

CITY OF GRANT, MICHIGAN

JUNE 30, 2022



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

CITY OF GRANT, MICHIGAN

JUNE 30, 2022

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JUNE 30, 2022

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October 7, 2022

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grant, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grant as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Grant and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Grant's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Grant's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Grant's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through xi and 30-32 be

presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grant's basic financial statements. The accompanying combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements of combining and individual funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2022, on our consideration of the City of Grant's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Grant's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grant's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

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, 2022. 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. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- ❖ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,346,418, (*Net Position*). Of this amount, \$887,423 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$967,851, of which \$357,150 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 \$363,369.
- ❖ The City's total outstanding long-term obligations decreased by \$65,380 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as not capitalized net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

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

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

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 eight 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, and Police Fund which are considered to be major funds. The remaining funds are considered to be nonmajor funds.

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, sewer, and market activity, water and sewer are considered to be major funds of the City, while the market is considered to be a non-major fund.

The basic proprietary fund financial statements can be found on pages 8-12 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

of those funds are not available to support the City's own programs. The City maintains one type of fiduciary fund. The Custodial Fund reports resources held by the City in a custodial capacity for other governments. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 13-14 of this report.

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

Notes to Financial Statements The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found on pages 15-29 of this report.

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

Government-Wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of the City's financial position. In the case of the City of Grant, assets exceeded liabilities by \$7,346,418 at the close of the most recent fiscal year.

City of Grant
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets						
Current Assets	\$ 1,087,583	\$ 870,639	\$ 541,236	\$ 519,033	\$ 1,628,819	\$ 1,389,672
Restricted Assets	0	0	549,814	584,248	549,814	584,248
Non Current Assets						
Capital Assets	3,730,384	3,571,430	9,260,858	9,224,545	12,991,242	12,795,975
Less:						
Accumulated Depreciation	(1,680,563)	(1,519,837)	(4,116,236)	(3,926,453)	(5,796,799)	(5,446,290)
Total Non Current Assets	2,049,821	2,051,593	5,144,622	5,298,092	7,194,443	7,349,685
Total Assets	3,137,404	2,922,232	6,235,672	6,401,373	9,373,076	9,323,605
Liabilities						
Current Liabilities	137,784	70,989	68,123	64,029	205,907	135,018
Long-Term Liabilities	195,713	207,825	1,625,038	1,680,307	1,820,751	1,888,132
Total Liabilities	333,497	278,814	1,693,161	1,744,336	2,026,658	2,023,150
Net Position						
Net Investment in Capital Assets	1,846,413	1,835,515	3,465,622	3,566,092	5,312,035	5,401,607
Restricted for Specific Purposes	604,430	552,681	542,530	576,737	1,146,960	1,129,418
Unrestricted	353,064	255,222	534,359	514,208	887,423	769,430
Total Net Position	\$ 2,803,907	\$ 2,643,418	\$ 4,542,511	\$ 4,657,037	\$ 7,346,418	\$ 7,300,455

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

The most significant portion of the City's net position is cash and the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City has \$887,423 in unrestricted net position. These assets represent resources that are available for appropriation, but are limited by City policies regarding their use.

The total net position of the City increased \$45,963 in this fiscal year. Governmental activities increased by \$160,489, while business-type activities decreased by \$114,526.

City of Grant
Change in Net Position

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program Revenues						
Charges for Services	\$ 151,416	\$ 134,936	\$ 573,188	\$ 569,083	\$ 724,604	\$ 704,019
Operating Grants and Contributions	147,558	169,393	0	0	147,558	169,393
Capital Grants and Contributions	48,949	22,000	0	32,000	48,949	54,000
General Revenues						
Taxes	408,360	368,643	0	0	408,360	368,643
State Shared Revenue	133,740	108,336	0	0	133,740	108,336
Investment Earnings	1,442	2,163	1,866	2,941	3,308	5,104
Other Revenue	13,110	16,428	20	1,424	13,130	17,852
Transfers	(15,000)	(38,288)	15,000	38,288	0	0
Total Revenues	889,575	783,611	590,074	643,736	1,479,649	1,427,347
Expenses						
General Government	199,408	205,682	0	0	199,408	205,682
Public Safety	219,577	207,285	0	0	219,577	207,285
Public Works	255,869	215,861	0	0	255,869	215,861
Community and						
Economic Development	4,500	3,000	0	0	4,500	3,000
Culture and Recreation	30,675	21,852	0	0	30,675	21,852
Water	0	0	253,509	238,134	253,509	238,134
Sewer	0	0	451,046	409,308	451,046	409,308
Market	0	0	45	187	45	187
Other Functions	6,179	6,541	0	0	6,179	6,541
Interest on Long-Term Debt	12,878	807	0	0	12,878	807
Total Expenses	729,086	661,028	704,600	647,629	1,433,686	1,308,657
Changes in Net Position	160,489	122,583	(114,526)	(3,893)	45,963	118,690
<u>NET POSITION - Beginning of Year</u>	<u>2,643,418</u>	<u>2,520,835</u>	<u>4,657,037</u>	<u>4,660,930</u>	<u>7,300,455</u>	<u>7,181,765</u>
<u>NET POSITION - End of Year</u>	<u>\$ 2,803,907</u>	<u>\$ 2,643,418</u>	<u>\$ 4,542,511</u>	<u>\$ 4,657,037</u>	<u>\$ 7,346,418</u>	<u>\$ 7,300,455</u>

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Governmental Activities

During the current fiscal year, net position for the governmental activities increased \$160,489 from the prior fiscal year for an ending balance of \$2,803,907. The most significant part of the revenue for all governmental activities of the City comes from property taxes. The City's governmental activities expenses are dominated by the General Government, Public Works, and Public Safety expenses. Public Works represented the largest expense at \$255,869, 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. Public Safety represents the next largest expense at \$219,577. The City spent \$199,408 in this fiscal year on General Government.

Business-Type Activities

The City's business-type activities accounted for a decrease of \$114,526 in the City's net position for the fiscal year ended June 30, 2022.

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

Financial Analysis of the Government's Funds

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

Governmental Funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At the completion of the City's fiscal year ended June 30, 2022, its governmental funds reported fund balances of \$967,851. There is \$357,150 in unassigned fund balance. The remaining \$610,701 of fund balance of the governmental funds is assigned, restricted, or nonspendable and is therefore not available for new appropriation.

General Fund – The General Fund fund balance increased by \$103,740, which brings the fund balance to \$363,369. \$357,150 of this fund balance is unassigned and \$6,219 is nonspendable. The increase is primarily due to having less projects in the current year and increased revenues related to rents and taxes.

Major Street Fund – The Major Street Fund increased its fund balance by \$24,620, which brings the fund balance to \$355,112. 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 \$9,013, which brings the balance to \$112,634. All of this balance is restricted for local street improvements. The increase represents the amount of state funding that was collected in excess of local street expenditures.

CITY OF GRANT

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Roads and Right-of-Ways Fund – The Roads and Right-of-Ways Fund increased its fund balance by \$17,907, which brings the balance to \$135,718. All of this balance is restricted for street improvements and projects. Property tax revenues were more than road improvement expenditures, causing the increase.

Police Fund – Police Fund increased its fund balance by \$207, which brings the balance to \$207. All of this balance is restricted for public safety. Property tax revenues and transfers in were more than public safety expenditures, causing the increase.

Non-Major Funds – The Non-Major Funds of the City increased their combined fund balance by \$2 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 \$51,257. The unrestricted net position decreased \$2,990, net position restricted for debt service increased \$92, net position restricted for replacement, repairs, and improvements decreased \$36,272 and net position invested in capital assets decreased by \$12,087. Charges for services to residents for use of the water system was less than operating and non-operating expenses, causing the decrease in net position.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net position of \$63,624. The unrestricted net position increased \$22,786, net position restricted for debt service increased \$164, net position restricted for replacement, repairs, and improvements increased \$1,809, and net position invested in capital assets decreased by \$88,383. Charges for services to residents for use of the sewer system was less than operating and non-operating expenses, causing the decrease in net position.

General Fund Budgetary Highlights

During the year, various budget amendments resulted in changes in appropriations. These changes are shown on pages 30-32 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	\$ 495,192	\$ 588,418	\$ 596,405
Total Expenditures	\$ 328,831	\$ 359,253	\$ 328,128

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

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

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Capital Assets The City's investment in capital assets for governmental and business-type activities as of June 30, 2022, amounted to \$7,194,443 net of accumulated depreciation. Capital assets summarized below include any items that were capitalized as outlined in the capitalization policy.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 146,348	\$ 146,348	\$ 53,642	\$ 53,642	\$ 199,990	\$ 199,990
Buildings	562,724	562,724	164,999	164,999	727,723	727,723
Improvements Other than Buildings	499,837	499,837	8,845,207	8,808,894	9,345,044	9,308,731
Machinery and Equipment	394,663	339,043	197,010	197,010	591,673	536,053
Vehicles	190,170	190,185	0	0	190,170	190,185
Infrastructure	1,936,642	1,833,293	0	0	1,936,642	1,833,293
Subtotal	3,730,384	3,571,430	9,260,858	9,224,545	12,991,242	12,795,975
Accumulated Depreciation	1,680,563	1,519,837	4,116,236	3,926,453	5,796,799	5,446,290
Net Capital Assets	\$ 2,049,821	\$ 2,051,593	\$ 5,144,622	\$ 5,298,092	\$ 7,194,443	\$ 7,349,685

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

Asset Additions:

- ❖ 2013 Chrysler 300 at a cost of \$8,000.
- ❖ Road improvements in the amount of \$97,899.
- ❖ Cemetery road improvements at a cost of \$5,450.
- ❖ Ventrac tractor in the amount of \$51,395.
- ❖ Tractor attachment at a cost of \$4,225.

