDUCTIONS	<u>922,972</u>
Net Increase (Decrease) in Fiduciary Net Position	0
<u>NET POSITION</u> - Beginning of Year	<u>0</u>
<u>NET POSITION</u> - End of Year	<u><u>\$ 0</u></u>

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Governmental-Wide Financial Statements

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

B. Reporting Entity

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

1. Blended Component Units

The City has no blended component units.

2. Discretely Presented Component Units

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

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

C. Basis of Presentation – Governmental-Wide Financial Statements

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

CITY OF GRANT, MICHIGAN

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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.

The *Enterprise Fund* is used to record the operation of a "farmers market." This is a self-supporting fund which does business with individuals and firms outside the local unit departments and therefore is classified as an Enterprise Fund.

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

The *Custodial 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, and Fire Fund.

CITY OF GRANT, MICHIGAN

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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 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 governmental-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

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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 custodial fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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 is not used by the City.

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.

CITY OF GRANT, MICHIGAN

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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.

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

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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 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.

CITY OF GRANT, MICHIGAN

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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.

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 2020 taxable valuation of the City of Grant totaled \$18,360,441, on which ad valorem taxes levied consisted of 12.0000 mills for general operating, .9921 mills for fire protection services, 2.8040 mills for roads, .9921 mills for public safety and .9921 mill for police services. These levies raised approximately \$220,000 for operating purposes, \$18,000 for fire protection, \$51,000 for roads, \$18,000 for public safety, and \$18,000 for police services.

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 vacation pay benefits. These benefits are considered current liabilities. A liability for all vacation pay is recorded in the government-wide and proprietary fund financial statements. Compensated absences are not accrued for modified accrual statements.

II. 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, 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, 2021, \$984,347 of the City's bank balance of \$1,819,764 was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the City's funds. Although the City's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the City's deposits.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

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

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

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

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

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

CITY OF GRANT, MICHIGAN

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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 \$3,737	\$ 1,799,598
Petty Cash	<u>200</u>
	<u>\$ 1,799,798</u>

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

	<u>Total</u>
Cash - Fiduciary Funds	\$ 3,737
Cash - Governmental Activities	843,258
Cash - Business-Type Activities	368,555
Restricted Cash - Business-Type Activities	<u>584,248</u>
	<u>\$ 1,799,798</u>

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

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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	\$ 7,508	\$ 0	\$ 0	\$ 55,224	\$ 93,892	\$ 156,624
Due from Other Governments	0	15,458	5,018	0	0	20,476
TOTAL	\$ 7,508	\$ 15,458	\$ 5,018	\$ 55,224	\$ 93,892	\$ 177,100

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	311,853	187,984	0	499,837
Machinery and Equipment	327,166	11,877	0	339,043
Vehicles	141,652	48,533	0	190,185
Infrastructure	1,833,293	0	0	1,833,293
Total Capital Assets, Being Depreciated	3,176,688	248,394	0	3,425,082
Less Accumulated Depreciation for:				
Buildings	180,654	14,457	0	195,111
Improvements other than buildings	145,648	16,734	0	162,382
Machinery and Equipment	181,326	30,270	0	211,596
Vehicles	70,490	13,363	0	83,853
Infrastructure	784,655	82,240	0	866,895
Total Accumulated Depreciation	1,362,773	157,064	0	1,519,837
Total Capital Assets, Being Depreciated, Net	1,813,915	91,330	0	1,905,245
Governmental Activities Capital Assets, Net	\$ 1,960,263	\$ 91,330	\$ 0	\$ 2,051,593

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

	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	64,066	0	261,076
Improvements Other Than Buildings	8,744,828	0	0	8,744,828
Total Capital Assets, Being Depreciated	9,106,837	64,066	0	9,170,903
Less Accumulated Depreciation for:				
Buildings	105,866	1,907	0	107,773
Machinery and Equipment	180,577	6,291	0	186,868
Improvements Other Than Buildings	3,453,334	178,478	0	3,631,812
Total Accumulated Depreciation	3,739,777	186,676	0	3,926,453
Total Capital Assets, Being Depreciated, Net	5,367,060	(122,610)	0	5,244,450
Business-Type Activities Capital Assets, Net	\$ 5,420,702	\$ (122,610)	\$ 0	\$ 5,298,092

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

<u>Governmental Activities:</u>	
General Government	\$ 43,708
Public Safety	11,494
Public Works, Including Depreciation	
General Infrastructure Assets	92,654
Recreation and Culture	9,208
Total Depreciation Expense - Governmental Activities	\$ 157,064

CITY OF GRANT, MICHIGAN

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JUNE 30, 2021

Business-Type Activities:

Water Fund	\$ 70,019
Sewer Fund	<u>116,657</u>

Total Depreciation Expense - Business-Type Activities	<u>\$ 186,676</u>
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D. Interfund Receivables, Payables and Transfers

Individual fund interfund balances as of June 30, 2021, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Fund	General Fund	<u>\$ 856</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.

