

CITY OF GRANT, MICHIGAN

JUNE 30, 2014

DRAFT



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

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

DRAFT

REPORT OF EXAMINATION

CITY OF GRANT, MICHIGAN

JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	i-iii
Management's Discussion and Analysis	iv-xiii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1-2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4
Reconciliation of the Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	7
Proprietary Funds	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Fund Net Position	9
Statement of Cash Flows	10
Fiduciary Funds	
Statement of Fiduciary Net Position	11
Notes to Financial Statements	12-26
Required Supplementary Information	
Budgetary Comparison Schedule – Major Governmental Funds	27-28
Combining and Individual Fund Financial Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	30
Financial Statements of Individual Funds	
General Fund	
Comparative Balance Sheet	31
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	32
Analysis of Revenues - Budget and Actual	33-34
Analysis of Expenditures - Budget and Actual	35-38

REPORT OF EXAMINATION

CITY OF GRANT, MICHIGAN

JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGES</u>
Major Proprietary Funds	
<u>Water Fund</u>	
Comparative Statement of Net Position	39
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position	40-41
Comparative Statement of Cash Flows	42-43
<u>Sewer Fund</u>	
Comparative Statement of Net Position	44
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position	45-46
Comparative Statement of Cash Flows	47-48
Agency Fund	
<u>Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	49
Component Unit	
<u>Downtown Development Authority Fund</u>	
Comparative Balance Sheet	50
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	51
Internal Control and Compliance	
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 <i>Government Auditing Standards</i>	52-54



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

October 27, 2014

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 units, each major fund, and the aggregate remaining fund information of the City of Grant, Michigan, as of and for the year ended June 30, 2014, 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 units, each major fund, and the aggregate remaining fund information of the City of Grant, Michigan as of June 30, 2014, 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 required supplementary information on pages iv through xiii and 27-28 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 27, 2014, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Grant, Michigan’s internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

DRAFT

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

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, 2014. 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 of Grant exceeded its liabilities at the close of the most recent fiscal year by \$7,205,768 (*Net Position*). Of this amount, \$542,711 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 of Grant's governmental funds reported combined fund balances of \$290,296, of which \$209,191 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 \$209,191.
- ❖ The City's total outstanding long-term debt decreased by \$59,000 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 of Grant'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.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

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, and other functions. Business-type activities of the City include water and sewer utility services.

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 of Grant 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.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

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

Proprietary Funds The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activity.

Proprietary funds provide the same type of information as the governmental-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer activity, both of which are considered to be major funds of the City of Grant.

The basic proprietary fund financial statements can be found on pages 8-10 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the City's programs.

The basic fiduciary fund financial statement can be found on page 11 of this report.

Notes to the 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 12-26 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.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

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 \$7,205,768 at the close of the most recent fiscal year.

*City of Grant
Net Position*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets						
Current Assets	\$ 301,099	\$ 275,945	\$ 373,425	\$ 555,086	\$ 674,524	\$ 831,031
Restricted Assets	0	0	457,867	461,957	457,867	461,957
Non Current Assets						
Capital Assets	2,560,770	2,424,072	9,135,375	9,031,129	11,696,145	11,455,201
Less:						
Accumulated Depreciation	(647,564)	(584,894)	(2,621,444)	(2,423,001)	(3,269,008)	(3,007,895)
Total Non Current Assets	1,913,206	1,839,178	6,513,931	6,608,128	8,427,137	8,447,306
Total Assets	2,214,305	2,115,123	7,345,223	7,625,171	9,559,528	9,740,294
Liabilities						
Current Liabilities	10,803	7,710	91,729	88,125	102,532	95,835
Long-Term Liabilities	7,266	6,414	2,243,962	2,305,900	2,251,228	2,312,314
Total Liabilities	18,069	14,124	2,335,691	2,394,025	2,353,760	2,408,149
Net Position						
Net Investment in Capital Assets	1,913,206	1,839,178	4,210,931	4,246,128	6,124,137	6,085,306
Restricted for Specific Purposes	81,053	94,577	457,867	461,957	538,920	556,534
Unrestricted	201,977	167,244	340,734	523,061	542,711	690,305
Total Net Position	\$ 2,196,236	\$ 2,100,999	\$ 5,009,532	\$ 5,231,146	\$ 7,205,768	\$ 7,332,145

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 has \$542,711 in unrestricted net position. These assets represent resources that are available for appropriation, but are limited by City policies regarding their use.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

The total net position of the City decreased \$126,377 in this fiscal year. Governmental activities increased by \$95,237, while business-type activities decreased by \$221,614.

*City of Grant
Change in Net Position*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 156,725	\$ 131,162	\$ 501,390	\$ 519,453	\$ 658,115	\$ 650,615
Operating Grants and Contributions	78,379	76,584	0	13,005	78,379	89,589
Capital Grants and Contributions	88,837	214,931	0	0	88,837	214,931
General Revenues						
Taxes	253,874	247,956	33,340	32,536	287,214	280,492
State Shared Revenue	89,161	86,468	0	0	89,161	86,468
Investment Earnings	665	454	5,322	1,929	5,987	2,383
Other	26,200	4,300	8,271	3,507	34,471	7,807
Total Revenues	693,841	761,855	548,323	570,430	1,242,164	1,332,285
<u>Expenses</u>						
General Government	220,247	221,545	0	0	220,247	221,545
Public Safety	138,551	129,279	0	0	138,551	129,279
Public Works	208,197	150,229	0	0	208,197	150,229
Community and Economic Development	3,149	3,161	0	0	3,149	3,161
Culture and Recreation	12,724	40,976	0	0	12,724	40,976
Water	0	0	311,398	227,586	311,398	227,586
Sewer	0	0	458,539	397,558	458,539	397,558
Other Functions	15,736	23,902	0	0	15,736	23,902
Total Expenses	598,604	569,092	769,937	625,144	1,368,541	1,194,236
Changes in Net Position	95,237	192,763	(221,614)	(54,714)	(126,377)	138,049
NET POSITION - Beginning of Year	2,100,999	1,908,236	5,231,146	5,285,860	7,332,145	7,194,096
NET POSITION - End of Year	\$2,196,236	\$2,100,999	\$5,009,532	\$5,231,146	\$7,205,768	\$7,332,145

Governmental Activities

During the current fiscal year, net position for the governmental activities increased \$95,237 from the prior fiscal year for an ending balance of \$2,196,236. The most significant part of the revenue for all governmental activities of the City of Grant comes from property taxes. The City's governmental activities expenses are dominated by the General Government and Public Works expenses. The City spent \$208,197 in this fiscal year on Public Works, which is made up of Public Works expenditures in the General Fund, Major Street Fund, Local Street Fund, and Roads and Right of Ways Fund expenditures. General Government represented the largest expense at \$220,247.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Business-Type Activities

The City's business-type activities accounted for a decrease of \$221,614 in the City's net position for the fiscal year ended June 30, 2014.

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

Financial Analysis of the Government's Funds

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

Governmental Funds The focus of the City of Grant'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, 2014, its governmental funds reported fund balances of \$290,296. There is \$209,191 in unassigned fund balance. The remaining \$81,105 of fund balance of the governmental funds is assigned or restricted and is therefore not available for new appropriation.

General Fund – The General Fund fund balance increased by \$35,585, which brings the fund balance to \$209,191. \$209,191 of this fund balance is unassigned. The increase represents revenues collected in excess of expenditures.

Major Street Fund – The Major Street Fund increased its fund balance by \$3,860, which brings the fund balance to \$41,929. 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 \$929, which brings the balance to \$34,321. All of this balance is restricted for local street improvements. The increase represents the amount of state funding that was collected in excess of local street expenditures.

Roads and Right of Ways Fund – The Roads and Right of Ways Fund decreased its fund balance by \$18,310, which brings the balance to \$4,713. The City designated 2.9559 mills of its operating levy for roads and right of way improvements, which resulted in \$46,931 of revenue and the fund incurred expenditures in excess of this amount causing the decrease in fund balance.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Non-Major Funds – The Non-Major Funds of the City decreased their fund balances by \$3 during the fiscal year. The funds experienced minimal activity causing the small increase in fund balance.

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

Water Fund – The Water Fund ended the fiscal year with a decrease in net position of \$125,290. The unrestricted net position decreased \$138,128, net position restricted for debt service increased \$11, net position restricted for replacement, repairs, and improvements increased \$70,596 and net position invested in capital assets decreased by \$57,769.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net position of \$96,324. The unrestricted net position decreased \$44,199, net position restricted for debt service increased \$26,212, net position restricted for replacement, repairs, and improvements decreased \$100,909 and net position invested in capital assets increased by \$22,572.