Asset Deletions:

- ❖ 2013 Ford Explorer In the amount of \$3,485.

Long-Term Obligations As of June 30, 2022, the City had outstanding obligations of \$1,888,464, consisting of general obligation bonds, revenue bonds, accrued compensated absences, and an installment purchase agreement. The debt represents bonds secured solely by the specific revenue sources (water and sewer system revenue bonds, \$1,679,000), accrued compensated absences of \$6,056, and an installment purchase agreement for \$203,408.

Economic Condition and Outlook

The August 2022 unemployment rate (not seasonally adjusted) for Newaygo County is 4.4%. This is three tenths of a percent (0.30%) higher than the state of Michigan and two tenths of a percent (0.20%) lower than August 2021.

The City of Grant's total taxable value (real and personal) for FY 2021-2022 increased to \$19,858,259 from \$19,115,965 in FY 2020-2021. This is the seventh consecutive annual increase in taxable value due to increasing property values and investment in the city, particularly in residential housing.

CITY OF GRANT

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Listed below are taxable values by fiscal year:

2011-2012:	\$15,376,618		2017-2018:	\$16,382,393	4.99%
2012-2013:	\$15,502,051	0.82%	2018-2019:	\$16,887,276	3.08%
2013-2014:	\$15,877,991	2.43%	2019-2020:	\$17,712,984	4.89%
2014-2015:	\$15,685,030	-1.22%	2020-2021:	\$18,360,441	3.66%
2015-2016:	\$15,574,659	-0.70%	2021-2022:	\$19,115,965	4.11%
2016-2017:	\$15,603,752	0.19%	2022-2023:	\$19,858,259	3.88%

Taxable value is the basis for revenue in conjunction with millage rates. The current expected property tax millage rates, adjusted for Headlee Amendment Rollbacks fraction, is 11.9676 for the General Operating Fund, 2.7964 for Roads and Right-of-Ways Fund, 0.9894 mill for fire operating and equipment, 0.9894 mill for public safety, 0.9894 for community policing.

Improving the quality of life, public services, sense of place and good public infrastructure are all important keys to attracting and retaining investment. The City continues to seek alternative funding for operations and capital projects and is committed to making decisions based on the principles of sustainability. The City of Grant continually encourages public and private investment. We will work with anyone who wants to contribute to the growth and vibrancy of our community.

Request for Information

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. If you have any questions about this report or need any additional information, contact City Manager Kasey Jernberg at the City of Grant, 280 S. Maple Street, P.O. Box 435, Grant, Michigan 49327 or by phone at 231-834-7904.

CITY OF GRANT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

	PRIMARY GOVERNMENT			
	GOVERNMENTAL	BUSINESS-	TOTALS	COMPONENT
	ACTIVITIES	TYPE		UNIT
		ACTIVITIES		
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 1,052,533	\$ 373,556	\$ 1,426,089	\$ 0
Receivables				
Accounts	8,533	147,089	155,622	0
Internal Balances	(856)	856	0	0
Prepaid Expenses	6,219	19,735	25,954	0
Due from Other Governments	21,154	0	21,154	0
Total Current Assets	1,087,583	541,236	1,628,819	0
<u>RESTRICTED ASSETS</u>				
Cash	0	549,814	549,814	0
<u>CAPITAL ASSETS</u>				
Land	146,348	53,642	199,990	0
Buildings	562,724	164,999	727,723	0
Improvements Other Than Buildings	499,837	8,845,207	9,345,044	0
Machinery and Equipment	394,663	197,010	591,673	0
Vehicles	190,170	0	190,170	0
Infrastructure	1,936,642	0	1,936,642	0
	3,730,384	9,260,858	12,991,242	0
Less Accumulated Depreciation	1,680,563	4,116,236	5,796,799	0
Net Capital Assets	2,049,821	5,144,622	7,194,443	0
TOTAL ASSETS	3,137,404	6,235,672	9,373,076	0
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	22,924	5,839	28,763	0
Accrued Wages	3,910	0	3,910	0
Accrued Interest	5,339	7,284	12,623	0
Unearned Revenue	92,898	0	92,898	0
Current Portion of Long-Term Debt	12,713	55,000	67,713	0
Total Current Liabilities	137,784	68,123	205,907	0

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

CITY OF GRANT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>LONG-TERM LIABILITIES</u>				
Compensated Absences	5,018	1,038	6,056	0
Bonds Payable	0	1,679,000	1,679,000	0
Installment Purchase Agreement	203,408	0	203,408	0
Less: Current Portion	(12,713)	(55,000)	(67,713)	0
Total Long-Term Liabilities	195,713	1,625,038	1,820,751	0
TOTAL LIABILITIES	333,497	1,693,161	2,026,658	0
<u>EQUITY</u>				
Net Position:				
Net Investment in Capital Assets	1,846,413	3,465,622	5,312,035	0
Restricted for Major Street	355,112	0	355,112	0
Restricted for Local Street	112,634	0	112,634	0
Restricted for Fire	749	0	749	0
Restricted for Public Safety	207	0	207	0
Restricted for Drug Law Enforcement	10	0	10	0
Restricted for Roads and Right-of-Ways	135,718	0	135,718	0
Restricted for Debt Service	0	110,168	110,168	0
Restricted for Replacement, Repairs and Improvements	0	432,362	432,362	0
Unrestricted	353,064	534,359	887,423	0
TOTAL NET POSITION	\$ 2,803,907	\$ 4,542,511	\$ 7,346,418	\$ 0

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

CITY OF GRANT, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			COMPONENT UNIT
		CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<u>PRIMARY GOVERNMENT</u>								
<u>GOVERNMENTAL ACTIVITIES</u>								
General Government	\$ 199,408	\$ 104,339	\$ 0	\$ 0	\$ (95,069)	\$ 0	\$ (95,069)	\$ 0
Public Safety	219,577	2,035	3,163	0	(214,379)	0	(214,379)	0
Public Works	255,869	39,347	141,495	48,949	(26,078)	0	(26,078)	0
Community and Economic Development	4,500	5,695	0	0	1,195	0	1,195	0
Culture and Recreation	30,675	0	2,900	0	(27,775)	0	(27,775)	0
Other Functions	6,179	0	0	0	(6,179)	0	(6,179)	0
Interest on Long-Term Debt	12,878	0	0	0	(12,878)	0	(12,878)	0
Total Governmental Activities	729,086	151,416	147,558	48,949	(381,163)	0	(381,163)	0
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water Fund	253,509	202,063	0	0	0	(51,446)	(51,446)	0
Sewer Fund	451,046	370,725	0	0	0	(80,321)	(80,321)	0
Market Fund	45	400	0	0	0	355	355	0
Total Business-Type Activities	704,600	573,188	0	0	0	(131,412)	(131,412)	0
TOTAL PRIMARY GOVERNMENT	\$ 1,433,686	\$ 724,604	\$ 147,558	\$ 48,949	(381,163)	(131,412)	(512,575)	0
<u>COMPONENT UNIT</u>								
Downtown Development Authority	\$ 0	\$ 0	\$ 0	\$ 0	0	0	0	0
<u>GENERAL REVENUES</u>								
Taxes					408,360	0	408,360	0
State Shared Revenue					133,740	0	133,740	0
Investment Earnings					1,442	1,866	3,308	0
Other Revenue					13,110	20	13,130	0
Transfers					(15,000)	15,000	0	0
Total General Revenues					541,652	16,886	558,538	0
Change in Net Position					160,489	(114,526)	45,963	0
NET POSITION - Beginning of Year					2,643,418	4,657,037	7,300,455	0
NET POSITION - End of Year					\$ 2,803,907	\$ 4,542,511	\$ 7,346,418	\$ 0