Individual fund transfers at June 30, 2021, were:

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
Fire Fund	General Fund	\$ 4,000
Sewer	General Fund	<u>38,288</u>
		<u>\$ 42,288</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 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. The final lease payment was made during fiscal year 2021, nothing outstanding as of June 30, 2021.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021:

	NOTES FROM DIRECT BORROWINGS CAPITAL AND DIRECT LEASE COMPENSATED BONDS PLACEMENTS OBLIGATIONS ABSENCES TOTAL				
Obligations Payable at July 1, 2020	\$ 1,885,000	\$ 228,790	\$ 15,248	\$ 6,141	\$ 2,135,179
New Obligations Incurred	0	0	0	0	0
Obligations Retired	(153,000)	(12,712)	(15,248)	(375)	(181,335)
Obligations Payable at June 30, 2021	\$ 1,732,000	\$ 216,078	\$ 0	\$ 5,766	\$ 1,953,844
Due within one year	\$ 53,000	\$ 12,712	\$ 0	Unknown	\$ 65,712

Obligations payable at June 30, 2021, is comprised of the following individual issues:

Bonds:

\$586,000 Water Revenue Bonds, Series 1994 bonds, due in annual installments of \$20,000 to \$27,000 through June 1, 2034; plus interest at 5.00%	\$ 318,000
\$1,722,000 Sewer System Revenue Bonds, Series 2009 Bonds in annual installments of \$33,000 to \$68,000 through September 1, 2049; plus interest at 2.625%	1,414,000

Notes From Direct Borrowings and Direct Placements

Due in annual installments of \$12,712 through December 31, 2037, interest at 0%	216,078
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Sick and Vacation Pay Liability:

Accumulated sick and vacation pay owed to City employees	5,766
	\$ 1,953,844

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

The annual requirements to amortize these obligations outstanding other than compensated absences as of June 30, 2021, including interest payments of \$721,350, are as follows:

YEAR ENDING JUNE 30,	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	TOTAL
	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	BONDS		
2022				
PRINCIPAL	\$ 12,712	\$ 53,000	\$ 65,712	
INTEREST	0	52,584	52,584	
TOTAL	12,712	105,584	118,296	
2023				
PRINCIPAL	12,712	55,000	67,712	
INTEREST	0	50,705	50,705	
TOTAL	12,712	105,705	118,417	
2024				
PRINCIPAL	12,712	57,000	69,712	
INTEREST	0	48,749	48,749	
TOTAL	12,712	105,749	118,461	
2025				
PRINCIPAL	12,712	59,000	71,712	
INTEREST	0	46,718	46,718	
TOTAL	12,712	105,718	118,430	
2026				
PRINCIPAL	12,712	61,000	73,712	
INTEREST	0	44,609	44,609	
TOTAL	12,712	105,609	118,321	
2027-2031				
PRINCIPAL	63,560	327,000	390,560	
INTEREST	0	189,206	189,206	
TOTAL	63,560	516,206	579,766	
2032-2036				
PRINCIPAL	63,560	306,000	369,560	
INTEREST	0	129,966	129,966	
TOTAL	63,560	435,966	499,526	
2037-2041				
PRINCIPAL	25,398	257,000	282,398	
INTEREST	0	90,313	90,313	
TOTAL	25,398	347,313	372,711	

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

YEAR ENDING JUNE 30,	GOVERNMENTAL ACTIVITIES		TOTAL
	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	BUSINESS-TYPE ACTIVITIES BONDS	
2042-2046			
PRINCIPAL	0	292,000	292,000
INTEREST	0	54,390	54,390
TOTAL	0	346,390	346,390
2047-2050			
PRINCIPAL	0	265,000	265,000
INTEREST	0	14,110	14,110
TOTAL	0	279,110	279,110
TOTAL			
PRINCIPAL	216,078	1,732,000	1,948,078
INTEREST	0	721,350	721,350
TOTAL	\$ 216,078	\$ 2,453,350	\$ 2,669,428

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.

III. 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, 2021, the City contributed \$11,702 to the plan. Employees voluntarily deferred an additional \$5,201 to their individual plans. Covered wages for the year were approximately \$195,031, while total wages were approximately \$267,896. The City board has the authority to amend or terminate the plan.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021, 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 in 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, 2021, the Fremont Area Community Foundation holds endowment funds for the City of Grant in the amount of \$71,255.

F. Commitments and Contingencies

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

G. Subsequent Event

Subsequent to June 30, 2021, the City approved a contract with the Rieth-Riley for work to be performed on multiple streets in the City. The anticipated cost to the City is \$97,900.