General Fund Budgetary Highlights

During the year, various budget amendments resulted in changes in appropriations. These changes are shown on page 27 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	\$ 494,292	\$ 547,878	\$ 553,274
Total Expenditures	\$ 486,811	\$ 541,508	\$ 513,721

The original budget compared to the final budget for revenues were different because of an increase in equipment rental revenue and also for an insurance reimbursement received during the year. The original budget compared to the final budget for expenditures were different due to increases in public works expenditures and various capital outlay purchases throughout the year.

The variance between the budgeted revenue compared to actual revenue was minimal and due mainly from increases in anticipated rents and licenses and permits revenue. The reason for the variance between budgeted expenditures and actual expenditures was on account of the City taking a cautionary approach when budgeting for expenditures.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Capital Assets and Debt Administration

Capital Assets The City's investment in capital assets for governmental and business-type activities as of June 30, 2014, amounted to \$8,427,137 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, 2014

	Governmental Activities	Business-Type Activities	Total Primary Government
Land	\$ 73,025	\$ 0	\$ 73,025
Buildings	562,724	0	562,724
Improvements Other than Buildings	200,989	0	200,989
Machinery and Equipment	91,328	0	91,328
Vehicles	93,584	0	93,584
Infrastructure	1,539,120	0	1,539,120
Property, Plant and Equipment	0	9,135,375	9,135,375
	<u>2,560,770</u>	<u>9,135,375</u>	<u>11,696,145</u>
Less Accumulated Depreciation	647,564	2,621,444	3,269,008
Net Capital Assets	<u>\$ 1,913,206</u>	<u>\$ 6,513,931</u>	<u>\$ 8,427,137</u>

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

- ❖ Amphitheatre at a cost of \$54,337.
- ❖ Improvements to Sewer System at a cost of \$104,246.

Long-Term Debt As of June 30, 2014, the City had outstanding debt of \$2,303,000, consisting of general obligation bonds and revenue bonds. The general obligation debt of \$249,000 in business-type activities is backed by the full faith and credit of the City. The remainder of the debt represents bonds secured solely by the specific revenue sources (water and sewer system revenue bonds, \$2,054,000).

Economic Condition and Outlook

The June 2014 unemployment rate (not seasonally adjusted) for Newaygo County is 6.7%. This is below the rate for the same period for the State of Michigan (not seasonally adjusted) at 7.4%. Currently, the State of Michigan has one of the highest unemployment rates at in the country. Newaygo County has watched the unemployment decrease over the past few years as local, state, and national markets have slowly started to recover.

The City of Grant's total taxable value (real and personal) for FY 2014-2015 decreased to \$15,685,030, down 1.2% from \$15,877,891 in FY 2013-2014. Listed below are taxable values by fiscal year pre Great Recession to the current fiscal year. Taxable value is the basis for revenue in conjunction with millage

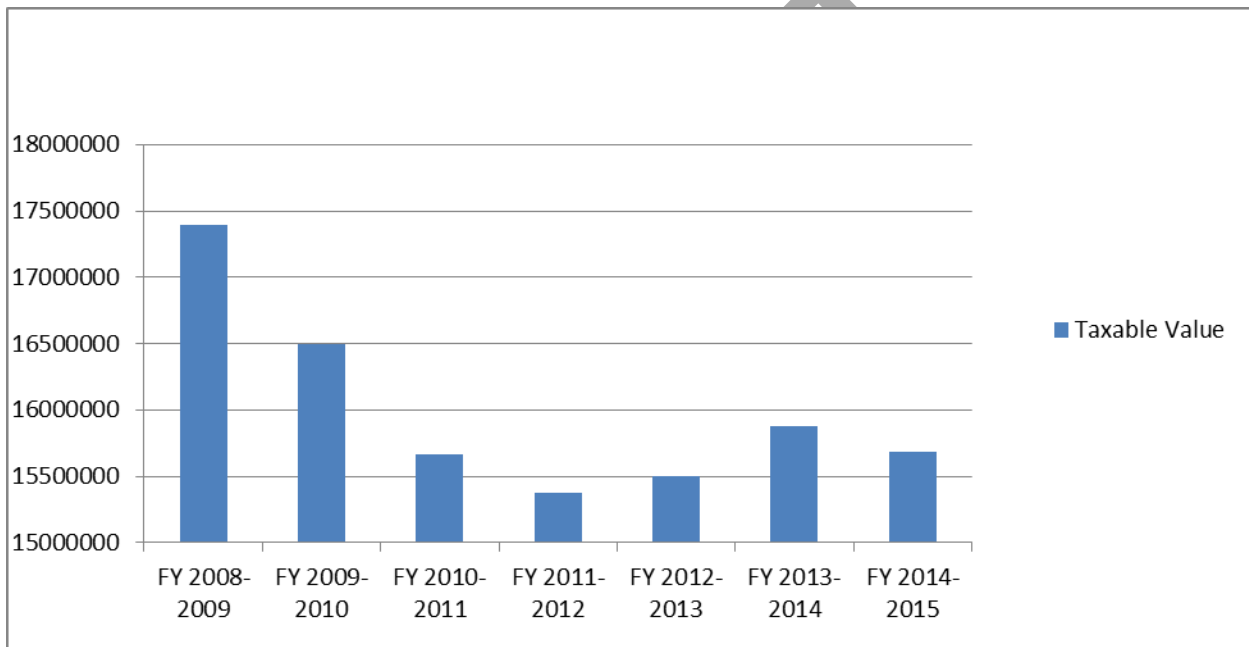
CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

rates. Even though the taxable values for the current fiscal year are down, it is still greater than the Great Recession numbers. The City of Grant is hoping with recent economic trends and recent public and private acquisitions of property and developments within the City will increase our taxable values.

- FY 2008-2009 TV: \$17,392,207
- FY 2009-2010 TV: \$16,497,996
- FY 2010-2011 TV: \$15,659,579
- FY 2011-2012 TV: \$15,376,618
- FY 2012-2013 TV: \$15,502,051
- FY 2013-2014 TV: \$15,877,991
- FY 2014-2015 TV: \$15,685,030



The current expected property tax millage rates, adjusted for Headlee Amendment Rollbacks fraction is 10.3714 for the General Operating Fund, 2.9559 for Roads and Right-of-Ways Fund, 1.0000 mill for fire operating and equipment, 1.0000 mill for public safety and 2.1000 for Sewer Bond Debt for the 1992 sewer bonds.

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.

This past year the City has seen positive economic activity regarding building permits for property rehabilitation increase as well as a strong residential and commercial real estate comeback as properties that were vacant after the great recession have almost all been purchased and occupied. The City of Grant purchased the CSX property and have received grant funding to develop a farmer's market at the site. Family Dollar also purchased property within the city to build a new store. Linda's Family Cafe has

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

occupied the old Dixie's restaurant building. These recent happenings are encouraging to the City of Grant and are using these opportunities to promote economic vitality and retention. This is a great marketing tool for current and future businesses that are looking for a place to start or expand.

The City had a net change in fund balance of \$35,585 to our general fund-fund balance bringing it from \$173,606 in FY 2012-2013 to \$209,191 for FY ending 2013-2014. This continues to increase the City's operational reserves in times when many communities have had to utilize reserves for operational purposes. The City Commission set a general fund reserve policy requiring that the City will maintain at a minimum 15% of general fund expenditures in fund balance. The current fund balance to general fund expenditures is now currently at 40.7%. This noticeable increase in fund balance gives the City of Grant pride in knowing they have been honest and dependable stewards with taxpayer dollars and look forward to maintaining that trust as Grant continues to grow.