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

CITY OF GRANT, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2022

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT-OF- WAYS FUND	POLICE FUND	NON- MAJOR FUNDS	TOTALS
<u>ASSETS</u>							
Cash	\$ 463,884	\$ 339,141	\$ 107,451	\$ 136,846	\$ 4,400	\$ 811	\$ 1,052,533
Accounts Receivable	8,533	0	0	0	0	0	8,533
Due from Other Governments	0	15,971	5,183	0	0	0	21,154
Prepaid Expenditures	6,219	0	0	0	0	0	6,219
TOTAL ASSETS	\$ 478,636	\$ 355,112	\$ 112,634	\$ 136,846	\$ 4,400	\$ 811	\$ 1,088,439
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 19,377	\$ 0	\$ 0	\$ 1,128	\$ 2,419	\$ 0	\$ 22,924
Due to Other Funds	856	0	0	0	0	0	856
Accrued Wages	2,136	0	0	0	1,774	0	3,910
Unearned Revenue	92,898	0	0	0	0	0	92,898
Total Liabilities	115,267	0	0	1,128	4,193	0	120,588
<u>FUND BALANCE</u>							
Nonspendable, Prepaid Expenditures	6,219	0	0	0	0	0	6,219
Restricted for:							
Major Streets	0	355,112	0	0	0	0	355,112
Local Streets	0	0	112,634	0	0	0	112,634
Fire Protection and Equipment	0	0	0	0	0	749	749
Public Safety	0	0	0	0	207	0	207
Drug Law Enforcement	0	0	0	0	0	10	10
Roads and Right-of-Ways	0	0	0	135,718	0	0	135,718
Assigned for:							
Sidewalk Projects	0	0	0	0	0	52	52
Unassigned	357,150	0	0	0	0	0	357,150
Total Fund Balance	363,369	355,112	112,634	135,718	207	811	967,851
TOTAL LIABILITIES AND FUND BALANCE	\$ 478,636	\$ 355,112	\$ 112,634	\$ 136,846	\$ 4,400	\$ 811	\$ 1,088,439

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, 2022

Total Fund Balances for Governmental Funds \$ 967,851

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

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

Land	\$ 146,348	
Buildings	562,724	
Improvements Other Than Buildings	499,837	
Machinery and Equipment	394,663	
Vehicles	190,170	
Infrastructure	1,936,642	
Accumulated Depreciation	<u>(1,680,563)</u>	2,049,821

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

Installment Purchase Agreement (203,408)

Accrued interest is not included as a liability in governmental funds, it is recorded
when paid. (5,339)

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. (5,018)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,803,907

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

CITY OF GRANT, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT-OF- WAYS FUND	POLICE FUND	NON- MAJOR FUNDS	TOTALS
<u>REVENUES</u>							
Taxes	\$ 298,058	\$ 0	\$ 0	\$ 53,509	\$ 37,862	\$ 18,931	\$ 408,360
Licenses and Permits	15,310	0	0	0	0	0	15,310
State Grants	133,740	120,370	64,370	5,704	2,720	443	327,347
Charges for Services	61,254	0	0	0	230	0	61,484
Fines and Forfeitures	0	0	0	0	1,789	0	1,789
Interest and Rents	73,115	1,003	110	47	0	0	74,275
Other Revenue	14,928	0	0	0	300	0	15,228
Total Revenues	596,405	121,373	64,480	59,260	42,901	19,374	903,793
<u>EXPENDITURES</u>							
General Government	155,141	0	0	0	0	0	155,141
Public Safety	0	0	0	0	191,937	23,692	215,629
Public Works	143,783	58,809	73,202	41,353	0	0	317,147
Community and Economic Development	4,500	0	0	0	0	0	4,500
Recreation and Culture	18,525	0	0	0	0	0	18,525
Other Functions	6,179	0	0	0	0	0	6,179
Debt Service	0	13,944	6,265	0	0	0	20,209
Total Expenditures	328,128	72,753	79,467	41,353	191,937	23,692	737,330
Excess (Deficiency) of Revenues Over Expenditures	268,277	48,620	(14,987)	17,907	(149,036)	(4,318)	166,463
<u>OTHER FINANCING SOURCES (USES)</u>							
Sale of Capital Assets	541	0	0	0	3,485	0	4,026
Transfers In (Out)	(165,078)	(24,000)	24,000	0	145,758	4,320	(15,000)
Total Other Financing Sources (Uses)	(164,537)	(24,000)	24,000	0	149,243	4,320	(10,974)
Net Change in Fund Balance	103,740	24,620	9,013	17,907	207	2	155,489
<u>FUND BALANCES</u> - Beginning of Year	259,629	330,492	103,621	117,811	0	809	812,362
<u>FUND BALANCES</u> - End of Year	\$ 363,369	\$ 355,112	\$ 112,634	\$ 135,718	\$ 207	\$ 811	\$ 967,851

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, 2022

Net Change in Fund Balance - Total Governmental Funds \$ 155,489

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	(165,497)
Capital Outlay	166,969
Net Book Value of Assets Sold	(3,244)

Accrued interest on installment purchase agreements is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - End of Year	(5,339)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Installment Purchase Agreement Principal Payments	12,670
---	--------

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

Compensated Absences - Beginning of the Year	4,459
Compensated Absences - End of the Year	<u>(5,018)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 160,489</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF GRANT, MICHIGAN
PROPRIETARY FUNDS

STATEMENT OF NET POSITION
JUNE 30, 2022

BUSINESS-TYPE ACTIVITIES -
ENTERPRISE FUNDS

	MAJOR FUNDS		NONMAJOR FUND	
	WATER FUND	SEWER FUND	MARKET FUND	TOTALS
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 374,719	\$ (1,771)	\$ 608	\$ 373,556
Accounts Receivable	53,270	93,819	0	147,089
Prepaid Expenses	9,750	9,985	0	19,735
Due From Other Funds	0	856	0	856
Total Current Assets	437,739	102,889	608	541,236
<u>NONCURRENT ASSETS</u>				
<u>RESTRICTED ASSETS</u>				
Cash	138,400	411,414	0	549,814
<u>CAPITAL ASSETS</u>				
Property, Plant and Equipment	3,454,396	5,806,462	0	9,260,858
Less Accumulated Depreciation	(1,723,151)	(2,393,085)	0	(4,116,236)
Net Capital Assets	1,731,245	3,413,377	0	5,144,622
Total Noncurrent Assets	1,869,645	3,824,791	0	5,694,436
TOTAL ASSETS	2,307,384	3,927,680	608	6,235,672
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	1,110	4,729	0	5,839
Accrued Interest	1,242	6,042	0	7,284
Current Portion of Long-Term Debt	21,000	34,000	0	55,000
Total Current Liabilities	23,352	44,771	0	68,123

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

CITY OF GRANT, MICHIGAN
PROPRIETARY FUNDS

STATEMENT OF NET POSITION
JUNE 30, 2022

BUSINESS-TYPE ACTIVITIES -
ENTERPRISE FUNDS

	<u>MAJOR FUNDS</u>		<u>NONMAJOR</u>	<u>TOTALS</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>FUND</u>	
<u>NONCURRENT LIABILITIES</u>				
Compensated Absences	519	519	0	1,038
Bonds Payable	298,000	1,381,000	0	1,679,000
Less Current Portion of Long-Term Debt	(21,000)	(34,000)	0	(55,000)
Total Noncurrent Liabilities	277,519	1,347,519	0	1,625,038
TOTAL LIABILITIES	300,871	1,392,290	0	1,693,161
<u>NET POSITION</u>				
Net Investment in Capital Assets	1,433,245	2,032,377	0	3,465,622
Restricted for Debt Service	26,186	83,982	0	110,168
Restricted for Replacement, Repairs and Improvements	110,972	321,390	0	432,362
Unrestricted	436,110	97,641	608	534,359
TOTAL NET POSITION	\$ 2,006,513	\$ 2,535,390	\$ 608	\$ 4,542,511

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, 2022

BUSINESS-TYPE ACTIVITIES -
ENTERPRISE FUNDS

	MAJOR FUNDS		NONMAJOR	TOTALS
	WATER FUND	SEWER FUND	FUND MARKET FUND	
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 202,063	\$ 370,725	\$ 400	\$ 573,188
<u>OPERATING EXPENSES</u>				
Salaries and Wages	16,909	3,515	0	20,424
FICA	1,282	246	0	1,528
Fringe Benefits	2,403	1,234	0	3,637
Administration	27,754	17,054	0	44,808
Health and Life Insurance	12,555	2,511	0	15,066
Office and Operating Supplies	13,494	15,064	45	28,603
Professional Services	5,185	4,041	0	9,226
Property and Liability Insurance	9,128	9,407	0	18,535
Workers Comp Insurance	1,295	1,295	0	2,590
Contracted Services	54,538	137,971	0	192,509
Repairs and Maintenance	2,510	63,505	0	66,015
Utilities	16,643	32,521	0	49,164
Telephone	1,610	2,230	0	3,840
Printing and Publishing	755	109	0	864
Equipment Rental	1,389	1,508	0	2,897
Miscellaneous	293	213	0	506
Education and Training	345	0	0	345
Membership and Subscriptions	1,204	699	0	1,903
Depreciation	68,400	121,383	0	189,783
Total Operating Expenses	237,692	414,506	45	652,243
Operating Income (Loss)	(35,629)	(43,781)	355	(79,055)
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	189	1,677	0	1,866
Other Revenue	0	20	0	20
Interest Expense	(15,817)	(36,540)	0	(52,357)
Total Nonoperating Revenues (Expenses)	(15,628)	(34,843)	0	(50,471)
Income (Loss) Before Contributions and Transfers	(51,257)	(78,624)	355	(129,526)
Interfund Transfers	0	15,000	0	15,000
Change in Net Position	(51,257)	(63,624)	355	(114,526)
<u>TOTAL NET POSITION - Beginning of Year</u>	2,057,770	2,599,014	253	4,657,037
<u>TOTAL NET POSITION - End of Year</u>	\$ 2,006,513	\$ 2,535,390	\$ 608	\$ 4,542,511