No adjustments were made to the financial statements as a result of these subsequent events.

CITY OF GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	GENERAL FUND			MAJOR STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 270,340	\$ 295,933	\$ 297,189	\$ 0	\$ 0	\$ 0
Licenses and Permits	14,700	14,852	14,926	0	0	0
Federal Grants	0	26,500	43,527	0	0	0
State Grants	117,300	130,166	119,897	77,000	102,851	95,076
Charges for Services	52,354	58,821	58,706	0	0	0
Fines and Forfeitures	1,500	2,100	2,134	0	0	0
Interest and Rents	56,722	58,769	60,050	350	350	1,090
Other Revenue	12,294	23,756	22,696	0	0	0
Total Revenues	525,210	610,897	619,125	77,350	103,201	96,166
<u>EXPENDITURES</u>						
General Government						
Mayor and City Council	10,595	9,880	9,416	0	0	0
Manager	63,149	62,688	60,678	0	0	0
Clerk	44,180	23,413	23,043	0	0	0
Board of Review	1,200	901	879	0	0	0
Treasurer	25,899	26,839	26,791	0	0	0
Assessor	10,750	10,183	10,182	0	0	0
Elections	5,403	6,331	5,579	0	0	0
City Hall	8,165	10,565	9,639	0	0	0
Community Building	9,258	11,712	8,507	0	0	0
Cemetery	5,645	7,184	6,969	0	0	0
Public Safety						
Police Department	200,407	226,776	221,518	0	0	0
Public Works						
Drains	750	998	998	0	0	0
Department of Public Works	57,441	77,566	76,289	0	0	0
Highways, Streets and Bridges	0	0	0	0	0	0
Street Department	0	0	0	42,733	82,461	35,058
Community and Economic Development						
Planning Commission	413	413	0	0	0	0
Economic Development	3,000	3,000	3,000	0	0	0
Recreation and Culture						
Parks and Recreation	9,733	155,648	151,228	0	0	0
Other Functions	9,232	7,100	6,541	0	0	0
Debt Service						
Principal	15,248	15,248	15,248	8,771	8,771	8,771
Interest	807	807	807	0	0	0
Total Expenditures	481,275	657,252	637,312	51,504	91,232	43,829
Excess (Deficiency) of Revenues Over Expenditures						
	43,935	(46,355)	(18,187)	25,846	11,969	52,337
<u>OTHER FINANCING SOURCES (USES)</u>						
Sale of Capital Assets	0	0	132	0	0	0
Transfers In (Out)	(42,891)	(42,300)	(42,288)	(38,000)	(25,000)	0
Total Other Financing Sources (Uses)	(42,891)	(42,300)	(42,156)	(38,000)	(25,000)	0
Net Change in Fund Balance	1,044	(88,655)	(60,343)	(12,154)	(13,031)	52,337
<u>FUND BALANCE</u> - Beginning of Year	319,972	319,972	319,972	278,155	278,155	278,155
<u>FUND BALANCE</u> - End of Year	\$ 321,016	\$ 231,317	\$ 259,629	\$ 266,001	\$ 265,124	\$ 330,492

CITY OF GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	LOCAL STREET FUND			ROADS AND RIGHT-OF-WAY FUND		
	ORIGINAL	FINAL	ACTUAL	ORIGINAL	FINAL	ACTUAL
	BUDGET	BUDGET		BUDGET	BUDGET	
<u>REVENUES</u>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 51,400	\$ 52,679	\$ 52,795
Licenses and Permits	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0
State Grants	23,000	57,598	30,647	4,940	4,182	4,182
Charges for Services	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0	0
Interest and Rents	100	100	108	60	60	85
Other Revenue	0	0	0	0	0	0
Total Revenues	<u>23,100</u>	<u>57,698</u>	<u>30,755</u>	<u>56,400</u>	<u>56,921</u>	<u>57,062</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	60,736	64,183	63,355
Street Department	75,333	80,518	8,784	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	3,941	3,941	3,941	0	0	0
Interest	0	0	0	0	0	0
Total Expenditures	<u>79,274</u>	<u>84,459</u>	<u>12,725</u>	<u>60,736</u>	<u>64,183</u>	<u>63,355</u>
Excess (Deficiency) of Revenues						
Over Expenditures	(56,174)	(26,761)	18,030	(4,336)	(7,262)	(6,293)
<u>OTHER FINANCING SOURCES (USES)</u>						
Sale of Capital Assets	0	0	0	0	0	0
Transfers In (Out)	38,000	25,000	0	0	0	0
Total Other Financing Sources (Uses)	<u>38,000</u>	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(18,174)	(1,761)	18,030	(4,336)	(7,262)	(6,293)
<u>FUND BALANCE - Beginning of Year</u>	<u>85,591</u>	<u>85,591</u>	<u>85,591</u>	<u>124,103</u>	<u>124,103</u>	<u>124,104</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 67,417</u>	<u>\$ 83,830</u>	<u>\$ 103,621</u>	<u>\$ 119,767</u>	<u>\$ 116,841</u>	<u>\$ 117,811</u>