Request for Information

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

THIS PAGE INTENTIONALLY LEFT BLANK

DRAFT

CITY OF GRANT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2014

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 284,690	\$ 247,574	\$ 532,264	\$ 0
Receivables				
Accounts	2,258	125,851	128,109	0
External Parties (Fiduciary Funds)	1,608	0	1,608	0
Due from Other Governments	12,543	0	12,543	0
 Total Current Assets	 301,099	 373,425	 674,524	 0
<u>RESTRICTED ASSETS</u>				
Cash	0	457,867	457,867	0
<u>CAPITAL ASSETS</u>				
Land	73,025	0	73,025	0
Buildings	562,724	0	562,724	0
Improvements Other Than Buildings	200,989	0	200,989	0
Machinery and Equipment	91,328	0	91,328	0
Vehicles	93,584	0	93,584	0
Infrastructure	1,539,120	0	1,539,120	0
Property, Plant and Equipment	0	9,135,375	9,135,375	0
	2,560,770	9,135,375	11,696,145	0
Less Accumulated Depreciation	647,564	2,621,444	3,269,008	0
Net Capital Assets	1,913,206	6,513,931	8,427,137	0
 TOTAL ASSETS	 2,214,305	 7,345,223	 9,559,528	 0

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

CITY OF GRANT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2014

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	3,274	17,138	20,412	0
Accrued Expenses	7,529	582	8,111	0
Accrued Interest	0	12,009	12,009	0
Current Portion of Long-Term Debt	0	62,000	62,000	0
Total Current Liabilities	10,803	91,729	102,532	0
<u>LONG-TERM LIABILITIES</u>				
Compensated Absences	7,266	2,962	10,228	0
Bonds Payable	0	2,303,000	2,303,000	0
Less: Current Portion	0	(62,000)	(62,000)	0
Total Long-Term Liabilities	7,266	2,243,962	2,251,228	0
TOTAL LIABILITIES	18,069	2,335,691	2,353,760	0
<u>EQUITY</u>				
Net Position:				
Net Investment in Capital Assets	1,913,206	4,210,931	6,124,137	0
Restricted for Major Street	41,929	0	41,929	0
Restricted for Local Street	34,321	0	34,321	0
Restricted for Fire	80	0	80	0
Restricted for Drug Law Enforcement	10	0	10	0
Restricted for Roads and Right of Ways	4,713	0	4,713	0
Restricted for Debt Service	0	197,072	197,072	0
Restricted for Replacement, Repairs and Improvements	0	260,795	260,795	0
Unrestricted	201,977	340,734	542,711	0
TOTAL NET POSITION	\$ 2,196,236	\$ 5,009,532	\$ 7,205,768	\$ 0

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

CITY OF GRANT, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

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>GOVERNMENTAL ACTIVITIES</u>								
General Government	\$ 220,247	\$ 81,243	\$ 0	\$ 0	\$ (139,004)	\$ 0	\$ (139,004)	\$ 0
Public Safety	138,551	9,554	1,092	0	(127,905)	0	(127,905)	0
Public Works	208,197	64,758	77,287	22,000	(44,152)	0	(44,152)	0
Community and Economic Development	3,149	1,170	0	0	(1,979)	0	(1,979)	0
Culture and Recreation	12,724	0	0	66,837	54,113	0	54,113	0
Other Functions	15,736	0	0	0	(15,736)	0	(15,736)	0
Total Governmental Activities	598,604	156,725	78,379	88,837	(274,663)	0	(274,663)	0
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water Fund	311,398	178,865	0	0	0	(132,533)	(132,533)	0
Sewer Fund	458,539	322,525	0	0	0	(136,014)	(136,014)	0
Total Business-Type Activities	769,937	501,390	0	0	0	(268,547)	(268,547)	0
TOTAL PRIMARY GOVERNMENT	\$ 1,368,541	\$ 658,115	\$ 78,379	\$ 88,837	(274,663)	(268,547)	(543,210)	0
<u>COMPONENT UNIT</u>								
Downtown Development Authority	\$ 0	\$ 0	\$ 0	\$ 0	0	0	0	0
<u>GENERAL REVENUES</u>								
Taxes					253,874	33,340	287,214	0
State Shared Revenue					89,161	0	89,161	0
Unrestricted Investment Earnings					665	5,322	5,987	0
Other Revenue					26,200	8,271	34,471	0
Total General Revenues					369,900	46,933	416,833	0
Change in Net Position					95,237	(221,614)	(126,377)	0
<u>NET POSITION</u> - Beginning of Year					2,100,999	5,231,146	7,332,145	0
<u>NET POSITION</u> - End of Year					\$ 2,196,236	\$ 5,009,532	\$ 7,205,768	\$ 0

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

CITY OF GRANT, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2014

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT OF WAYS FUND	NON- MAJOR FUNDS	TOTALS
<u>ASSETS</u>						
Cash	\$ 213,865	\$ 32,523	\$ 34,867	\$ 3,293	\$ 142	\$ 284,690
Accounts Receivable	2,258	0	0	0	0	2,258
Due from Other Funds	1,608	885	0	2,485	0	4,978
Due from Other Governments	1,167	8,552	2,824	0	0	12,543
TOTAL ASSETS	\$ 218,898	\$ 41,960	\$ 37,691	\$ 5,778	\$ 142	\$ 304,469
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 2,198	\$ 11	\$ 0	\$ 1,065	\$ 0	\$ 3,274
Accrued Expenditures	7,509	20	0	0	0	7,529
Due to Other Funds	0	0	3,370	0	0	3,370
Total Liabilities	9,707	31	3,370	1,065	0	14,173
<u>FUND BALANCE</u>						
Restricted for:						
Major Streets	0	41,929	0	0	0	41,929
Local Streets	0	0	34,321	0	0	34,321
Fire Protection and Equipment	0	0	0	0	80	80
Drug Law Enforcement	0	0	0	0	10	10
Roads and Right of Ways	0	0	0	4,713	0	4,713
Assigned for:						
Sidewalk Projects	0	0	0	0	52	52
Unassigned	209,191	0	0	0	0	209,191
Total Fund Balance	209,191	41,929	34,321	4,713	142	290,296
TOTAL LIABILITIES AND FUND BALANCE	\$ 218,898	\$ 41,960	\$ 37,691	\$ 5,778	\$ 142	\$ 304,469

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, 2014

Total Fund Balances for Governmental Funds \$ 290,296

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	\$ 73,025	
Buildings	562,724	
Improvements Other Than Buildings	200,989	
Machinery and Equipment	91,328	
Vehicles	93,584	
Infrastructure	1,539,120	
Accumulated Depreciation	<u>(647,564)</u>	1,913,206

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.

(7,266)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,196,236

CITY OF GRANT
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT OF WAYS FUND	NON- MAJOR FUNDS	TOTALS
<u>REVENUES</u>						
Taxes	\$ 191,067	\$ 0	\$ 0	\$ 46,931	\$ 15,876	\$ 253,874
Licenses and Permits	9,164	0	0	0	0	9,164
State Grants	90,253	57,052	17,152	3,083	0	167,540
Charges for Services	56,788	0	0	0	0	56,788
Fines and Forfeitures	3,565	0	0	0	0	3,565
Interest and Rents	87,400	422	29	22	0	87,873
Other Revenue	115,037	0	0	0	0	115,037
Total Revenues	553,274	57,474	17,181	50,036	15,876	693,841
<u>EXPENDITURES</u>						
General Government	175,317	0	0	0	0	175,317
Public Safety	114,204	0	0	0	19,847	134,051
Public Works	127,328	53,614	16,252	68,346	0	265,540
Community and Economic Development	3,149	0	0	0	0	3,149
Recreation and Culture	77,987	0	0	0	0	77,987
Other Functions	15,736	0	0	0	0	15,736
Total Expenditures	513,721	53,614	16,252	68,346	19,847	671,780
Excess (Deficiency) of Revenues Over Expenditures	39,553	3,860	929	(18,310)	(3,971)	22,061
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In (Out)	(3,968)	0	0	0	3,968	0
Net Change in Fund Balance	35,585	3,860	929	(18,310)	(3)	22,061
<u>FUND BALANCES</u> - Beginning of Year	173,606	38,069	33,392	23,023	145	268,235
<u>FUND BALANCES</u> - End of Year	\$ 209,191	\$ 41,929	\$ 34,321	\$ 4,713	\$ 142	\$ 290,296

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, 2014

Net Change in Fund Balance - Total Governmental Funds \$ 22,061

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	(97,669)
Capital Outlay	171,697

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	6,414
Compensated Absences - End of the Year	<u>(7,266)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 95,237</u>
---	------------------