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, 2022

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	MAJOR FUNDS		NONMAJOR FUND	TOTALS
	WATER FUND	SEWER FUND	MARKET FUND	
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 204,017	\$ 370,798	\$ 400	\$ 575,215
Cash Payments to Suppliers for Goods and Services	(108,183)	(266,335)	(158)	(374,676)
Cash Payments to Employees for Services	(70,876)	(34,085)	0	(104,961)
	<hr/>			
Net Cash Provided (Used) for Operating Activities	24,958	70,378	242	95,578
<hr/>				
Cash Flows from Noncapital Financing Activities				
Cash Transfers Between Funds	0	15,000	0	15,000
Other Revenue Received	0	20	0	20
	<hr/>			
Net Cash Provided (Used) for Noncapital Financing Activities	0	15,020	0	15,020
<hr/>				
Cash Flows from Capital and Related Financing Activities				
Principal and Interest on Capital Debt	(35,900)	(69,684)	0	(105,584)
Acquisition of Capital Assets	(36,313)	0	0	(36,313)
	<hr/>			
Net Cash Provided (Used) for Capital Financing Activities	(72,213)	(69,684)	0	(141,897)
<hr/>				
Cash Flows from Investing Activities				
Interest Income	189	1,677	0	1,866
	<hr/>			
Net Increase (Decrease) in Cash and Cash Equivalents	(47,066)	17,391	242	(29,433)
<hr/>				
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	560,185	392,252	366	952,803
<hr/>				
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 513,119	\$ 409,643	\$ 608	\$ 923,370
<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, 2022

<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTALS
	MAJOR FUNDS		NONMAJOR FUND	
	WATER FUND	SEWER FUND	MARKET FUND	
Operating Income (Loss)	\$ (35,629)	\$ (43,781)	\$ 355	\$ (79,055)
Adjustments to reconcile Operating Income				
To Net Cash Provided by Operating Activities				
Depreciation	68,400	121,383	0	189,783
(Increase) Decrease in Current Assets				
Accounts Receivable	1,954	73	0	2,027
Due from Other Funds	(9,497)	(9,732)	0	(19,229)
Increase (Decrease) in Current Liabilities				
Accounts Payable	206	2,228	(113)	2,321
Increase (Decrease) in in Long-Term Liabilities				
Compensated Absences	(476)	207	0	(269)
Total Adjustments	60,587	114,159	(113)	174,633
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 24,958	\$ 70,378	\$ 242	\$ 95,578

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

CITY OF GRANT, MICHIGAN
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

	<u>CUSTODIAL FUND TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 3,737
<u>LIABILITIES</u>	
Due to Other Governments	<u> 3,737</u>
<u>NET POSITION</u>	<u><u>\$ 0</u></u>

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

CITY OF GRANT, MICHIGAN
FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022

	<u>CUSTODIAL FUND</u>
	<u>TAX</u>
	<u>COLLECTION</u>
	<u>FUND</u>
<u>ADDITIONS</u>	
Property Taxes Collected	\$ 948,594
Miscellaneous	2,189
	950,783
 <u>DEDUCTIONS</u>	
Property Taxes Distributed	948,594
Miscellaneous	2,189
	950,783
 Net Increase (Decrease) in Fiduciary Net Position	 0
 <u>NET POSITION</u> - Beginning of Year	 0
 <u>NET POSITION</u> - End of Year	 \$ 0

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Governmental-Wide Financial Statements

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

B. Reporting Entity

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

1. Blended Component Units

The City has no blended component units.

2. Discretely Presented Component Units

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

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

C. Basis of Presentation – Governmental-Wide Financial Statements

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

D. Basis of Presentation – Fund Financial Statements

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

The City of Grant reports the following major governmental funds:

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

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

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

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

The *Police Fund* accounts for the City's millage revenue that is restricted for police protection services and records all financial activity related to police protection services to its customers.

The City of Grant reports the following major proprietary funds:

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

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

The *Special Revenue Funds* account for revenue sources that are legally restricted or assigned to expenditure for specific purposes.

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

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

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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 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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

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

1. Cash and Cash Equivalents

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

2. Investments

The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, certificates of deposit, and money market funds. The City does not have

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

any investments other than interest bearing bank accounts. Some investments authorized by state law are shown as cash on the financial statements.

3. *Inventories and Prepaid Items*

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

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

4. *Restricted Assets*

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

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for land improvements, buildings and building improvements; \$1,500 for machinery and equipment and vehicles; and \$10,000 for assets in the Water and Sewer funds and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

6. *Unearned Revenue*

Unearned revenue arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The City reports unearned revenue related to the American Rescue Plan Act (ARPA) funds that were received but not yet spent as of June 30, 2022.

7. *Long-Term Obligations*

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

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

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category.

9. *Net Position Flow Assumption*

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

10. *Fund Balance Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

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

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

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

12. Use of Estimates

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

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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 2021 taxable valuation of the City of Grant totaled \$19,115,965, on which ad valorem taxes levied consisted of 11.9676 mills for general operating, 0.9894 mills for fire protection services, 2.7964 mills for roads, 0.9894 mills for public safety and 0.9894 mill for police services. These levies raised approximately \$229,000 for operating purposes, \$19,000 for fire protection, \$53,000 for roads, \$19,000 for public safety, and \$19,000 for police services.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and sewer fund are charges to customers for services. Operating expenses for enterprise funds include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits

As of June 30, 2022, The City had deposits subject to the following risk:

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, 2022, \$1,145,090 of the City's bank balance of \$1,981,086 was exposed to custodial credit risk because it was uninsured and uncollateralized.

As of June 30, 2022, deposits of \$1,979,440 and petty cash of \$200, are reported on the financial statements as cash.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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

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

The deposits referred to above have been reported in the cash caption on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2022:

	Primary Government	Fiduciary Funds	Component Units	Reporting Entity
Cash	\$ 1,975,903	\$ 3,737	\$ 0	\$ 1,979,640

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	\$ 8,533	\$ 0	\$ 0	\$ 53,270	\$ 93,819	\$ 155,622
Due from Other Governments	0	15,971	5,183	0	0	21,154
Total	\$ 8,533	\$ 15,971	\$ 5,183	\$ 53,270	\$ 93,819	\$ 176,776

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 146,348	\$ 0	\$ 0	\$ 146,348
Capital Assets, Being Depreciated				
Buildings	562,724	0	0	562,724
Improvements Other Than Buildings	499,837	0	0	499,837
Machinery and Equipment	339,043	55,620	0	394,663
Vehicles	190,185	8,000	8,015	190,170
Infrastructure	1,833,293	103,349	0	1,936,642
Total Capital Assets, Being Depreciated	3,425,082	166,969	8,015	3,584,036
Less Accumulated Depreciation for:				
Buildings	195,111	14,457	0	209,568
Improvements other than buildings	162,382	20,663	0	183,045
Machinery and Equipment	211,596	31,282	0	242,878
Vehicles	83,853	13,818	4,771	92,900
Infrastructure	866,895	85,277	0	952,172
Total Accumulated Depreciation	1,519,837	165,497	4,771	1,680,563
Total Capital Assets, Being Depreciated, Net	1,905,245	1,472	3,244	1,903,473
Governmental Activities Capital Assets, Net	\$ 2,051,593	\$ 1,472	\$ 3,244	\$ 2,049,821
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 53,642	\$ 0	\$ 0	\$ 53,642
Capital Assets, Being Depreciated				
Buildings	164,999	0	0	164,999
Machinery and Equipment	197,010	0	0	197,010
Improvements Other Than Buildings	8,808,894	36,313	0	8,845,207
Total Capital Assets, Being Depreciated	9,170,903	36,313	0	9,207,216
Less Accumulated Depreciation for:				
Buildings	107,773	1,907	0	109,680
Machinery and Equipment	186,868	8,975	0	195,843
Improvements Other Than Buildings	3,631,812	178,901	0	3,810,713
Total Accumulated Depreciation	3,926,453	189,783	0	4,116,236
Total Capital Assets, Being Depreciated, Net	5,244,450	(153,470)	0	5,090,980
Business-Type Activities Capital Assets, Net	\$ 5,298,092	\$ (153,470)	\$ 0	\$ 5,144,622

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

Governmental Activities:	
General Government	\$ 43,708
Public Safety	11,948
Public Works, Including Depreciation	
General Infrastructure Assets	97,691
Recreation and Culture	<u>12,150</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 165,497</u></u>
 Business-Type Activities:	
Water Fund	\$ 68,400
Sewer Fund	<u>121,383</u>
 Total Depreciation Expense - Business-Type Activities	 <u><u>\$ 189,783</u></u>

D. Interfund Receivables, Payables and Transfers

Individual fund interfund balances as of June 30, 2022, are as follows:

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

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2022, are expected to be repaid within one year.