CITY OF GRANT, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2021

	SPECIAL REVENUE FUNDS			
	FIRE	SIDEWALK	DRUG LAW ENFORCEMENT	TOTALS
<u>ASSETS</u>				
Cash	\$ 747	\$ 52	\$ 10	\$ 809
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>				
Restricted for:				
Fire Protection and Equipment	747	0	0	747
Drug Law Enforcement	0	0	10	10
Assigned for:				
Sidewalk Projects	0	52	0	52
Total Fund Balance	747	52	10	809
TOTAL LIABILITIES AND FUND BALANCE	\$ 747	\$ 52	\$ 10	\$ 809

CITY OF GRANT, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUNDS			TOTALS
	FIRE	SIDEWALK	DRUG LAW ENFORCEMENT	
<u>REVENUES</u>				
Taxes	\$ 18,659	\$ 0	\$ 0	\$ 18,659
<u>EXPENDITURES</u>				
Public Safety	22,806	0	0	22,806
Excess (Deficiency) of Revenues Over Expenditures	(4,147)	0	0	(4,147)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In				
General Fund	4,000	0	0	4,000
Net Change in Fund Balance	(147)	0	0	(147)
<u>FUND BALANCE</u> - Beginning of Year	894	52	10	956
<u>FUND BALANCE</u> - End of Year	\$ 747	\$ 52	\$ 10	\$ 809

CITY OF GRANT, MICHIGAN
GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash	\$ 260,821	\$ 328,299
Accounts Receivable	7,508	4,014
Prepaid Expenditures	253	253
	<hr/>	<hr/>
TOTAL ASSETS	\$ 268,582	\$ 332,566
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,900	\$ 5,702
Due to Other Funds	856	0
Accrued Wages	2,718	1,892
Unearned Revenue	479	5,000
	<hr/>	<hr/>
Total Liabilities	8,953	12,594
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Nonspendable, Prepaid Expenditures	253	253
Unassigned	259,376	319,719
	<hr/>	<hr/>
Total Fund Balance	259,629	319,972
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 268,582	\$ 332,566
	<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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	2021		2020
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 295,933	\$ 297,189	\$ 221,102
Licenses and Permits	14,852	14,926	19,474
Federal Grants	26,500	43,527	0
State Grants	130,166	119,897	110,841
Charges for Services	58,821	58,706	47,434
Fines and Forfeitures	2,100	2,134	2,281
Interest and Rents	58,769	60,050	65,522
Other Revenue	23,756	22,696	3,987
	<hr/>		
Total Revenues	610,897	619,125	470,641
<hr/>			
<u>EXPENDITURES</u>			
General Government	169,696	161,683	168,835
Public Safety	226,776	221,518	150,200
Public Works	78,564	77,287	40,508
Community and Economic Development	3,413	3,000	0
Recreation and Culture	155,648	151,228	17,253
Other Functions	7,100	6,541	6,474
Debt Service	16,055	16,055	16,055
	<hr/>		
Total Expenditures	657,252	637,312	399,325
<hr/>			
Excess (Deficiency) of Revenues Over Expenditures	(46,355)	(18,187)	71,316
<hr/>			
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	0	132	0
Transfers Out	(42,300)	(42,288)	(5,043)
	<hr/>		
Total Other Financing Sources (Uses)	(42,300)	(42,156)	(5,043)
<hr/>			
Net Change in Fund Balance	(88,655)	(60,343)	66,273
<hr/>			
<u>FUND BALANCE</u> - Beginning of Year	319,972	319,972	253,699
<hr/>			
<u>FUND BALANCE</u> - End of Year	\$ 231,317	\$ 259,629	\$ 319,972
<hr/>			