CITY OF GRANT, MICHIGAN
PROPRIETARY FUNDS

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>BUSINESS TYPE ACTIVITIES -</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		
	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 201,725	\$ 45,849	\$ 247,574
Accounts Receivable	45,556	80,295	125,851
Total Current Assets	247,281	126,144	373,425
<u>NONCURRENT ASSETS</u>			
<u>RESTRICTED ASSETS</u>			
Cash	186,068	271,799	457,867
<u>CAPITAL ASSETS</u>			
Property, Plant and Equipment	3,418,083	5,717,292	9,135,375
Less Accumulated Depreciation	(1,162,369)	(1,459,075)	(2,621,444)
Net Capital Assets	2,255,714	4,258,217	6,513,931
Total Noncurrent Assets	2,441,782	4,530,016	6,971,798
TOTAL ASSETS	2,689,063	4,656,160	7,345,223
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	678	16,460	17,138
Accrued Expenses	418	164	582
Accrued Interest	1,800	10,209	12,009
Current Portion of Long-Term Debt	14,000	48,000	62,000
Total Current Liabilities	16,896	74,833	91,729
<u>NONCURRENT LIABILITIES</u>			
Compensated Absences	2,246	716	2,962
Bonds Payable	432,000	1,871,000	2,303,000
Less Current Portion of Long-Term Debt	(14,000)	(48,000)	(62,000)
Total Noncurrent Liabilities	420,246	1,823,716	2,243,962
TOTAL LIABILITIES	437,142	1,898,549	2,335,691
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,823,714	2,387,217	4,210,931
Restricted for Debt Service	27,308	169,764	197,072
Restricted for Replacement, Repairs and Improvements	158,760	102,035	260,795
Unrestricted	242,139	98,595	340,734
TOTAL NET POSITION	\$ 2,251,921	\$ 2,757,611	\$ 5,009,532

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, 2014

	<u>BUSINESS TYPE ACTIVITIES -</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 178,865	\$ 322,525	\$ 501,390
Miscellaneous	2,946	648	3,594
Hydrant Rental	1,025	0	1,025
	<hr/>		
Total Operating Revenues	182,836	323,173	506,009
<u>OPERATING EXPENSES</u>			
Salaries and Wages	25,691	10,389	36,080
FICA	1,859	759	2,618
Fringe Benefits	1,248	215	1,463
Administration	27,422	18,222	45,644
Health and Life Insurance	15,402	3,177	18,579
Office and Operating Supplies	18,646	38,537	57,183
Professional Services	5,562	3,470	9,032
Property and Liability Insurance	5,287	5,896	11,183
Workers Comp Insurance	2,147	2,147	4,294
Contracted Services	8,324	130,218	138,542
Repairs and Maintenance	72,979	540	73,519
Utilities	12,807	47,849	60,656
Telephone	2,355	2,726	5,081
Printing and Publishing	1,031	474	1,505
Equipment Rental	12,172	8,655	20,827
Miscellaneous	1,940	1,285	3,225
Education and Training	2,768	386	3,154
Membership and Subscriptions	793	418	1,211
Depreciation	70,769	127,675	198,444
	<hr/>		
Total Operating Expenses	289,202	403,038	692,240
	<hr/>		
Operating Income (Loss)	(106,366)	(79,865)	(186,231)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	1,962	3,360	5,322
Property Taxes	0	33,340	33,340
Other Revenue	1,310	2,342	3,652
Interest Expense	(22,196)	(55,501)	(77,697)
	<hr/>		
Total Nonoperating Revenues (Expenses)	(18,924)	(16,459)	(35,383)
	<hr/>		
Change in Net Position	(125,290)	(96,324)	(221,614)
	<hr/>		
<u>TOTAL NET POSITION - Beginning of Year</u>	2,377,211	2,853,935	5,231,146
	<hr/>		
<u>TOTAL NET POSITION - End of Year</u>	\$ 2,251,921	\$ 2,757,611	\$ 5,009,532
	<hr/>		

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

CITY OF GRANT, MICHIGAN
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	MAJOR FUNDS		TOTALS
	WATER FUND	SEWER FUND	
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 178,200	\$ 326,806	\$ 505,006
Receipts from Other Sources	3,971	0	3,971
Cash Payments to Suppliers for Goods and Services	(147,291)	(240,823)	(388,114)
Cash Payments to Employees for Services	(71,787)	(32,820)	(104,607)
Net Cash Provided (Used) for Operating Activities	(36,907)	53,163	16,256
Cash Flows from Noncapital Financing Activities			
Advances to Other Funds	44,843	0	44,843
Collections of Property Taxes	0	33,340	33,340
Other Revenue Received	1,310	2,342	3,652
Net Cash Provided (Used) for Noncapital Financing Activities	46,153	35,682	81,835
Cash Flows from Capital and Related Financing Activities			
Principal and Interest on Capital Debt	(35,250)	(101,856)	(137,106)
State Grants Received	0	13,005	13,005
Acquisition of Capital Assets	0	(104,247)	(104,247)
Net Cash Provided (Used) for Capital and Related Financing Activities	(35,250)	(193,098)	(228,348)
Cash Flows from Investing Activities			
Interest Income	1,962	3,360	5,322
Net Increase (Decrease) in Cash and Cash Equivalents	(24,042)	(100,893)	(124,935)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	411,835	418,541	830,376
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 387,793	\$ 317,648	\$ 705,441
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ (106,366)	\$ (79,865)	\$ (186,231)
Adjustments to reconcile Operating Income To Net Cash Provided by Operating Activities			
Depreciation	70,769	127,675	198,444
(Increase) Decrease in Current Assets			
Accounts Receivable	(665)	3,633	2,968
Increase (Decrease) in Current Liabilities			
Accounts Payable	(480)	1,778	1,298
Other Accrued Expenses	(369)	84	(285)
Increase (Decrease) in in Long-Term Liabilities			
Compensated Absences	204	(142)	62
Total Adjustments	69,459	133,028	202,487
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (36,907)	\$ 53,163	\$ 16,256

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

CITY OF GRANT, MICHIGAN
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	<u>\$ 1,995</u>
<u>LIABILITIES</u>	
Due to Other Governments	387
Due to Other Funds	<u>1,608</u>
TOTAL LIABILITIES	<u>1,995</u>
<u>NET POSITION</u>	<u><u>\$ 0</u></u>

DRAFT

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 government 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.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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 trunklines.

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.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity.

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 government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

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

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.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year.

- Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

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

1. Deposits and Investments

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.

The City's investment policy conforms to state statutes.

2. Inventories and Prepaid Items

Payments for inventoriable 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.

3. 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.

4. 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 estimated fair market value at date of donation.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

5. *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.

6. *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.

7. *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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

8. *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.

9. *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.

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

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

11. Long-Term Obligations

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

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

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 2013 taxable valuation of the City of Grant totaled \$15,877,991, on which ad valorem taxes levied consisted of 10.3714 mills for general operating, 1.000 mills for fire protection services, 2.9559 mills for roads, 1.0000 mill for public safety, and 2.1000 mills for sewer bond debt. These levies raised approximately \$164,673 for operating purposes, \$15,876 for fire protection, \$46,931 for roads, \$15,876 for public safety, and \$33,340 for sewer bond debt.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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, Fifth Third Bank in Grand Rapids, Michigan and Independent Bank in Sparta, Michigan.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2014, \$49,486 of the City's bank balance of \$1,022,975 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City's investment policy does not address custodial credit risk.

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.

B. Receivables

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

	General	Major Street	Local Street	Water Fund	Sewer Fund	Total
Receivables						
Accounts	\$ 2,258	\$ 0	\$ 0	\$ 45,556	\$ 80,295	\$ 128,109
Due from Other Governments	1,167	8,552	2,824	0	0	12,543
Receivables	<u>\$ 3,425</u>	<u>\$ 8,552</u>	<u>\$ 2,824</u>	<u>\$ 45,556</u>	<u>\$ 80,295</u>	<u>\$ 140,652</u>

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 36,910	\$ 36,115	\$ 0	\$ 73,025
Capital Assets, Being Depreciated				
Buildings	501,925	60,799	0	562,724
Improvements other than Buildings	200,989	0	0	200,989
Machinery and Equipment	70,473	20,855	0	91,328
Vehicles	128,584	0	35,000	93,584
Infrastructure	1,485,192	53,928	0	1,539,120
Total Capital Assets, Being Depreciated	2,387,163	135,582	35,000	2,487,745
Less Accumulated Depreciation for:				
Buildings	80,867	13,045	0	93,912
Improvements other than buildings	60,340	9,000	0	69,340
Machinery and Equipment	36,088	8,055	0	44,143
Vehicles	92,911	4,168	35,000	62,079
Infrastructure	314,689	63,401	0	378,090
Total Accumulated Depreciation	584,895	97,669	35,000	647,564
Total Capital Assets, Being Depreciated, Net	1,802,268	37,913	0	1,840,181
Governmental Activities Capital Assets, Net	\$ 1,839,178	\$ 74,028	\$ 0	\$ 1,913,206

