

CITY OF GRANT, MICHIGAN

JUNE 30, 2011

Baird, Cotter and Bishop, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

REPORT OF EXAMINATION

CITY OF GRANT, MICHIGAN

JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-xi
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1-2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4
Reconciliation of the Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	7
Proprietary Funds	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets	9
Statement of Cash Flows	10
Fiduciary Funds	
Statement of Fiduciary Net Assets	11
Notes to Financial Statements	12-25
Required Supplementary Information	
Budgetary Comparison Schedule – Major Governmental Funds	26-27
Combining and Individual Fund Financial Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet	28
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	29
Financial Statements of Individual Funds	
General Fund	
Comparative Balance Sheet	30
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Balance - Budget and Actual	31
Analysis of Revenues - Budget and Actual	32
Analysis of Expenditures - Budget and Actual	33-37

REPORT OF EXAMINATION

CITY OF GRANT, MICHIGAN

JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGES</u>
Major Proprietary Funds	
<u>Water Fund</u>	
Comparative Statement of Net Assets	38
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets	39-40
Comparative Statement of Cash Flows	41-42
<u>Sewer Fund</u>	
Comparative Statement of Net Assets	43
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets	44-45
Comparative Statement of Cash Flows	46-47
Agency Fund	
<u>Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	48
Internal Control and Compliance	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	49-51

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET GRANT, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

September 15, 2011

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Grant, Michigan

We have audited the accompanying financial statements of the governmental activities, the business – type activities, each major fund, and the aggregate remaining fund information of the City of Grant, Michigan, as of and for the year ended June 30, 2011, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grant, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grant, Michigan, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2011, on our consideration of the City of Grant, Michigan’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through xi and 26 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Grant, Michigan's financial statements as a whole. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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, 2011

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, 2011. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity.

Financial Highlights

Government-Wide

- ❖ The assets of the City exceeded its liabilities at the close of this fiscal year by \$7,170,684 (shown as *Net Assets*), representing an increase of \$448,424 over the previous fiscal year. Governmental Funds represented an increase of \$22,929 and Business-Type Activities represented an increase of \$425,495.

Fund Level Financial Highlights

- ❖ As of June 30, 2011, the governmental funds of the City of Grant reported combined ending fund balances of \$140,546, of which \$98,895 is unassigned, \$52 is assigned and \$41,599 is restricted.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire City's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, recreation and culture, debt service, and other functions. Business-type activities of the City include water and sewer utility services.

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. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The City of Grant uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: 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 current sources and uses 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 evaluating 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 funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds Proprietary funds account for services for which the City charges its customers for the services they are provided. These charges can be to external customers or other agencies within the City. There is one type of proprietary fund:

- Enterprise funds are used to report business-like activities of the City. These activities intend to recover the full cost of the services through the fee charged to the customers. The City has two enterprise funds, which are the Water Fund and the Sewer Fund.

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

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

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 Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the City's financial position over time. The Net Assets of the City were \$7,170,684 at June 30, 2011, meaning that the City's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