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	2021		2020
	BUDGET	ACTUAL	ACTUAL
<u>TAXES</u>			
Current and Delinquent Taxes	\$ 256,400	\$ 256,924	\$ 209,997
Trailer	140	0	0
MRE Tax	28,000	28,001	0
Penalties and Interest	2,000	2,871	2,183
Property Tax Administration Fee	9,393	9,393	8,922
	<hr/>		
Total Taxes	295,933	297,189	221,102
<hr/>			
<u>LICENSES AND PERMITS</u>			
Franchise Fees	9,652	9,716	9,254
Business Licenses and Permits	5,200	5,210	10,220
	<hr/>		
Total Licenses and Permits	14,852	14,926	19,474
<hr/>			
<u>FEDERAL GRANTS</u>			
Other Federal Grants	26,500	43,527	0
<hr/>			
<u>STATE GRANTS</u>			
Sales and Use Tax	101,000	102,960	103,848
Small Taxpayer Loss Reimbursement	5,376	5,376	5,483
Other State Grants	23,790	11,561	1,510
	<hr/>		
Total State Grants	130,166	119,897	110,841
<hr/>			
<u>CHARGES FOR SERVICES</u>			
Cemetery Lot Sales	2,800	2,800	750
Cemetery Burials	6,600	6,600	3,200
Zoning Fees	250	95	275
Contracted Services	280	320	260
Administration	48,891	48,891	42,949
	<hr/>		
Total Charges for Services	58,821	58,706	47,434
<hr/>			
<u>FINES AND FORFEITURES</u>			
Violation Bureau and Ordinance Fines	2,100	2,134	2,281
	<hr/>		

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	2021		2020
	BUDGET	ACTUAL	ACTUAL
<u>INTEREST AND RENTS</u>			
Interest	152	1,616	1,093
Rent (Community Building and Equipment)	25,000	24,817	29,505
Land Lease	9,306	9,306	8,970
Water Tower Lease	24,311	24,311	25,954
Total Interest and Rents	58,769	60,050	65,522
<u>OTHER REVENUE</u>			
Private Donations	8,575	12,746	616
Refunds and Rebates	5,410	8,825	2,512
Other Revenue	9,771	1,125	859
Total Other Revenue	23,756	22,696	3,987
Total Revenues	610,897	619,125	470,641
<u>OTHER FINANCING SOURCES</u>			
Sale of Capital Assets	0	132	0
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 610,897	\$ 619,257	\$ 470,641

CITY OF GRANT, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	2021		2020
	BUDGET	ACTUAL	ACTUAL
<u>GENERAL GOVERNMENT</u>			
Mayor and City Council			
Salaries and Wages	\$ 5,688	\$ 5,438	\$ 5,063
Social Security Tax	436	416	387
Office and Operating Supplies	250	241	252
Professional Services	460	445	355
Printing and Publishing	530	527	1,328
Membership and Dues	1,624	1,624	946
Telephone and Internet	692	646	699
Miscellaneous	200	79	352
	9,880	9,416	9,382
Manager			
Salaries and Wages	49,500	49,691	48,881
Social Security Tax	3,787	3,611	3,587
Fringes	5,695	4,209	4,471
Office and Operating Supplies	350	328	280
Professional Services	1,850	1,352	1,143
Membership and Dues	550	541	532
Telephone and Internet	906	902	724
Miscellaneous	50	44	10
	62,688	60,678	59,628
Clerk			
Salaries and Wages	19,006	18,745	34,253
Social Security Tax	1,411	1,391	2,446
Fringes	85	84	231
Office and Operating Supplies	300	234	542
Professional Services	927	925	1,173
Membership and Dues	300	277	310
Education and Training	200	200	1,280
Telephone and Internet	1,081	1,084	1,421
Transportation	0	0	371
Miscellaneous	103	103	25
	23,413	23,043	42,052
Board of Review			
Salaries and Wages	381	380	400
Social Security Tax	50	29	31
Printing and Publishing	300	300	442
Miscellaneous	170	170	113
	901	879	986

CITY OF GRANT, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	<u>2021</u>		<u>2020</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Treasurer			
Salaries and Wages	20,100	19,742	12,586
Social Security Tax	1,538	1,398	951
Fringes	81	819	0
Office and Operating Supplies	725	632	305
Professional Services	1,100	931	1,201
Contracted Services	2,152	2,152	2,233
Membership and Dues	75	75	75
Telephone and Internet	901	902	724
Printing and Publishing	50	0	209
Transportation	67	67	0
Miscellaneous	50	73	19
	<u>26,839</u>	<u>26,791</u>	<u>18,303</u>
Assessor			
Contracted Services	<u>10,183</u>	<u>10,182</u>	<u>9,903</u>
Elections			
Salaries and Wages	3,847	3,846	2,526
Social Security Tax	293	293	191
Office and Operating Supplies	1,406	1,405	1,249
Contracted Services	750	0	1,951
Printing and Publishing	0	0	1,435
Transportation	35	35	248
Miscellaneous	0	0	8
	<u>6,331</u>	<u>5,579</u>	<u>7,608</u>
City Hall			
Salaries and Wages	1,500	1,147	1,339
Social Security Tax	115	86	101
Operating Supplies	350	326	159
Utilities	3,800	3,435	4,212
Repairs and Maintenance	4,600	4,622	2,291
Equipment Rental	150	0	75
Miscellaneous	50	23	22
	<u>10,565</u>	<u>9,639</u>	<u>8,199</u>