Individual fund transfers at June 30, 2022, were:

<u>Funds Transferred From</u>	<u>Amount</u>
General Fund	\$ 15,000
General Fund	145,758
General Fund	4,320
Major Street Fund	<u>24,000</u>
	<u><u>\$ 189,078</u></u>

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

E. Long-Term Obligations

1. Primary Government

The following is a summary of obligation transactions of the City of Grant for the year ended June 30, 2022:

	BONDS	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	COMPENSATED ABSENCES	TOTAL
Obligations Payable at July 1, 2021	\$ 1,732,000	\$ 216,078	\$ 5,766	\$ 1,953,844
New Obligations Incurred	0	0	290	290
Obligations Retired	(53,000)	(12,670)	0	(65,670)
 Obligations Payable at June 30, 2022	 \$ 1,679,000	 \$ 203,408	 \$ 6,056	 \$ 1,888,464
 Due within one year	 \$ 55,000	 \$ 12,713	 Unknown	 \$ 67,713

Obligations payable at June 30, 2022, is comprised of the following individual issues:

Bonds:

\$586,000 Water Revenue Bonds, Series 1994 bonds, due in annual installments of \$21,000 to \$27,000 through June 1, 2034; plus interest at 5.00% \$ 298,000

\$1,722,000 Sewer System Revenue Bonds, Series 2009 Bonds in annual installments of \$34,000 to \$68,000 through September 1, 2049; plus interest at 2.625% 1,381,000

Notes From Direct Borrowings and Direct Placements

Due in annual installments of \$12,713 through December 31, 2037, interest at 3.5% 203,408

Sick and Vacation Pay Liability:

Accumulated sick and vacation pay owed to City employees 6,056

\$ 1,888,464

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The annual requirements to amortize these obligations outstanding other than compensated absences as of June 30, 2022, including interest payments of \$749,472, are as follows:

YEAR ENDING JUNE 30,	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	TOTAL
	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	BONDS		
2023				
PRINCIPAL	\$ 12,713	\$ 55,000	\$ 67,713	
INTEREST	7,119	50,705	57,824	
TOTAL	19,832	105,705	125,537	
2024				
PRINCIPAL	12,713	57,000	69,713	
INTEREST	6,674	48,749	55,423	
TOTAL	19,387	105,749	125,136	
2025				
PRINCIPAL	12,713	59,000	71,713	
INTEREST	6,229	46,718	52,947	
TOTAL	18,942	105,718	124,660	
2026				
PRINCIPAL	12,713	61,000	73,713	
INTEREST	5,785	44,609	50,394	
TOTAL	18,498	105,609	124,107	
2027				
PRINCIPAL	12,713	63,000	75,713	
INTEREST	5,340	42,425	47,765	
TOTAL	18,053	105,425	123,478	
2028-2032				
PRINCIPAL	63,565	334,000	397,565	
INTEREST	20,023	177,541	197,564	
TOTAL	83,588	511,541	595,129	
2033-2037				
PRINCIPAL	63,565	285,000	348,565	
INTEREST	8,899	119,931	128,830	
TOTAL	72,464	404,931	477,395	
2038-2042				
PRINCIPAL	12,713	263,000	275,713	
INTEREST	20,637	83,488	104,125	
TOTAL	33,350	346,488	379,838	

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

YEAR ENDING JUNE 30,	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	BONDS	
2043-2047			
PRINCIPAL	0	300,000	300,000
INTEREST	0	46,620	46,620
TOTAL	0	346,620	346,620
2048-2050			
PRINCIPAL	0	202,000	202,000
INTEREST	0	7,980	7,980
TOTAL	0	209,980	209,980
TOTAL			
PRINCIPAL	203,408	1,679,000	1,882,408
INTEREST	80,706	668,766	749,472
TOTAL	\$ 284,114	\$ 2,347,766	\$ 2,631,880

Interest expense for the year ended June 30, 2022 was approximately \$65,462.

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, 2022, the City contributed \$12,095 to the plan. Employees voluntarily deferred an additional \$6,243 to their individual plans. Covered wages for the year were approximately \$201,575, while total wages were approximately \$250,527. The City board has the authority to amend or terminate the plan.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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, 2022, the City has withheld no more than it has disbursed.

D. Risk Management

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

The City participates in a distinct pool of governmental entities within the State of Michigan for various risks of loss, including general liability, property and casualty, and workers' disability compensation. The pool is considered a public entity risk pools. The City pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

E. Endowment Fund

The Fremont Area Community Foundation holds an endowment fund which has been earmarked for the City of Grant. As of June 30, 2022, the Fremont Area Community Foundation holds endowment funds for the City of Grant in the amount of \$62,081.

F. Commitments and Contingencies

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

G. Subsequent Event

Subsequent to June 30, 2022, the City approved the purchase of a police vehicle for \$51,579.

No adjustments were made to the financial statements as a result of this subsequent event.

CITY OF GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	GENERAL FUND			MAJOR STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 248,200	\$ 298,014	\$ 298,058	\$ 0	\$ 0	\$ 0
Licenses and Permits	14,450	14,450	15,310	0	0	0
State Grants	108,826	127,250	133,740	93,200	119,851	120,370
Charges for Services	53,834	60,834	61,254	0	0	0
Fines and Forfeitures	0	0	0	0	0	0
Interest and Rents	57,295	72,367	73,115	300	300	1,003
Other Revenue	12,587	15,503	14,928	0	0	0
Total Revenues	495,192	588,418	596,405	93,500	120,151	121,373
<u>EXPENDITURES</u>						
General Government						
Mayor and City Council	10,890	10,890	8,780	0	0	0
Manager	65,164	68,437	64,850	0	0	0
Clerk	3,499	3,499	2,531	0	0	0
Board of Review	1,200	1,465	1,397	0	0	0
Treasurer	32,162	32,362	31,370	0	0	0
Assessor	11,000	11,000	10,443	0	0	0
Elections	5,926	4,635	3,798	0	0	0
City Hall	11,870	6,865	5,895	0	0	0
Community Building	13,200	28,300	13,238	0	0	0
Cemetery	13,683	13,759	12,839	0	0	0
Public Safety						
Police Department	0	0	0	0	0	0
Public Works						
Drains	800	320	318	0	0	0
Department of Public Works	123,524	145,050	143,465	0	0	0
Highways, Streets and Bridges	0	0	0	0	0	0
Street Department	0	0	0	29,916	61,725	58,809
Community and Economic Development						
Planning Commission	438	438	0	0	0	0
Economic Development	3,500	4,500	4,500	0	0	0
Recreation and Culture						
Parks and Recreation	24,475	20,918	18,525	0	0	0
Other Functions	7,500	6,815	6,179	0	0	0
Debt Service						
Principal	0	0	0	8,771	8,742	8,742
Interest	0	0	0	0	5,202	5,202
Total Expenditures	328,831	359,253	328,128	38,687	75,669	72,753
Excess (Deficiency) of Revenues						
Over Expenditures	166,361	229,165	268,277	54,813	44,482	48,620
<u>OTHER FINANCING SOURCES (USES)</u>						
Sale of Capital Assets	0	0	541	0	0	0
Transfers In (Out)	(147,306)	(165,078)	(165,078)	0	(24,000)	(24,000)
Total Other Financing Sources (Uses)	(147,306)	(165,078)	(164,537)	0	(24,000)	(24,000)
Net Change in Fund Balance	19,055	64,087	103,740	54,813	20,482	24,620
FUND BALANCE - Beginning of Year	259,628	259,628	259,629	330,492	330,492	330,492
FUND BALANCE - End of Year	\$ 278,683	\$ 323,715	\$ 363,369	\$ 385,305	\$ 350,974	\$ 355,112