City of Grant
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets						
Current Assets	\$ 176,582	\$ 67,323	\$ 683,833	\$ 917,581	\$ 860,415	\$ 984,904
Restricted Assets	0	0	280,305	133,165	280,305	133,165
Non Current Assets						
Capital Assets	2,123,351	2,193,511	8,912,588	8,528,030	11,035,939	10,721,541
Less:						
Accumulated Depreciation	(427,703)	(423,865)	(2,027,414)	(1,891,732)	(2,455,117)	(2,315,597)
Total Non Current Assets	1,695,648	1,769,646	6,885,174	6,636,298	8,580,822	8,405,944
Total Assets	\$ 1,872,230	\$ 1,836,969	\$ 7,849,312	\$ 7,687,044	\$ 9,721,542	\$ 9,524,013
Liabilities						
Current liabilities	\$ 36,036	\$ 17,609	\$ 91,027	\$ 293,151	\$ 127,063	\$ 310,760
Long-Term Liabilities	5,318	11,413	2,418,477	2,479,580	2,423,795	2,490,993
Total Liabilities	41,354	29,022	2,509,504	2,772,731	2,550,858	2,801,753
Net Assets						
Invested in capital assets, net of related debt	1,695,648	1,758,525	4,415,174	4,115,298	6,110,822	5,873,823
Restricted for Specific Purposes	41,599	32,009	280,305	133,165	321,904	165,174
Unrestricted	93,629	17,413	644,329	665,850	737,958	683,263
Total Net Assets	1,830,876	1,807,947	5,339,808	4,914,313	7,170,684	6,722,260
Total Liabilities and Net Assets	\$ 1,872,230	\$ 1,836,969	\$ 7,849,312	\$ 7,687,044	\$ 9,721,542	\$ 9,524,013

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

The most significant portion of the City's Net Assets is cash and the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City has \$737,958 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by City policies regarding their use.

The total net assets of the City increased \$448,424 in this fiscal year. Governmental Activities increased by \$22,929, while Business-Type Activities increased by \$425,495.

The following table illustrates and summarizes the results of the changes in the Net Assets for the City. The condensed information was derived from the Government-Wide Statement of Activities.

<i>City of Grant</i>						
<i>Change in Net Assets</i>						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program Revenues						
Charges for Services	\$ 110,304	\$ 110,919	\$ 521,811	\$ 485,449	\$ 632,115	\$ 596,368
Operating Grants and Contributions	67,851	65,991	0	0	67,851	65,991
Capital Grants and Contributions	0	486,975	416,600	723,400	416,600	1,210,375
General Revenues						
Taxes	252,188	252,726	31,356	33,488	283,544	286,214
State Shared Revenue	86,660	85,034	0	0	86,660	85,034
Investment Earnings	496	2,022	3,853	10,711	4,349	12,733
Gain on Sale of Capital Assets	14,404	0	0	0	14,404	0
Other	5,419	12,689	915	1,946	6,334	14,635
Total Revenues	537,322	1,016,356	974,535	1,254,994	1,511,857	2,271,350
Expenses						
General Government	196,800	198,862	0	0	196,800	198,862
Public Safety	130,136	124,951	0	0	130,136	124,951
Public Works	148,168	132,517	0	0	148,168	132,517
Community and Economic Development	4,133	3,614	0	0	4,133	3,614
Recreation and Culture	9,447	6,032	0	0	9,447	6,032
Water	0	0	210,638	210,972	210,638	210,972
Sewer	0	0	338,402	267,311	338,402	267,311
Other Functions	25,147	27,535	0	0	25,147	27,535
Interest on Long-Term Debt	562	1,891	0	0	562	1,891
Total Expenses	514,393	495,402	549,040	478,283	1,063,433	973,685
Changes in Net Assets	22,929	520,954	425,495	776,711	448,424	1,297,665
NET ASSETS - Beginning of Year	1,807,947	1,286,993	4,914,313	4,137,602	6,722,260	5,424,595
NET ASSETS - End of Year	\$1,830,876	\$1,807,947	\$5,339,808	\$4,914,313	\$7,170,684	\$6,722,260

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

Governmental Activities

During the fiscal year ended June 30, 2011, the City's net assets increased by \$448,424. GASB 34 requires the City to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

A significant part of the revenue for all governmental activities of the City of Grant comes from taxes. The City levied the following: 10.3714 mills for general operating; 2.9559 mills for roads and right of ways maintenance; .5000 mills for fire protection; and .5000 mills for fire equipment; and 1.0000 mills for public safety.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes.

The City's governmental activities expenses are dominated by general government expenses that total \$196,800. Public works represented the next largest expense at \$148,168 followed by public safety at \$130,136.