CITY OF GRANT, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	2021		2020
	BUDGET	ACTUAL	ACTUAL
Community Building			
Salaries and Wages	800	655	668
Social Security Tax	62	49	50
Operating and Maintenance Supplies	500	398	440
Contracted Services	0	54	155
Utilities	6,000	5,951	5,150
Repairs and Maintenance	1,200	1,252	1,300
Equipment Rental	150	148	0
Miscellaneous	0	0	200
Capital Outlay	3,000	0	0
	<u>11,712</u>	<u>8,507</u>	<u>7,963</u>
Cemetery			
Salaries and Wages	6,000	6,037	3,682
Social Security Tax	459	452	279
Operating and Maintenance Supplies	525	480	255
Contracted Services	0	0	595
Equipment Rental	200	0	0
	<u>7,184</u>	<u>6,969</u>	<u>4,811</u>
Total General Government	<u>169,696</u>	<u>161,683</u>	<u>168,835</u>
<u>PUBLIC SAFETY</u>			
Police Department			
Salaries and Wages	104,500	105,531	99,593
Social Security Tax	8,040	7,975	7,535
Fringes	23,334	17,426	17,422
Office and Operating Supplies	15,150	15,042	6,549
Professional Services	6,500	6,350	4,757
Contracted Services	2,300	2,230	1,578
Utilities	500	445	346
Repairs and Maintenance	2,900	2,960	1,857
Gas and Oil	6,300	6,606	6,280
Membership and Dues	500	425	160
Education and Training	2,000	2,016	1,030
Telephone and Internet	2,402	2,404	1,142
Uniforms	3,500	3,494	1,889
Equipment Rental	200	51	0
Miscellaneous	50	30	62
Capital Outlay	48,600	48,533	0
Total Public Safety	<u>226,776</u>	<u>221,518</u>	<u>150,200</u>

CITY OF GRANT, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	<u>2021</u>		<u>2020</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>PUBLIC WORKS</u>			
Drains	998	998	285
Department of Public Works			
Salaries and Wages	34,000	34,043	19,344
Social Security Tax	2,601	2,543	1,452
Fringes	6,349	4,851	3,161
Office and Operating Supplies	5,000	3,896	6,462
Professional Services	3,350	3,256	1,190
Contracted Services	2,800	2,788	1,865
Telephone and Internet	789	793	664
Uniforms	500	205	288
Utilities	1,200	1,112	791
Gas and Oil	7,000	9,424	2,303
Membership and Dues	150	45	45
Education and Training	0	0	0
Repairs and Maintenance	1,500	1,032	2,618
Equipment Rental	200	196	18
Miscellaneous	250	228	22
Capital Outlay	11,877	11,877	0
	<u>77,566</u>	<u>76,289</u>	<u>40,223</u>
Total Public Works	<u>78,564</u>	<u>77,287</u>	<u>40,508</u>
<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>			
Planning Commission			
Salaries and Wages	360	0	0
Social Security Tax	28	0	0
Office and Operating Supplies	25	0	0
	<u>413</u>	<u>0</u>	<u>0</u>
Economic Development			
Membership and Dues	3,000	3,000	0
Total Community and Economic Development	<u>3,413</u>	<u>3,000</u>	<u>0</u>

CITY OF GRANT, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	<u>2021</u>		<u>2020</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>RECREATION AND CULTURE</u>			
Parks and Recreation			
Salaries and Wages	5,200	4,641	4,460
Social Security Tax	398	349	339
Operating and Maintenance Supplies	1,700	1,612	750
Contracted Services	2,000	4,533	1,824
Repairs and Maintenance	200	0	0
Equipment Rental	500	0	798
Utilities	600	593	582
Miscellaneous	50	916	0
Capital Outlay	145,000	138,584	8,500
Total Recreation and Culture	<u>155,648</u>	<u>151,228</u>	<u>17,253</u>
<u>OTHER FUNCTIONS</u>			
Fringe Benefits			
Health and Life Insurance	480	0	0
Workers' Compensation	1,170	1,089	1,533
Insurance			
Property and Liability Insurance	5,450	5,452	4,941
Total Other Functions	<u>7,100</u>	<u>6,541</u>	<u>6,474</u>
<u>DEBT SERVICE</u>			
Principal	15,248	15,248	14,481
Interest	807	807	1,574
Total Debt Service	<u>16,055</u>	<u>16,055</u>	<u>16,055</u>
Total Expenditures	<u>657,252</u>	<u>637,312</u>	<u>399,325</u>
<u>OTHER FINANCING USES</u>			
Transfers Out			
Sewer Fund	38,300	38,288	0
Fire Fund	4,000	4,000	5,043
Total Other Financing Uses	<u>42,300</u>	<u>42,288</u>	<u>5,043</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 699,552</u>	<u>\$ 679,600</u>	<u>\$ 404,368</u>