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

	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	252,215	0	0	252,215
Improvements Other Than Buildings	8,560,273	104,246	0	8,664,519
Total Capital Assets, Being Depreciated	8,977,487	104,246	0	9,081,733
Less Accumulated Depreciation for:				
Buildings	92,517	1,907	0	94,424
Machinery and Equipment	116,509	22,121	0	138,630
Improvements Other Than Buildings	2,213,974	174,416	0	2,388,390
Total Accumulated Depreciation	2,423,000	198,444	0	2,621,444
Total Capital Assets, Being Depreciated, Net	6,554,487	(94,198)	0	6,460,289
Business-Type Activities Capital Assets, Net	\$ 6,608,129	\$ (94,198)	\$ 0	\$ 6,513,931

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

Governmental Activities:	
General Government	\$ 44,078
Public Safety	4,500
Public Works, Including Depreciation	
General Infrastructure Assets	47,517
Recreation and Culture	1,574
Total Depreciation Expense - Governmental Activities	\$ 97,669
Business-Type Activities:	
Water Fund	\$ 70,769
Sewer Fund	127,675
Total Depreciation Expense - Business-Type Activities	\$ 198,444

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2014, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,608	\$ 0
Major Street Fund	885	0
Local Street Fund	0	3,370
Roads and Right of Ways Fund	2,485	0
Tax Collection Fund	0	1,608
	\$ 4,978	\$ 4,978
	\$ 4,978	\$ 4,978

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2014, are expected to be repaid within one year.

Interfund Transfers as of June 30, 2014 were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 3,968
Fire Fund	3,968	0
	\$ 3,968	\$ 3,968
	\$ 3,968	\$ 3,968

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

E. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the City of Grant for the year ended June 30, 2014:

	WATER REVENUE BOND	SEWER LINE BONDS	SEWER SYSTEM REVENUE BONDS	COMPENSATED ABSENCES	TOTAL
Debt Payable at July 1, 2013	\$ 445,000	\$ 268,000	\$ 1,649,000	\$ 9,314	\$ 2,371,314
New Debt Incurred	0	0	0	914	914
Debt Retired	(13,000)	(19,000)	(27,000)	0	(59,000)
Debt Payable at June 30, 2014	<u>\$ 432,000</u>	<u>\$ 249,000</u>	<u>\$ 1,622,000</u>	<u>\$ 10,228</u>	<u>\$ 2,313,228</u>
Due within one year	<u>\$ 14,000</u>	<u>\$ 20,000</u>	<u>\$ 28,000</u>	<u>\$ 0</u>	<u>\$ 62,000</u>

Debt payable at June 30, 2014, is comprised of the following individual issues:

Bonds:

\$586,000 Water Revenue Bonds, Series 1994 bonds, due in annual installments \$14,000 to \$27,000 through June 1, 2034; plus interest at 5.00%	\$ 432,000
\$1,722,000 Sewer System Revenue Bonds, Series 2009 Bonds in annual installments of \$28,000 to \$68,000 through September 1, 2049; plus interest at 2.625%	1,622,000
\$670,000 Sewer Line Bonds, General Obligation Limited Tax due in annual installments of \$20,000 to \$31,000 through October 1, 2023; plus interest at 5.00%	249,000

Other Long-Term Debt:

Accumulated sick and vacation pay owed to City employees	<u>10,228</u>
	<u><u>\$ 2,313,228</u></u>

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

The annual requirements to amortize these debts outstanding other than compensated absences as of June 30, 2014, including interest payments of \$1,203,156, are as follows:

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2015	\$ 62,000	\$ 75,760
2016	64,000	73,300
2017	66,000	70,727
2018	69,000	68,078
2019	71,000	65,315
2020-2024	404,000	280,666
2025-2029	312,000	211,792
2030-2034	348,000	153,516
2035-2039	243,000	103,438
2040-2044	277,000	69,313
2045-2049	319,000	30,358
2050	68,000	893
	<u>\$ 2,303,000</u>	<u>\$ 1,203,156</u>

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

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, 2014, the City contributed \$9,163 to the plan. Employees voluntarily deferred an additional \$4,030 to their individual plans. Covered wages for the year were approximately \$152,700, while total wages were approximately \$262,500.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, the City has withheld no more than it has disbursed.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The City carries commercial insurance for casualty, workers' disability compensation, employee health and accident insurance.

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, 2014, the Fremont Area Community Foundation holds endowment funds for the City of Grant in the amount of \$46,145.

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

The City of Grant will receive a grant from the Fremont Area Community Foundation in the amount of \$57,085 for construction of a Farmer's Market.

CITY OF GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND			ROADS AND RIGHT OF WAY FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES												
Taxes	\$ 190,354	\$ 190,373	\$ 191,067	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,787	\$ 46,787	\$ 46,931
Licenses and Permits	6,100	6,714	9,164	0	0	0	0	0	0	0	0	0
State Grants	89,004	89,004	90,253	50,086	60,133	57,052	16,500	17,750	17,152	0	3,250	3,083
Charges for Services	53,769	56,284	56,788	0	0	0	0	0	0	0	0	0
Fines and Forfeitures	3,200	3,200	3,565	0	0	0	0	0	0	0	0	0
Interest and Rents	66,265	85,308	87,400	80	410	422	20	20	29	90	90	22
Other Revenue	85,600	116,995	115,037	0	0	0	0	0	0	0	0	0
Total Revenues	494,292	547,878	553,274	50,166	60,543	57,474	16,520	17,770	17,181	46,877	50,127	50,036
EXPENDITURES												
General Government												
Mayor and City Council	11,680	13,239	11,417	0	0	0	0	0	0	0	0	0
Manager	69,930	62,174	59,730	0	0	0	0	0	0	0	0	0
Clerk	35,258	38,481	36,218	0	0	0	0	0	0	0	0	0
Board of Review	716	771	708	0	0	0	0	0	0	0	0	0
Treasurer	26,562	28,003	27,389	0	0	0	0	0	0	0	0	0
Assessor	8,840	8,840	7,861	0	0	0	0	0	0	0	0	0
Elections	2,923	2,786	2,503	0	0	0	0	0	0	0	0	0
City Hall	10,218	10,744	9,775	0	0	0	0	0	0	0	0	0
Community Building	12,262	15,482	13,799	0	0	0	0	0	0	0	0	0
Cemetery	3,953	7,024	5,917	0	0	0	0	0	0	0	0	0
Public Safety												
Police Department	112,806	116,924	114,204	0	0	0	0	0	0	0	0	0
Public Works												
Drains	900	547	546	0	0	0	0	0	0	0	0	0
Department of Public Works	80,442	110,522	104,782	0	0	0	0	0	0	0	0	0
Sidewalks	22,000	22,000	22,000	0	0	0	0	0	0	0	0	0
Highways, Streets and Bridges	0	0	0	0	0	0	0	0	0	42,730	72,642	68,346
Street Department	0	0	0	48,589	55,513	53,614	14,221	17,068	16,252	0	0	0
Community and Economic Development												
Planning Commission	388	388	149	0	0	0	0	0	0	0	0	0
Economic Development	3,400	3,400	3,000	0	0	0	0	0	0	0	0	0

CITY OF GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND			ROADS AND RIGHT OF WAY FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Recreation and Culture												
Parks and Recreation	66,541	82,985	77,987	0	0	0	0	0	0	0	0	0
Other Functions	17,992	17,198	15,736	0	0	0	0	0	0	0	0	0
Total Expenditures	486,811	541,508	513,721	48,589	55,513	53,614	14,221	17,068	16,252	42,730	72,642	68,346
Excess (Deficiency) of Revenues Over Expenditures	7,481	6,370	39,553	1,577	5,030	3,860	2,299	702	929	4,147	(22,515)	(18,310)
OTHER FINANCING SOURCES (USES)												
Transfers In (Out)	(3,968)	(3,968)	(3,968)	0	0	0	0	0	0	0	0	0
Net Change in Fund Balance	3,513	2,402	35,585	1,577	5,030	3,860	2,299	702	929	4,147	(22,515)	(18,310)
FUND BALANCE - Beginning of Year	173,606	173,606	173,606	38,069	38,069	38,069	33,392	33,392	33,392	23,023	23,023	23,023
FUND BALANCE - End of Year (Deficit)	\$ 177,119	\$ 176,008	\$ 209,191	\$ 39,646	\$ 43,099	\$ 41,929	\$ 35,691	\$ 34,094	\$ 34,321	\$ 27,170	\$ 508	\$ 4,713