CITY OF GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	LOCAL STREET FUND			ROADS AND RIGHT-OF-WAY FUND		
	ORIGINAL	FINAL	ACTUAL	ORIGINAL	FINAL	ACTUAL
	BUDGET	BUDGET		BUDGET	BUDGET	
<u>REVENUES</u>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 53,450	\$ 53,509	\$ 53,509
Licenses and Permits	0	0	0	0	0	0
State Grants	30,000	64,098	64,370	4,000	5,703	5,704
Charges for Services	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0	0
Interest and Rents	100	100	110	50	50	47
Other Revenue	0	0	0	0	0	0
Total Revenues	<u>30,100</u>	<u>64,198</u>	<u>64,480</u>	<u>57,500</u>	<u>59,262</u>	<u>59,260</u>
<u>EXPENDITURES</u>						
General Government						
Mayor and City Council	0	0	0	0	0	0
Manager	0	0	0	0	0	0
Clerk	0	0	0	0	0	0
Board of Review	0	0	0	0	0	0
Treasurer	0	0	0	0	0	0
Assessor	0	0	0	0	0	0
Elections	0	0	0	0	0	0
City Hall	0	0	0	0	0	0
Community Building	0	0	0	0	0	0
Cemetery	0	0	0	0	0	0
Public Safety						
Police Department	0	0	0	0	0	0
Public Works						
Drains	0	0	0	0	0	0
Department of Public Works	0	0	0	0	0	0
Highways, Streets and Bridges	0	0	0	47,286	45,562	41,353
Street Department	12,136	74,301	73,202	0	0	0
Community and Economic Development						
Planning Commission	0	0	0	0	0	0
Economic Development	0	0	0	0	0	0
Recreation and Culture						
Parks and Recreation	0	0	0	0	0	0
Other Functions	0	0	0	0	0	0
Debt Service						
Principal	3,941	3,928	3,928	0	0	0
Interest	0	2,337	2,337	0	0	0
Total Expenditures	<u>16,077</u>	<u>80,566</u>	<u>79,467</u>	<u>47,286</u>	<u>45,562</u>	<u>41,353</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>14,023</u>	<u>(16,368)</u>	<u>(14,987)</u>	<u>10,214</u>	<u>13,700</u>	<u>17,907</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Sale of Capital Assets	0	0	0	0	0	0
Transfers In (Out)	0	24,000	24,000	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>24,000</u>	<u>24,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	14,023	7,632	9,013	10,214	13,700	17,907
<u>FUND BALANCE - Beginning of Year</u>	<u>103,621</u>	<u>103,621</u>	<u>103,621</u>	<u>117,811</u>	<u>117,811</u>	<u>117,811</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 117,644</u>	<u>\$ 111,253</u>	<u>\$ 112,634</u>	<u>\$ 128,025</u>	<u>\$ 131,511</u>	<u>\$ 135,718</u>

CITY OF GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	POLICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 37,800	\$ 37,860	\$ 37,862
Licenses and Permits	0	0	0
State Grants	0	2,719	2,720
Charges for Services	0	221	230
Fines and Forfeitures	1,500	1,602	1,789
Interest and Rents	0	0	0
Other Revenue	0	3,784	300
Total Revenues	39,300	46,186	42,901
<u>EXPENDITURES</u>			
General Government			
Mayor and City Council	0	0	0
Manager	0	0	0
Clerk	0	0	0
Board of Review	0	0	0
Treasurer	0	0	0
Assessor	0	0	0
Elections	0	0	0
City Hall	0	0	0
Community Building	0	0	0
Cemetery	0	0	0
Public Safety			
Police Department	182,242	191,944	191,937
Public Works			
Drains	0	0	0
Department of Public Works	0	0	0
Highways, Streets and Bridges	0	0	0
Street Department	0	0	0
Community and Economic Development			
Planning Commission	0	0	0
Economic Development	0	0	0
Recreation and Culture			
Parks and Recreation	0	0	0
Other Functions	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	182,242	191,944	191,937
Excess (Deficiency) of Revenues Over Expenditures	(142,942)	(145,758)	(149,036)
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	0	0	3,485
Transfers In (Out)	142,942	145,758	145,758
Total Other Financing Sources (Uses)	142,942	145,758	149,243
Net Change in Fund Balance	0	0	207
<u>FUND BALANCE</u> - Beginning of Year	0	0	0
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 207

CITY OF GRANT, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2022

	SPECIAL REVENUE FUNDS			
	FIRE	SIDEWALK	DRUG LAW ENFORCEMENT	TOTALS
<u>ASSETS</u>				
Cash	\$ 749	\$ 52	\$ 10	\$ 811
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>				
Restricted for:				
Fire Protection and Equipment	749	0	0	749
Drug Law Enforcement	0	0	10	10
Assigned for:				
Sidewalk Projects	0	52	0	52
Total Fund Balance	749	52	10	811
TOTAL LIABILITIES AND FUND BALANCE	\$ 749	\$ 52	\$ 10	\$ 811

CITY OF GRANT, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022

	SPECIAL REVENUE FUNDS			TOTALS
	FIRE	SIDEWALK	DRUG LAW ENFORCEMENT	
<u>REVENUES</u>				
Taxes	\$ 18,931	\$ 0	\$ 0	\$ 18,931
State Grants	443	0	0	443
Total Revenues	19,374	0	0	19,374
 <u>EXPENDITURES</u>				
Public Safety	23,692	0	0	23,692
Excess (Deficiency) of Revenues Over Expenditures	(4,318)	0	0	(4,318)
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In General Fund	4,320	0	0	4,320
Net Change in Fund Balance	2	0	0	2
 <u>FUND BALANCE</u> - Beginning of Year	747	52	10	809
 <u>FUND BALANCE</u> - End of Year	\$ 749	\$ 52	\$ 10	\$ 811

CITY OF GRANT, MICHIGAN
GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash	\$ 463,884	\$ 260,821
Accounts Receivable	8,533	7,508
Prepaid Expenditures	6,219	253
	<hr/>	
TOTAL ASSETS	\$ 478,636	\$ 268,582
	<hr/> <hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 19,377	\$ 4,900
Due to Other Funds	856	856
Accrued Wages	2,136	2,718
Unearned Revenue	92,898	479
	<hr/>	
Total Liabilities	115,267	8,953
	<hr/>	
<u>FUND BALANCE</u>		
Nonspendable, Prepaid Expenditures	6,219	253
Unassigned	357,150	259,376
	<hr/>	
Total Fund Balance	363,369	259,629
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 478,636	\$ 268,582
	<hr/> <hr/>	

CITY OF GRANT, MICHIGAN
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	2022		2021
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 298,014	\$ 298,058	\$ 297,189
Licenses and Permits	14,450	15,310	14,926
Federal Grants	0	0	43,527
State Grants	127,250	133,740	119,897
Charges for Services	60,834	61,254	58,706
Fines and Forfeitures	0	0	2,134
Interest and Rents	72,367	73,115	60,050
Other Revenue	15,503	14,928	22,696
Total Revenues	588,418	596,405	619,125
<u>EXPENDITURES</u>			
General Government	181,212	155,141	161,683
Public Safety	0	0	221,518
Public Works	145,370	143,783	77,287
Community and Economic Development	4,938	4,500	3,000
Recreation and Culture	20,918	18,525	151,228
Other Functions	6,815	6,179	6,541
Debt Service	0	0	16,055
Total Expenditures	359,253	328,128	637,312
Excess (Deficiency) of Revenues Over Expenditures	229,165	268,277	(18,187)
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	0	541	132
Transfers Out	(165,078)	(165,078)	(42,288)
Total Other Financing Sources (Uses)	(165,078)	(164,537)	(42,156)
Net Change in Fund Balance	64,087	103,740	(60,343)
<u>FUND BALANCE - Beginning of Year</u>	259,628	259,629	319,972
<u>FUND BALANCE - End of Year</u>	<u>\$ 323,715</u>	<u>\$ 363,369</u>	<u>\$ 259,629</u>

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	2022		2021
	BUDGET	ACTUAL	ACTUAL
<u>TAXES</u>			
Current and Delinquent Taxes	\$ 229,007	\$ 229,007	\$ 256,924
Trailer	0	0	0
MRE Tax	56,453	56,453	28,001
Penalties and Interest	3,000	3,070	2,871
Property Tax Administration Fee	9,554	9,528	9,393
 Total Taxes	 298,014	 298,058	 297,189
<u>LICENSES AND PERMITS</u>			
Franchise Fees	9,250	9,870	9,716
Business Licenses and Permits	5,200	5,440	5,210
 Total Licenses and Permits	 14,450	 15,310	 14,926
<u>FEDERAL GRANTS</u>			
Other Federal Grants	0	0	43,527
<u>STATE GRANTS</u>			
Sales and Use Tax	122,050	127,899	102,960
Small Taxpayer Loss Reimbursement	5,200	5,362	5,376
Other State Grants	0	479	11,561
 Total State Grants	 127,250	 133,740	 119,897
<u>CHARGES FOR SERVICES</u>			
Cemetery Lot Sales	3,600	4,000	2,800
Cemetery Burials	5,400	5,400	6,600
Zoning Fees	250	255	95
Contracted Services	0	16	320
Administration	51,584	51,583	48,891
 Total Charges for Services	 60,834	 61,254	 58,706
<u>FINES AND FORFEITURES</u>			
Violation Bureau and Ordinance Fines	0	0	2,134

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	2022		2021
	BUDGET	ACTUAL	ACTUAL
<u>INTEREST AND RENTS</u>			
Interest	152	913	1,616
Rent (Community Building and Equipment)	37,000	36,938	24,817
Land Lease	10,315	10,316	9,306
Water Tower Lease	24,900	24,948	24,311
Total Interest and Rents	72,367	73,115	60,050
<u>OTHER REVENUE</u>			
Private Donations	250	2,900	12,746
Refunds and Rebates	5,320	6,202	8,825
Other Revenue	9,933	5,826	1,125
Total Other Revenue	15,503	14,928	22,696
Total Revenues	588,418	596,405	619,125
<u>OTHER FINANCING SOURCES</u>			
Sale of Capital Assets	0	541	132
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 588,418	\$ 596,946	\$ 619,257