CITY OF GRANT, MICHIGAN
WATER FUND

COMPARATIVE STATEMENT OF NET POSITION
JUNE 30,

<u>ASSETS</u>	2021	2020
<u>CURRENT ASSETS</u>		
Cash	\$ 385,522	\$ 378,568
Accounts Receivable	55,224	46,265
Prepaid Expenses	253	253
Total Current Assets	440,999	425,086
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	174,663	174,561
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	3,418,083	3,418,083
Less Accumulated Depreciation	(1,654,751)	(1,584,732)
Net Capital Assets	1,763,332	1,833,351
Total Noncurrent Assets	1,937,995	2,007,912
TOTAL ASSETS	2,378,994	2,432,998
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	904	1,230
Accrued Interest	1,325	1,404
Current Portion of Long-Term Debt	20,000	19,000
Total Current Liabilities	22,229	21,634
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	995	1,158
Bonds Payable	318,000	337,000
Less Current Portion of Long-Term Debt	(20,000)	(19,000)
Total Long-Term Debt	298,995	319,158
TOTAL LIABILITIES	321,224	340,792
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,445,332	1,496,351
Restricted for Debt Service	26,094	26,005
Restricted for Replacement, Repairs and Improvements	147,244	147,152
Unrestricted	439,100	422,698
TOTAL NET POSITION	\$ 2,057,770	\$ 2,092,206

CITY OF GRANT, MICHIGAN
WATER FUND

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

	2021	2020
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 203,047	\$ 186,271
 <u>OPERATING EXPENSES</u>		
Salaries and Wages	13,810	9,946
FICA	1,039	687
Fringe Benefits	2,354	1,756
Administration	27,161	24,131
Health and Life Insurance	9,820	6,672
Office and Operating Supplies	14,841	10,426
Professional Services	8,896	6,993
Property and Liability Insurance	9,245	8,509
Workers Comp Insurance	1,089	1,533
Contracted Services	42,929	20,198
Repairs and Maintenance	468	0
Utilities	15,649	14,473
Telephone	1,206	987
Printing and Publishing	700	721
Equipment Rental	651	2,828
Miscellaneous	189	502
Education and Training	140	70
Membership and Subscriptions	1,157	762
Depreciation	70,019	70,019
 Total Operating Expenses	221,363	181,213
 Operating Income (Loss)	(18,316)	5,058
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	367	1,459
Other Revenue	284	135
Interest Expense	(16,771)	(17,675)
 Total Nonoperating Revenues (Expenses)	(16,120)	(16,081)
 Change in Net Position	(34,436)	(11,023)
 <u>TOTAL NET POSITION</u> - Beginning of Year	2,092,206	2,103,229
 <u>TOTAL NET POSITION</u> - End of Year	\$ 2,057,770	\$ 2,092,206

CITY OF GRANT, MICHIGAN
WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	2021	2020
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 194,088	\$ 184,273
Cash Payments to Suppliers for Goods and Services	(97,486)	(67,502)
Cash Payments to Employees for Services	(54,347)	(41,790)
	42,255	74,981
Cash Flows from Noncapital Financing Activities		
Other Revenue Received	284	135
Cash Flows from Capital and Related Financing Activities		
Principal and Interest on Capital Debt	(35,850)	(35,750)
Cash Flows from Investing Activities		
Interest Income	367	1,459
	7,056	40,825
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	553,129	512,304
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 560,185	\$ 553,129
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (18,316)	\$ 5,058
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	70,019	70,019
(Increase) Decrease in Current Assets		
Accounts Receivable	(8,959)	(1,998)
Prepaid Expenses	0	623
Increase (Decrease) in Current Liabilities		
Accounts Payable	(326)	500
Increase (Decrease) in Long-Term Liabilities		
Compensated Absences	(163)	779
	60,571	69,923
Total Adjustments	60,571	69,923
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 42,255	\$ 74,981

CITY OF GRANT, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF NET POSITION
JUNE 30,