CITY OF GRANT, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2014

	SPECIAL REVENUE FUNDS			TOTALS
	FIRE	SIDEWALK	DRUG LAW ENFORCEMENT	
<u>ASSETS</u>				
Cash	\$ 80	\$ 52	\$ 10	\$ 142
<hr/>				
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0
<hr/>				
<u>FUND BALANCE</u>				
Restricted for:				
Fire Protection and Equipment	80	0	0	80
Drug Law Enforcement	0	0	10	10
Assigned for:				
Sidewalk Projects	0	52	0	52
<hr/>				
Total Fund Balance	80	52	10	142
<hr/>				
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 80	\$ 52	\$ 10	\$ 142
<hr/>				

CITY OF GRANT, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014

	<u>SPECIAL REVENUE FUNDS</u>			<u>TOTALS</u>
	<u>FIRE</u>	<u>SIDEWALK</u>	<u>DRUG LAW ENFORCEMENT</u>	
<u>REVENUES</u>				
Taxes	\$ 15,876	\$ 0	\$ 0	\$ 15,876
<u>EXPENDITURES</u>				
Public Safety	19,847	0	0	19,847
Excess (Deficiency) of Revenues Over Expenditures	(3,971)	0	0	(3,971)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In General Fund	3,968	0	0	3,968
Net Change in Fund Balance	(3)	0	0	(3)
<u>FUND BALANCE</u> - Beginning of Year	83	52	10	145
<u>FUND BALANCE</u> - End of Year	\$ 80	\$ 52	\$ 10	\$ 142

CITY OF GRANT, MICHIGAN
GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2014	2013
<u>ASSETS</u>		
Cash	\$ 213,865	\$ 175,257
Accounts Receivable	2,258	3,275
Due from Other Funds	1,608	1,735
Due from Other Governments	1,167	0
TOTAL ASSETS	\$ 218,898	\$ 180,267
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,198	\$ 363
Accrued Expenditures	7,509	6,298
Total Liabilities	9,707	6,661
<u>FUND BALANCE</u>		
Assigned for Cemetery Care	0	100
Unassigned	209,191	173,506
Total Fund Balance	209,191	173,606
TOTAL LIABILITIES AND FUND BALANCE	\$ 218,898	\$ 180,267

CITY OF GRANT, MICHIGAN
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014		2013
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 190,373	\$ 191,067	\$ 186,666
Licenses and Permits	6,714	9,164	7,855
Federal Grants	0	0	179,712
State Grants	89,004	90,253	90,821
Charges for Services	56,284	56,788	51,746
Fines and Forfeitures	3,200	3,565	5,156
Interest and Rents	85,308	87,400	66,651
Other Revenue	116,995	115,037	40,509
Total Revenues	547,878	553,274	629,116
<u>EXPENDITURES</u>			
General Government	187,544	175,317	175,609
Public Safety	116,924	114,204	105,323
Public Works	133,069	127,328	259,780
Community and Economic Development	3,788	3,149	3,161
Recreation and Culture	82,985	77,987	39,402
Other Functions	17,198	15,736	23,902
Total Expenditures	541,508	513,721	607,177
Excess (Deficiency) of Revenues Over Expenditures	6,370	39,553	21,939
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(3,968)	(3,968)	(3,885)
Net Change in Fund Balance	2,402	35,585	18,054
<u>FUND BALANCE</u> - Beginning of Year	173,606	173,606	155,552
<u>FUND BALANCE</u> - End of Year	\$ 176,008	\$ 209,191	\$ 173,606

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014		2013
	BUDGET	ACTUAL	ACTUAL
<u>TAXES</u>			
Current and Delinquent Taxes	\$ 180,547	\$ 180,549	\$ 176,186
Trailer	124	186	186
Penalties and Interest	1,600	1,908	2,143
Property Tax Administration Fee	8,102	8,424	8,151
Total Taxes	190,373	191,067	186,666
<u>LICENSES AND PERMITS</u>			
Franchise Fees	6,154	8,474	7,565
Business Licenses and Permits	560	690	290
Total Licenses and Permits	6,714	9,164	7,855
<u>FEDERAL GRANTS</u>			
Safe Routes to School Grant	0	0	178,722
Tree Planting Grant	0	0	990
Total Federal Grants	0	0	179,712
<u>STATE GRANTS</u>			
Sales and Use Tax	89,004	89,161	86,468
Telecommunications Right of Way Maintenance	0	0	3,259
Liquor Licenses	0	842	844
MJTC Grant	0	250	250
Total State Grants	89,004	90,253	90,821
<u>CHARGES FOR SERVICES</u>			
Cemetery Lot Sales	800	800	200
Monuments and Foundation Sales	75	0	209
Zoning Fees	440	480	1,072
Contracted Services	5,450	5,989	4,631
Administration	49,519	49,519	45,634
Total Charges for Services	56,284	56,788	51,746

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014		2013
	BUDGET	ACTUAL	ACTUAL
<u>FINES AND FORFEITURES</u>			
Violation Bureau and Ordinance Fines	3,200	3,565	5,156
<u>INTEREST AND RENTS</u>			
Interest	870	596	246
Rent (Community Building and Equipment)	56,650	59,016	40,789
Land Lease	7,800	7,800	7,800
Water Tower Lease	19,988	19,988	17,816
Total Interest and Rents	85,308	87,400	66,651
<u>OTHER REVENUE</u>			
Sale of Property and Equipment	6,080	6,082	601
Grants	92,300	88,837	36,209
Private Donations	1,800	1,800	1,125
Refunds and Rebates	1,225	2,726	2,387
Other Revenue	15,590	15,592	187
Total Other Revenue	116,995	115,037	40,509
TOTAL REVENUES	\$ 547,878	\$ 553,274	\$ 629,116

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014		2013
	BUDGET	ACTUAL	ACTUAL
<u>GENERAL GOVERNMENT</u>			
Mayor and City Council			
Salaries and Wages	\$ 6,000	\$ 5,188	\$ 5,250
Social Security Tax	460	397	402
Office and Operating Supplies	300	275	160
Professional Services	1,000	509	3,119
Printing and Publishing	2,200	2,103	685
Membership and Dues	1,229	1,229	1,096
Education and Training	150	72	0
Telephone	900	740	886
Transportation	50	0	0
Miscellaneous	950	904	225
	13,239	11,417	11,823
Manager			
Salaries and Wages	49,500	47,993	55,048
Social Security Tax	4,000	3,617	4,156
Fringes	2,860	2,774	3,300
Office and Operating Supplies	720	699	263
Professional Services	431	231	316
Membership and Dues	725	722	701
Education and Training	675	673	742
Telephone	1,400	1,303	1,293
Transportation	800	656	858
Miscellaneous	55	55	33
Capital Outlay	1,008	1,007	0
	62,174	59,730	66,710
Clerk			
Salaries and Wages	30,072	30,165	28,650
Social Security Tax	2,336	2,209	2,189
Office and Operating Supplies	765	348	327
Professional Services	700	231	316
Printing and Publishing	100	0	0
Membership and Dues	555	555	250
Education and Training	1,700	603	0
Telephone	970	922	820
Transportation	200	159	43
Miscellaneous	75	18	53
Capital Outlay	1,008	1,008	0
	38,481	36,218	32,648
Board of Review			
Salaries and Wages	340	337	340
Social Security Tax	26	26	26
Printing and Publishing	350	294	291
Miscellaneous	55	51	45
	771	708	702