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	2022		2021
	BUDGET	ACTUAL	ACTUAL
<u>GENERAL GOVERNMENT</u>			
Mayor and City Council			
Salaries and Wages	\$ 6,000	\$ 5,625	\$ 5,438
Social Security Tax	460	430	416
Office and Operating Supplies	250	216	241
Transportation	200	0	0
Professional Services	400	373	445
Credit Card and Banking Fees	85	80	0
Printing and Publishing	500	117	527
Membership and Dues	975	964	1,624
Telephone and Internet	720	720	646
Professional Development	800	0	0
Miscellaneous	500	255	79
	<u>10,890</u>	<u>8,780</u>	<u>9,416</u>
Manager			
Salaries and Wages	51,962	52,213	49,691
Social Security Tax	3,976	3,755	3,611
Fringes	6,849	4,814	4,209
Office and Operating Supplies	400	324	328
Professional Services	1,250	1,064	1,352
Membership and Dues	550	541	541
Telephone and Internet	2,000	1,824	902
Transportation	200	0	0
Professional Development	900	0	0
Miscellaneous	350	315	44
	<u>68,437</u>	<u>64,850</u>	<u>60,678</u>
Clerk			
Salaries and Wages	0	0	18,745
Social Security Tax	0	0	1,391
Fringes	0	0	84
Office and Operating Supplies	850	280	234
Professional Services	1,025	1,288	925
Membership and Dues	500	0	277
Education and Training	0	0	200
Telephone and Internet	924	948	1,084
Printing and Publishing	100	0	0
Miscellaneous	100	15	103
	<u>3,499</u>	<u>2,531</u>	<u>23,043</u>

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	2022		2021
	BUDGET	ACTUAL	ACTUAL
Board of Review			
Salaries and Wages	850	847	380
Social Security Tax	65	65	29
Printing and Publishing	300	300	300
Professional Development	200	100	0
Miscellaneous	50	85	170
	1,465	1,397	879
Treasurer			
Salaries and Wages	23,760	23,855	19,742
Social Security Tax	1,818	1,573	1,398
Fringes	60	60	819
Office and Operating Supplies	1,400	1,228	632
Professional Services	1,250	1,298	931
Contracted Services	2,200	2,295	2,152
Membership and Dues	200	75	75
Telephone and Internet	924	948	902
Printing and Publishing	50	0	0
Transportation	200	18	67
Professional Development	400	0	0
Miscellaneous	100	20	73
	32,362	31,370	26,791
Assessor			
Contracted Services	11,000	10,443	10,182
Elections			
Salaries and Wages	1,100	1,038	3,846
Social Security Tax	85	76	293
Office and Operating Supplies	1,000	719	1,405
Contracted Services	1,500	1,553	0
Printing and Publishing	500	412	0
Transportation	200	0	35
Professional Development	250	0	0
	4,635	3,798	5,579

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	2022		2021
	BUDGET	ACTUAL	ACTUAL
City Hall			
Salaries and Wages	1,500	1,252	1,147
Social Security Tax	115	94	86
Operating Supplies	350	366	326
Utilities	3,700	3,616	3,435
Repairs and Maintenance	1,000	539	4,622
Equipment Rental	150	0	0
Miscellaneous	50	28	23
	6,865	5,895	9,639
Community Building			
Salaries and Wages	1,300	959	655
Social Security Tax	100	71	49
Operating and Maintenance Supplies	500	292	398
Contracted Services	600	356	54
Utilities	7,500	7,353	5,951
Repairs and Maintenance	4,200	4,133	1,252
Equipment Rental	50	0	148
Miscellaneous	50	74	0
Capital Outlay	14,000	0	0
	28,300	13,238	8,507
Cemetery			
Salaries and Wages	6,000	5,363	6,037
Social Security Tax	459	402	452
Operating and Maintenance Supplies	400	26	480
Contracted Services	1,250	1,233	0
Equipment Rental	200	365	0
Capital Outlay	5,450	5,450	0
	13,759	12,839	6,969
Total General Government	181,212	155,141	161,683

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	2022		2021
	BUDGET	ACTUAL	ACTUAL
<u>PUBLIC SAFETY</u>			
Police Department			
Salaries and Wages	0	0	105,531
Social Security Tax	0	0	7,975
Fringes	0	0	17,426
Office and Operating Supplies	0	0	15,042
Professional Services	0	0	6,350
Contracted Services	0	0	2,230
Utilities	0	0	445
Repairs and Maintenance	0	0	2,960
Gas and Oil	0	0	6,606
Membership and Dues	0	0	425
Education and Training	0	0	2,016
Telephone and Internet	0	0	2,404
Uniforms	0	0	3,494
Equipment Rental	0	0	51
Miscellaneous	0	0	30
Capital Outlay	0	0	48,533
Total Public Safety	0	0	221,518
<u>PUBLIC WORKS</u>			
Drains	320	318	998
Department of Public Works			
Salaries and Wages	36,000	34,453	34,043
Social Security Tax	2,754	2,549	2,543
Fringes	7,771	4,288	4,851
Office and Operating Supplies	6,650	6,423	3,896
Professional Services	1,700	1,649	3,256
Contracted Services	19,100	19,205	2,788
Telephone and Internet	1,030	1,029	793
Uniforms	500	132	205
Utilities	1,100	1,312	1,112
Gas and Oil	4,500	10,301	9,424
Membership and Dues	150	45	45
Professional Development	1,000	18	0
Repairs and Maintenance	6,475	5,996	1,032

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	2022		2021
	BUDGET	ACTUAL	ACTUAL
Equipment Rental	200	0	196
Transportation	250	81	0
Miscellaneous	250	364	228
Capital Outlay	55,620	55,620	11,877
	<u>145,050</u>	<u>143,465</u>	<u>76,289</u>
Total Public Works	<u>145,370</u>	<u>143,783</u>	<u>77,287</u>
 <u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>			
Planning Commission			
Salaries and Wages	360	0	0
Social Security Tax	28	0	0
Office and Operating Supplies	50	0	0
	<u>438</u>	<u>0</u>	<u>0</u>
Economic Development			
Membership and Dues	4,500	4,500	3,000
Total Community and Economic Development	<u>4,938</u>	<u>4,500</u>	<u>3,000</u>
 <u>RECREATION AND CULTURE</u>			
Parks and Recreation			
Salaries and Wages	5,000	4,420	4,641
Social Security Tax	383	331	349
Operating and Maintenance Supplies	1,000	2,995	1,612
Contracted Services	2,500	2,439	4,533
Repairs and Maintenance	200	0	0
Equipment Rental	750	0	0
Utilities	600	605	593
Miscellaneous	250	0	916
Capital Outlay	10,235	7,735	138,584
Total Recreation and Culture	<u>20,918</u>	<u>18,525</u>	<u>151,228</u>
 <u>OTHER FUNCTIONS</u>			
Fringe Benefits			
Workers' Compensation	1,425	789	1,089
Insurance			
Property and Liability Insurance	5,390	5,390	5,452
Total Other Functions	<u>6,815</u>	<u>6,179</u>	<u>6,541</u>

CITY OF GRANT, MICHIGAN
GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	2022		2021
	BUDGET	ACTUAL	ACTUAL
<u>DEBT SERVICE</u>			
Principal	0	0	15,248
Interest	0	0	807
Total Debt Service	0	0	16,055
Total Expenditures	359,253	328,128	637,312
<u>OTHER FINANCING USES</u>			
Transfers Out			
Sewer Fund	15,000	15,000	38,288
Police Fund	145,758	145,758	0
Fire Fund	4,320	4,320	4,000
Total Other Financing Uses	165,078	165,078	42,288
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 524,331	\$ 493,206	\$ 679,600

CITY OF GRANT, MICHIGAN
WATER FUND

COMPARATIVE STATEMENT OF NET POSITION
JUNE 30,

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 374,719	\$ 385,522
Accounts Receivable	53,270	55,224
Prepaid Expenses	9,750	253
Total Current Assets	437,739	440,999
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	138,400	174,663
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	3,454,396	3,418,083
Less Accumulated Depreciation	(1,723,151)	(1,654,751)
Net Capital Assets	1,731,245	1,763,332
Total Noncurrent Assets	1,869,645	1,937,995
TOTAL ASSETS	2,307,384	2,378,994
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	1,110	904
Accrued Interest	1,242	1,325
Current Portion of Long-Term Debt	21,000	20,000
Total Current Liabilities	23,352	22,229
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	519	995
Bonds Payable	298,000	318,000
Less Current Portion of Long-Term Debt	(21,000)	(20,000)
Total Long-Term Debt	277,519	298,995
TOTAL LIABILITIES	300,871	321,224
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,433,245	1,445,332
Restricted for Debt Service	26,186	26,094
Restricted for Replacement, Repairs and Improvements	110,972	147,244
Unrestricted	436,110	439,100
TOTAL NET POSITION	\$ 2,006,513	\$ 2,057,770