Business-Type Activities

The City utilizes a Water Fund to account for its water operations. Revenue is collected from customers within the City. These charges for services totaled \$187,816 for 2010-2011. Water operations experienced an \$18,993 decrease in net assets.

The City utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the City. These charges for services totaled \$333,995 for 2010-2011. The City can levy up to 6.000 mills for Sewer Bond debt, but has only collected 2.000 mills to cover the Sewer Bond debt payments. Sewer operations experienced a \$444,488 increase in net assets.

Financial Analysis of the Government's Funds

Governmental Activities The focus of the City of Grant's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Grant's governmental funds reported combined ending fund balances of \$140,546. \$41,599 of the ending fund balance is restricted, \$52 is assigned and \$98,895 of the ending fund balance is unassigned.

General Fund – The General Fund fund balance increased by \$26,276, which brings the fund balance to \$119,300. All of this fund balance is unassigned. The increase is due primarily to a reduction in general government expenditures.

CITY OF GRANT

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

Major Street Fund – The Major Street Fund increased its fund balance by \$7,043, which brings the fund balance to \$19,051. 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 \$2,681, which brings the balance to \$22,454. All of this balance is reserved for local street improvements. The increase represents the amount of state funding that was collected in excess of local street expenditures.

Roads and Right of Ways Fund – The Roads and Right of Ways Fund increased its fund balance by \$43,545, which brings the balance to a deficit of \$20,405. The City designated 2.9559 mills of its operating levy for roads and right of way improvements, which resulted in \$46,343 of revenue and the fund incurred minimal expenditures causing the increase in fund balance. The City has plans to eliminate the deficit fund balance in 2011-12 and has filed a deficit elimination plan with the State of Michigan.

Non-Major Funds – The Non-Major Funds of the City decreased their fund balances by \$134 during the fiscal year. The funds experienced minimal activity causing the small decrease in fund balance.

Proprietary Fund 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 assets of \$18,993. The unrestricted net assets decreased \$33,532, net assets restricted for debt service increased \$2,222, net assets restricted for replacement, repairs, and improvements increased \$24,461 and net assets invested in capital assets decreased by \$12,144. The City decreased the rates it charges users of the water system causing the net assets to decrease.

Sewer Fund – The Sewer Fund ended the fiscal year with an increase in net assets of \$444,488. The unrestricted net assets increased \$12,011, net assets restricted for debt service increased \$16,457, net assets restricted for replacement, repairs, and improvements increased \$104,000 and net assets invested in capital assets increased by \$312,020.

General Fund Budgetary Highlights

During the year, various budget amendments resulted in changes in appropriations. These changes are shown on page 26 of this report.

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

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 410,853	\$ 451,342	\$ 421,682
Total Expenditures	\$ 410,853	\$ 428,196	\$ 395,406

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

The reason for the variance between the budgeted revenue and actual revenue was due to the City receiving grant funds and not spending them as of June 30, 2011, resulting in the revenue being deferred. The variance between budgeted expenditures and actual expenditures is due to the City not incurring as many expenditures related to Other Functions as they had budgeted for.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of June 30, 2011, amounted to \$8,580,822 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, 2011*

	Governmental Activities	Business-Type Activities	Total Primary Government
Land	\$ 36,910	\$ 0	\$ 36,910
Buildings	473,755	0	473,755
Improvements Other than Buildings	177,189	0	177,189
Machinery and Equipment	58,568	0	58,568
Vehicles	130,890	0	130,890
Infrastructure	1,246,039	0	1,246,039
Property, Plant and Equipment	0	8,912,588	8,912,588
	<hr/> 2,123,351	<hr/> 8,912,588	<hr/> 11,035,939
Less Accumulated Depreciation	427,703	2,027,414	2,455,117
Net Capital Assets	<hr/> \$ 1,695,648	<hr/> \$ 6,885,174	<hr/> \$ 8,580,822

Long-Term Debt. As of June 30, 2011, the City had outstanding debt of \$2,470,000, consisting of general obligation bonds and revenue bonds. The general obligation debt of \$303,000 in business-type activities is backed by the full faith and credit of the City. The remainder of the debt represents bonds secured solely by the specific revenue sources (water and sewer system revenue bonds, \$2,167,000).