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014		2013
	BUDGET	ACTUAL	ACTUAL
Treasurer			
Salaries and Wages	20,700	20,582	19,963
Social Security Tax	1,547	1,534	1,526
Fringes	105	105	0
Office and Operating Supplies	700	529	247
Professional Services	400	210	394
Contracted Services	1,810	1,799	1,876
Membership and Dues	190	190	180
Education and Training	588	587	0
Telephone	720	682	593
Transportation	175	145	40
Miscellaneous	60	18	40
Capital Outlay	1,008	1,008	0
	28,003	27,389	24,859
Assessor			
Office and Operating Supplies	40	0	8
Contracted Services	8,700	7,861	10,865
Printing and Publishing	100	0	0
	8,840	7,861	10,873
Elections			
Salaries and Wages	850	550	1,350
Social Security Tax	103	42	103
Office and Operating Supplies	410	390	143
Contracted Services	1,098	1,188	876
Printing and Publishing	180	211	133
Transportation	116	116	260
Miscellaneous	29	6	0
	2,786	2,503	2,865
City Hall			
Salaries and Wages	2,300	2,199	2,694
Social Security Tax	169	160	194
Operating Supplies	350	320	343
Utilities	4,100	3,915	3,609
Repairs and Maintenance	1,900	1,483	1,683
Equipment Rental	100	0	0
Miscellaneous	225	193	518
Capital Outlay	1,600	1,505	0
	10,744	9,775	9,041
Community Building			
Salaries and Wages	4,600	4,305	3,667
Social Security Tax	352	317	259
Operating and Maintenance Supplies	1,700	1,242	1,304
Contracted Services	400	0	1,488
Utilities	6,800	6,775	5,756
Repairs and Maintenance	900	525	259
Refunds	600	600	70
Equipment Rental	100	35	115
Miscellaneous	30	0	40
	15,482	13,799	12,958

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014		2013
	BUDGET	ACTUAL	ACTUAL
Cemetery			
Salaries and Wages	2,960	2,974	2,084
Social Security Tax	220	215	151
Operating and Maintenance Supplies	650	129	395
Contracted Services	500	205	500
Equipment Rental	300	0	0
Capital Outlay	2,394	2,394	0
	<u>7,024</u>	<u>5,917</u>	<u>3,130</u>
Total General Government	<u>187,544</u>	<u>175,317</u>	<u>175,609</u>
<u>PUBLIC SAFETY</u>			
Police Department			
Salaries and Wages	78,852	78,828	73,039
Social Security Tax	5,995	5,873	5,409
Fringes	2,636	2,636	2,586
Office and Operating Supplies	2,840	2,174	2,596
Professional Services	2,000	1,806	1,743
Contracted Services	2,500	2,102	2,700
Printing and Publishing	230	230	0
Utilities	800	463	412
Repairs and Maintenance	730	723	0
Membership and Dues	102	102	334
Education and Training	928	927	1,666
Telephone	2,100	2,038	2,043
Transportation	12,400	11,771	10,344
Uniforms	1,300	1,203	1,718
Miscellaneous	250	68	733
Capital Outlay	3,261	3,260	0
Total Public Safety	<u>116,924</u>	<u>114,204</u>	<u>105,323</u>
<u>PUBLIC WORKS</u>			
Drains	<u>547</u>	<u>546</u>	<u>338</u>
Department of Public Works			
Salaries and Wages	26,682	25,066	29,789
Social Security Tax	2,183	1,808	2,129
Fringes	2,163	2,103	2,175
Office and Operating Supplies	5,630	5,333	4,489
Professional Services	650	621	604
Contracted Services	1,797	1,063	2,557
Education and Training	170	168	40
Telephone	2,200	1,964	2,012
Transportation	35,100	33,040	14,535
Uniforms	400	400	400
Utilities	2,700	2,527	1,757
Membership and Dues	100	55	45
Repairs and Maintenance	400	297	200
Equipment Rental	100	100	0
Miscellaneous	1,820	1,810	813
Capital Outlay	28,427	28,427	7,882
	<u>110,522</u>	<u>104,782</u>	<u>69,427</u>

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014		2013
	BUDGET	ACTUAL	ACTUAL
Sidewalks			
Contracted Services	22,000	22,000	190,015
Total Public Works	<u>133,069</u>	<u>127,328</u>	<u>259,780</u>
 <u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>			
Planning Commission			
Salaries and Wages	360	138	150
Social Security Tax	28	11	11
	<u>388</u>	<u>149</u>	<u>161</u>
Economic Development	<u>3,400</u>	<u>3,000</u>	<u>3,000</u>
Total Community and Economic Development	<u>3,788</u>	<u>3,149</u>	<u>3,161</u>
 <u>RECREATION AND CULTURE</u>			
Parks and Recreation			
Salaries and Wages	6,200	6,393	5,639
Social Security Tax	475	466	413
Operating and Maintenance Supplies	1,400	1,260	1,469
Contracted Services	2,500	2,325	3,259
Equipment Rental	650	0	0
Miscellaneous	200	220	942
Capital Outlay	<u>71,560</u>	<u>67,323</u>	<u>27,680</u>
Total Recreation and Culture	<u>82,985</u>	<u>77,987</u>	<u>39,402</u>
 <u>OTHER FUNCTIONS</u>			
Fringe Benefits			
Health and Life Insurance	12,166	10,934	17,946
Workers' Compensation	1,571	1,341	1,773
Insurance			
Property and Liability Insurance	<u>3,461</u>	<u>3,461</u>	<u>4,183</u>
Total Other Functions	<u>17,198</u>	<u>15,736</u>	<u>23,902</u>
 TOTAL EXPENDITURES	 541,508	 513,721	 607,177
 <u>OTHER FINANCING USES</u>			
Transfers Out			
Fire Fund	<u>3,968</u>	<u>3,968</u>	<u>3,885</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>\$ 545,476</u>	 <u>\$ 517,689</u>	 <u>\$ 611,062</u>

CITY OF GRANT, MICHIGAN
WATER FUND

COMPARATIVE STATEMENT OF NET POSITION
JUNE 30,

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 201,725	\$ 296,374
Accounts Receivable	45,556	44,891
Advances to Other Funds	0	44,843
Total Current Assets	247,281	386,108
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	186,068	115,461
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	3,418,083	3,418,083
Less Accumulated Depreciation	(1,162,369)	(1,091,600)
Net Capital Assets	2,255,714	2,326,483
Total Noncurrent Assets	2,441,782	2,441,944
TOTAL ASSETS	2,689,063	2,828,052
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	678	1,158
Accrued Expenses	418	787
Accrued Interest	1,800	1,854
Current Portion of Long-Term Debt	14,000	13,000
Total Current Liabilities	16,896	16,799
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	2,246	2,042
Bonds Payable	432,000	445,000
Less Current Portion of Long-Term Debt	(14,000)	(13,000)
Total Long-Term Debt	420,246	434,042
TOTAL LIABILITIES	437,142	450,841
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,823,714	1,881,483
Restricted for Debt Service	27,308	27,297
Restricted for Replacement, Repairs and Improvements	158,760	88,164
Unrestricted	242,139	380,267
TOTAL NET POSITION	\$ 2,251,921	\$ 2,377,211

CITY OF GRANT, MICHIGAN
WATER FUND

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

	<u>2014</u>	<u>2013</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 178,865	\$ 184,779
Miscellaneous	2,946	1,740
Hydrant Rental	1,025	550
	<hr/>	<hr/>
Total Operating Revenues	182,836	187,069
 <u>OPERATING EXPENSES</u>		
Salaries and Wages	25,691	23,629
FICA	1,859	1,578
Fringe Benefits	1,248	1,330
Administration	27,422	25,960
Health and Life Insurance	15,402	15,313
Office and Operating Supplies	18,646	10,526
Professional Services	5,562	5,815
Property and Liability Insurance	5,287	6,147
Workers Comp Insurance	2,147	2,280
Contracted Services	8,324	11,952
Repairs and Maintenance	72,979	3,869
Utilities	12,807	11,824
Telephone	2,355	2,220
Printing and Publishing	1,031	783
Equipment Rental	12,172	7,418
Miscellaneous	1,940	2,763
Education and Training	2,768	190
Membership and Subscriptions	793	420
Depreciation	70,769	70,769
	<hr/>	<hr/>
Total Operating Expenses	289,202	204,786
	<hr/>	<hr/>
Operating Income (Loss)	(106,366)	(17,717)

CITY OF GRANT, MICHIGAN
WATER FUND

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

	<u>2014</u>	<u>2013</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	1,962	659
Other Revenue	1,310	473
Interest Expense	<u>(22,196)</u>	<u>(22,800)</u>
Total Nonoperating Revenues (Expenses)	<u>(18,924)</u>	<u>(21,668)</u>
Change in Net Position	(125,290)	(39,385)
<u>TOTAL NET POSITION</u> - Beginning of Year	<u>2,377,211</u>	<u>2,416,596</u>
<u>TOTAL NET POSITION</u> - End of Year	<u>\$ 2,251,921</u>	<u>\$ 2,377,211</u>