CITY OF GRANT, MICHIGAN

WATER FUND

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

	<u>2022</u>	<u>2021</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 202,063	\$ 203,047
<u>OPERATING EXPENSES</u>		
Salaries and Wages	16,909	13,810
FICA	1,282	1,039
Fringe Benefits	2,403	2,354
Administration	27,754	27,161
Health and Life Insurance	12,555	9,820
Office and Operating Supplies	13,494	14,841
Professional Services	5,185	8,896
Property and Liability Insurance	9,128	9,245
Workers Comp Insurance	1,295	1,089
Contracted Services	54,538	42,929
Repairs and Maintenance	2,510	468
Utilities	16,643	15,649
Telephone	1,610	1,206
Printing and Publishing	755	700
Equipment Rental	1,389	651
Miscellaneous	293	189
Education and Training	345	140
Membership and Subscriptions	1,204	1,157
Depreciation	68,400	70,019
Total Operating Expenses	<u>237,692</u>	<u>221,363</u>
Operating Income (Loss)	<u>(35,629)</u>	<u>(18,316)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	189	367
Other Revenue	0	284
Interest Expense	<u>(15,817)</u>	<u>(16,771)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,628)</u>	<u>(16,120)</u>
Change in Net Position	(51,257)	(34,436)
<u>TOTAL NET POSITION</u> - Beginning of Year	<u>2,057,770</u>	<u>2,092,206</u>
<u>TOTAL NET POSITION</u> - End of Year	<u>\$ 2,006,513</u>	<u>\$ 2,057,770</u>

CITY OF GRANT, MICHIGAN
WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	<u>2022</u>	<u>2021</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 204,017	\$ 194,088
Cash Payments to Suppliers for Goods and Services	(108,183)	(97,486)
Cash Payments to Employees for Services	(70,876)	(54,347)
	24,958	42,255
Cash Flows from Noncapital Financing Activities		
Other Revenue Received	0	284
	0	284
Cash Flows from Capital and Related Financing Activities		
Principal and Interest on Capital Debt	(35,900)	(35,850)
Acquisition of Capital Assets	(36,313)	0
	(72,213)	(35,850)
Cash Flows from Investing Activities		
Interest Income	189	367
	189	367
Net Increase (Decrease) in Cash and Cash Equivalents	(47,066)	7,056
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>		
	560,185	553,129
<u>CASH AND CASH EQUIVALENTS - End of Year</u>		
	\$ 513,119	\$ 560,185
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (35,629)	\$ (18,316)
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	68,400	70,019
(Increase) Decrease in Current Assets		
Accounts Receivable	1,954	(8,959)
Prepaid Expenses	(9,497)	0
Increase (Decrease) in Current Liabilities		
Accounts Payable	206	(326)
Increase (Decrease) in Long-Term Liabilities		
Compensated Absences	(476)	(163)
	60,587	60,571
Total Adjustments	60,587	60,571
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 24,958	\$ 42,255

CITY OF GRANT, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF NET POSITION
JUNE 30,

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ (1,771)	\$ (17,333)
Accounts Receivable	93,819	93,892
Prepaid Expenses	9,985	253
Due From Other Funds	856	856
	<hr/>	<hr/>
Total Current Assets	102,889	77,668
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	411,414	409,585
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	5,806,462	5,806,462
Less Accumulated Depreciation	(2,393,085)	(2,271,702)
	<hr/>	<hr/>
Net Capital Assets	3,413,377	3,534,760
	<hr/>	<hr/>
Total Noncurrent Assets	3,824,791	3,944,345
	<hr/>	<hr/>
TOTAL ASSETS	3,927,680	4,022,013
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	4,729	2,501
Accrued Interest	6,042	6,186
Current Portion of Long-Term Debt	34,000	33,000
	<hr/>	<hr/>
Total Current Liabilities	44,771	41,687
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	519	312
Bonds Payable	1,381,000	1,414,000
Less Current Portion of Long-Term Debt	(34,000)	(33,000)
	<hr/>	<hr/>
Total Long-Term Liabilities	1,347,519	1,381,312
	<hr/>	<hr/>
TOTAL LIABILITIES	1,392,290	1,422,999
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,032,377	2,120,760
Restricted for Debt Service	83,982	83,818
Restricted for Repairs, Replacement and Improvements	321,390	319,581
Unrestricted	97,641	74,855
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 2,535,390	\$ 2,599,014
	<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,

	<u>2022</u>	<u>2021</u>
<u>OPERATING REVENUES</u>		
Charges for Services and Connection Fees	\$ 370,725	\$ 365,596
<u>OPERATING EXPENSES</u>		
Salaries and Wages	3,515	3,101
FICA	246	270
Fringe Benefits	1,234	1,185
Administration	17,054	14,978
Health and Life Insurance	2,511	2,399
Office and Operating Supplies	15,064	18,074
Professional Services	4,041	5,352
Property and Liability Insurance	9,407	9,505
Workers Comp Insurance	1,295	1,089
Contracted Services	137,971	133,723
Repairs and Maintenance	63,505	30,023
Utilities	32,521	33,379
Telephone	2,230	643
Printing and Publishing	109	0
Equipment Rental	1,508	139
Miscellaneous	213	189
Memberships and Dues	699	672
Depreciation	121,383	116,657
Total Operating Expenses	<u>414,506</u>	<u>371,378</u>
Operating Income (Loss)	<u>(43,781)</u>	<u>(5,782)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	1,677	2,574
Other Revenue	20	1,140
Interest Expense	<u>(36,540)</u>	<u>(37,930)</u>
Total Nonoperating Revenues (Expenses)	<u>(34,843)</u>	<u>(34,216)</u>
Income (Loss) Before Contributions and Transfers	<u>(78,624)</u>	<u>(39,998)</u>
Federal Capital Contribution	0	32,000
Interfund Transfers	<u>15,000</u>	<u>38,288</u>
Change in Net Position	<u>(63,624)</u>	<u>30,290</u>
<u>TOTAL NET POSITION</u> - Beginning of Year	<u>2,599,014</u>	<u>2,568,724</u>
<u>TOTAL NET POSITION</u> - End of Year	<u>\$ 2,535,390</u>	<u>\$ 2,599,014</u>

CITY OF GRANT, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	<u>2022</u>	<u>2021</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 370,798	\$ 362,880
Cash Payments to Suppliers for Goods and Services	(266,335)	(239,059)
Cash Payments to Employees for Services	(34,085)	(22,436)
	<hr/>	<hr/>
Net Cash Provided (Used) for Operating Activities	70,378	101,385
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities		
Cash Transfers Between Funds	15,000	38,288
Other Revenue Received	20	1,140
	<hr/>	<hr/>
Net Cash Provided (Used) for Noncapital Financing Activities	15,020	39,428
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities		
Principal and Interest on Capital Debt	(69,684)	(173,345)
Acquisition of Capital Assets	0	(64,066)
Proceeds from Grant Funds	0	32,000
	<hr/>	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	(69,684)	(205,411)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest Income	1,677	2,574
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	17,391	(62,024)
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	392,252	454,276
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 409,643	\$ 392,252
	<hr/> <hr/>	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (43,781)	\$ (5,782)
	<hr/>	<hr/>
Adjustments to reconcile Operating Income To Net Cash Provided by Operating Activities		
Depreciation	121,383	116,657
(Increase) Decrease in Current Assets		
Accounts Receivable	73	(2,716)
Prepaid Expenses	(9,732)	0
Due from Other Funds	0	(856)
Increase (Decrease) in Current Liabilities		
Accounts Payable	2,228	(5,415)
Increase (Decrease) In Long-Term Liabilities		
Compensated Absences	207	(503)
	<hr/>	<hr/>
Total Adjustments	114,159	107,167
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 70,378	\$ 101,385
	<hr/> <hr/>	<hr/> <hr/>

CITY OF GRANT, MICHIGAN
COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2022</u>		<u>2021</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

CITY OF GRANT, MICHIGAN
COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY FUND

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

	<u>2022</u>	<u>2021</u>
<u>REVENUES</u>	\$ 0	\$ 0
<u>EXPENDITURES</u>		
Community and Economic Development	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0
<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>	<u>0</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>

CERTIFIED PUBLIC ACCOUNTANTS
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October 7, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Grant, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Grant's internal control over financial reporting (internal control) as a basis for designing 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 the City of Grant's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grant's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph in 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below as items that we consider to be significant deficiencies.

1) Segregation of Incompatible Duties and Documented Independent Review

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 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 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 and corrected by management on a timely basis.

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

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

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

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

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

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the

government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

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

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

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grant'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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Grant's response to the findings identified in our audit and described above. The City of Grant's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal

control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS
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October 7, 2022

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grant for the year ended June 30, 2022. 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 25, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Grant are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2021-2022 fiscal year. We noted no transactions entered into 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 estimates affecting the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Grant's financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimate of the liability of the payout of employee 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. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of converting the entity's financial records from cash basis to modified accrual basis of accounting and providing client assistance as the client knew the adjustment was necessary but requested our assistance.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

During the course of our audit of the basic financial statements of the City of Grant for the year ended June 30, 2022, we noted the following item which we feel deserves comment:

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 the City of Grant and is not intended to be, and should not be, used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

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