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ (17,333)	\$ 48,469
Accounts Receivable	93,892	91,176
Prepaid Expenses	253	253
Due From Other Funds	856	0
Total Current Assets	<u>77,668</u>	<u>139,898</u>
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	<u>409,585</u>	<u>405,807</u>
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	5,806,462	5,742,396
Less Accumulated Depreciation	<u>(2,271,702)</u>	<u>(2,155,045)</u>
Net Capital Assets	<u>3,534,760</u>	<u>3,587,351</u>
Total Noncurrent Assets	<u>3,944,345</u>	<u>3,993,158</u>
TOTAL ASSETS	<u>4,022,013</u>	<u>4,133,056</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	2,501	7,916
Accrued Interest	6,186	7,601
Current Portion of Long-Term Debt	<u>33,000</u>	<u>55,000</u>
Total Current Liabilities	<u>41,687</u>	<u>70,517</u>
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	312	815
Bonds Payable	1,414,000	1,548,000
Less Current Portion of Long-Term Debt	<u>(33,000)</u>	<u>(55,000)</u>
Total Long-Term Liabilities	<u>1,381,312</u>	<u>1,493,815</u>
TOTAL LIABILITIES	<u>1,422,999</u>	<u>1,564,332</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,120,760	2,039,351
Restricted for Debt Service	83,818	110,124
Restricted for Repairs, Replacement and Improvements	319,581	288,082
Unrestricted	<u>74,855</u>	<u>131,167</u>
TOTAL NET POSITION	<u>\$ 2,599,014</u>	<u>\$ 2,568,724</u>

CITY OF GRANT, MICHIGAN
SEWER FUND

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

	2021	2020
<u>OPERATING REVENUES</u>		
Charges for Services and Connection Fees	\$ 365,596	\$ 357,091
<u>OPERATING EXPENSES</u>		
Salaries and Wages	3,101	4,924
FICA	270	328
Fringe Benefits	1,185	1,083
Administration	14,978	14,318
Health and Life Insurance	2,399	1,360
Office and Operating Supplies	18,074	14,984
Professional Services	5,352	6,198
Property and Liability Insurance	9,505	8,723
Workers Comp Insurance	1,089	1,533
Contracted Services	133,723	125,329
Repairs and Maintenance	30,023	19,802
Utilities	33,379	30,836
Telephone	643	424
Printing and Publishing	0	46
Equipment Rental	139	1,789
Miscellaneous	189	444
Memberships and Dues	672	292
Depreciation	116,657	117,446
Total Operating Expenses	371,378	349,859
Operating Income (Loss)	(5,782)	7,232
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	2,574	6,695
Property Taxes	0	33,366
Other Revenue	1,140	2,173
Interest Expense	(37,930)	(43,604)
Total Nonoperating Revenues (Expenses)	(34,216)	(1,370)
Income (Loss) Before Contributions and Transfers	(39,998)	5,862
Federal Capital Contribution	32,000	0
Interfund Transfers	38,288	0
Change in Net Position	30,290	5,862
<u>TOTAL NET POSITION</u> - Beginning of Year	2,568,724	2,562,862
<u>TOTAL NET POSITION</u> - End of Year	\$ 2,599,014	\$ 2,568,724

CITY OF GRANT, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	<u>2021</u>	<u>2020</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 362,880	\$ 358,629
Cash Payments to Suppliers for Goods and Services	(239,059)	(205,349)
Cash Payments to Employees for Services	(22,436)	(21,231)
	<hr/>	<hr/>
Net Cash Provided (Used) for Operating Activities	101,385	132,049
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities		
Collections of Property Taxes	0	33,366
Cash Transfers Between Funds	38,288	0
Other Revenue Received	1,140	2,173
	<hr/>	<hr/>
Net Cash Provided (Used) for Noncapital Financing Activities	39,428	35,539
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities		
Principal and Interest on Capital Debt	(173,345)	(97,015)
Acquisition of Capital Assets	(64,066)	0
Proceeds from Grant Funds	32,000	0
	<hr/>	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	(205,411)	(97,015)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest Income	2,574	6,695
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(62,024)	77,268
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	454,276	377,008
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 392,252	\$ 454,276
	<hr/> <hr/>	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (5,782)	\$ 7,232
	<hr/>	<hr/>
Adjustments to reconcile Operating Income To Net Cash Provided by Operating Activities		
Depreciation	116,657	117,446
(Increase) Decrease in Current Assets		
Accounts Receivable	(2,716)	1,538
Prepaid Expenses	0	233
Due from Other Funds	(856)	0
Increase (Decrease) in Current Liabilities		
Accounts Payable	(5,415)	5,051
Increase (Decrease) In Long-Term Liabilities		
Compensated Absences	(503)	549
	<hr/>	<hr/>
Total Adjustments	107,167	124,817
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 101,385	\$ 132,049
	<hr/> <hr/>	<hr/> <hr/>

CITY OF GRANT, MICHIGAN
COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2021</u>	<u>2020</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>2021</u>	<u>2020</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>



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October 7, 2021

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, 2021, 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 October 7, 2021.

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.

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.

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October 7, 2021

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, 2021. 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 14, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 the 2020-2021 fiscal year. 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 material 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 basis 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 October 7, 2021.

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, 2021, we noted the following items which we feel deserve comment:

Payroll Tax Forms

During the course of our audit, it came to our attention that the required quarterly forms for federal payroll tax reporting were not filed. We recommend that you revisit your internal control process regarding filing payroll taxes and withholdings so this does not happen 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.

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.