DRAFT

CITY OF GRANT, MICHIGAN
WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	2014	2013
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 178,200	\$ 186,599
Receipts from Other Sources	3,971	2,290
Cash Payments to Suppliers for Goods and Services	(147,291)	(64,523)
Cash Payments to Employees for Services	(71,787)	(66,409)
Net Cash Provided (Used) for Operating Activities	(36,907)	57,957
Cash Flows from Noncapital Financing Activities		
Advances to Other Funds	44,843	0
Other Revenue Received	1,310	473
Net Cash Provided (Used) for Noncapital Financing Activities	46,153	473
Cash Flows from Capital and Related Financing Activities		
Principal and Interest on Capital Debt	(35,250)	(34,850)
Cash Flows from Investing Activities		
Interest Income	1,962	659
Net Increase (Decrease) in Cash and Cash Equivalents	(24,042)	24,239
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	411,835	387,596
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 387,793	\$ 411,835

CITY OF GRANT, MICHIGAN
WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	2014	2013
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (106,366)	\$ (17,717)
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	70,769	70,769
(Increase) Decrease in Current Assets		
Accounts Receivable	(665)	1,820
Due From Other Funds	0	388
Prepaid Expenses	0	530
Increase (Decrease) in Current Liabilities		
Accounts Payable	(480)	766
Other Accrued Expenses	(369)	227
Increase (Decrease) in Long-Term Liabilities		
Compensated Absences	204	1,174
Total Adjustments	69,459	75,674
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (36,907)	\$ 57,957

CITY OF GRANT, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF NET POSITION
JUNE 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 45,849	\$ 72,045
Accounts Receivable	80,295	83,928
Due From Other Governments	0	13,005
	<hr/>	<hr/>
Total Current Assets	126,144	168,978
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	271,799	346,496
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	5,717,292	5,613,046
Less Accumulated Depreciation	(1,459,075)	(1,331,401)
	<hr/>	<hr/>
Net Capital Assets	4,258,217	4,281,645
	<hr/>	<hr/>
Total Noncurrent Assets	4,530,016	4,628,141
	<hr/>	<hr/>
TOTAL ASSETS	4,656,160	4,797,119
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	16,460	14,682
Accrued Expenses	164	80
Accrued Interest	10,209	10,564
Current Portion of Long-Term Debt	48,000	46,000
	<hr/>	<hr/>
Total Current Liabilities	74,833	71,326
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	716	858
Bonds Payable	1,871,000	1,917,000
Less Current Portion of Long-Term Debt	(48,000)	(46,000)
	<hr/>	<hr/>
Total Long-Term Liabilities	1,823,716	1,871,858
	<hr/>	<hr/>
TOTAL LIABILITIES	1,898,549	1,943,184
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,387,217	2,364,645
Restricted for Debt Service	169,764	143,552
Restricted for Repairs, Replacement and Improvements	102,035	202,944
Unrestricted	98,595	142,794
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 2,757,611	\$ 2,853,935
	<hr/> <hr/>	<hr/> <hr/>

CITY OF GRANT, MICHIGAN
SEWER FUND

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

	2014	2013
<u>OPERATING REVENUES</u>		
Charges for Services and Connection Fees	\$ 322,525	\$ 334,674
Miscellaneous	648	434
Total Operating Revenues	323,173	335,108
<u>OPERATING EXPENSES</u>		
Salaries and Wages	10,389	7,531
FICA	759	492
Fringe Benefits	215	295
Administration	18,222	15,541
Health and Life Insurance	3,177	3,160
Office and Operating Supplies	38,537	17,313
Professional Services	3,470	16,830
Property and Liability Insurance	5,896	6,504
Workers Comp Insurance	2,147	2,280
Contracted Services	130,218	110,492
Repairs and Maintenance	540	759
Utilities	47,849	20,205
Telephone	2,726	2,631
Printing and Publishing	474	682
Equipment Rental	8,655	5,745
Miscellaneous	1,285	2,248
Education and Training	386	0
Memberships and Dues	418	45
Depreciation	127,675	127,675
Total Operating Expenses	403,038	340,428
Operating Income (Loss)	(79,865)	(5,320)

CITY OF GRANT, MICHIGAN
SEWER FUND

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

	2014	2013
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	3,360	1,270
Property Taxes	33,340	32,536
State Grants	0	13,005
Other Revenue	2,342	310
Interest Expense	(55,501)	(57,130)
	(16,459)	(10,009)
Total Nonoperating Revenues (Expenses)	(16,459)	(10,009)
Change in Net Position	(96,324)	(15,329)
<u>TOTAL NET POSITION</u> - Beginning of Year	2,853,935	2,869,264
<u>TOTAL NET POSITION</u> - End of Year	\$ 2,757,611	\$ 2,853,935

DRAFT

CITY OF GRANT, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 326,806	\$ 334,777
Cash Payments to Suppliers for Goods and Services	(240,823)	(173,336)
Cash Payments to Employees for Services	(32,820)	(26,353)
	<hr/>	<hr/>
Net Cash Provided (Used) for Operating Activities	53,163	135,088
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities		
Collections of Property Taxes	33,340	32,536
Other Revenue Received	2,342	310
	<hr/>	<hr/>
Net Cash Provided (Used) for Noncapital Financing Activities	35,682	32,846
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities		
Principal and Interest on Capital Debt	(101,856)	(100,465)
State Grants Received	13,005	0
Acquisition of Capital Assets	(104,247)	0
	<hr/>	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	(193,098)	(100,465)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest Income	3,360	1,270
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(100,893)	68,739
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	418,541	349,802
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 317,648	\$ 418,541
	<hr/> <hr/>	<hr/> <hr/>

CITY OF GRANT, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	2014	2013
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (79,865)	\$ (5,320)
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	127,675	127,675
(Increase) Decrease in Current Assets		
Accounts Receivable	3,633	(331)
Increase (Decrease) in Current Liabilities		
Accounts Payable	1,778	12,786
Other Accrued Expenses	84	30
Due to Other Funds	0	(388)
Increase (Decrease) In Long-Term Liabilities		
Compensated Absences	(142)	636
Total Adjustments	133,028	140,408
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 53,163	\$ 135,088

CITY OF GRANT, MICHIGAN
TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2014

	BALANCE 7/1/2013	INCREASES	DECREASES	BALANCE 6/30/2014
<u>ASSETS</u>				
Cash	\$ 2,045	\$ 821,310	\$ 821,360	\$ 1,995
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 23	\$ 23	\$ 0
Due to Other Governments	310	532,253	532,176	387
Due to Other Funds	1,735	289,034	289,161	1,608
TOTAL LIABILITIES	\$ 2,045	\$ 821,310	\$ 821,360	\$ 1,995

DRAFT

CITY OF GRANT, MICHIGAN
COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2014</u>		<u>2013</u>
<u>ASSETS</u>	\$	0	\$ 0
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>	\$	0	\$ 0
<u>FUND BALANCE</u>			
Unassigned		0	0
TOTAL LIABILITIES AND FUND BALANCE	\$	0	\$ 0

DRAFT

CITY OF GRANT, MICHIGAN
COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

JUNE 30,

	<u>2014</u>	<u>2013</u>
<u>REVENUES</u>	\$ 0	\$ 0
<u>EXPENDITURES</u>		
Community and Economic Development	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	0
<u>FUND BALANCE</u> - Beginning of Year	0	0
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0

DRAFT



CERTIFIED PUBLIC ACCOUNTANTS

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

www.bcbcpa.com

October 27, 2014

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, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Grant, Michigan as of and for the year ended June 30, 2014, 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 27, 2014.

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 weaknesses, 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.

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.

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.

Compliance and Other Matters

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

City of Grant, Michigan's response to Findings

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

Purpose of this Report

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

DRAFT



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

October 27, 2014

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

To the City Council
City of Grant, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Grant for the year ended June 30, 2014. 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 August 27, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Grant are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information financial statements were:

Management's estimates of the useful lives of 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 significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all misstatements.

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 27, 2014.

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'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'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, 2014, we noted the following items which we feel deserve comment:

Personnel Policy Manual

During the audit it was noted that there was a payout of earned sick/personal leave and vacation upon retirement of a City employee. Per the language of the personnel policy manual, it was vague on the process to calculate the payout. We recommend that the language be updated and an example be added to the personnel policy manual so the City can calculate the payout of any future benefits based on the Council's intention.

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.