Economic Condition and Outlook

The June 2011 unemployment rate for Newaygo County is 10.3%. The State of Michigan (not seasonally adjusted) rate for June 2011 is 11.0% while it is 9.3% for the US. In Newaygo County between June 2010 and June 2011 the employment number has increased 467 or 2.4% while the unemployment number has decreased 372 during this same period. Year over year employment has now increased for 14 consecutive months in the County. Though the unemployment rate locally and in the State of Michigan is higher than the national rate, it is moving in the right direction.

The City of Grant's taxable value declined 1.7% for FY 2011-2012 to \$15,386,218. The City taxable value has declined for three consecutive years during the recession by a total of 11.54%, but with a slight decline of only 1.7% for FY 2011-2012, this is a strong signal that real estate values are bottoming out. Taxable values have slid from \$17,392,207 in FY 2008-2009, \$16,497,996 in FY 2009-2010,

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

\$15,659,579 in FY 2010-2011 to \$15,386,218 for FY 2011-2012. This is the result of the nationwide financial crisis involving financial institutions and foreclosures. Because property values as a whole have declined, taxes have decreased as well. The current expected property tax revenue, adjusted for Headlee Amendments Rollbacks fraction is 10.37 for the General Operating Fund, 2.95 for Roads and Right-of-Ways Fund, 0.5 for Fire Operating, 0.5 for Fire Equipment, 1.00 mill for public safety and 2.1 for Sewer Bond Debt for the 1992 sewer bonds. As with the unemployment figures, we are seeing the City taxable values trending in a more positive direction than previous years.

The State Legislature and new Governor have been busy making structural changes to taxation and funding of local governments in 2011. The largest impact to the City of Grant again has been the continued cuts to funding of local governments. Since 2002 the State of Michigan has cut more than 4 billion in revenues to local governments, which is unprecedented when compared public education or State agencies.

The foundation of local revenue sharing comes in two forms to local units of government, Constitutional Revenue Sharing and Statutory Revenue Sharing, based on a portion of the 6% sales tax. The State of Michigan will be paying a slight increase in Constitutional State Revenue Sharing to \$58,611 a 2.32% increase for FY 2011-2012. This means that the State of Michigan is seeing an increase in revenues as related to the sales tax. Since the State Constitution has a "locked in" formula for the Constitutional revenue Sharing they cannot cut this portion of funding. It increases and decreased solely on receipts to Treasury of sales tax revues. The Statutory portion of State Revenue Sharing is an area that the State Legislature can raid/cut and they have. Since 2002 no other units of government in Michigan have seen cuts as drastic as have been to local units, totaling 4 billion. For FY 2011-2012 the Statutory Revue Sharing portion was completely eliminated a loss of \$28,463 to the City. This money will be paid back in thirds to the City up to 62.96% of the \$28,463 based on employee retirement reform (which the City complies with in a defined contribution of 6%), employee health insurance contributions (which the City is already compliant with at 20 and 25% premium contributions) and online "dashboards" showing financial information (which the City already does and will modify to meet any "specific" requirements.) For budgeting purposes, only the 62.96% of statutory was included which is \$17,920.

The City of Grant has completed renovations and upgrades of all municipal buildings and infrastructure over the past five years. The only debt that has been added has been to the wastewater treatment plant during this time. With these infrastructure needs being met, the City is positioned reasonably well within this economic climate.

The City continues to look at cost saving measures in the uncertain future of taxable value decline as well as state revenue sharing cuts. The City continues to enter into partnerships with other municipal units and the private sector.

Even though revenues from taxes and revenue sharing has been down, the City has been strategic in making appropriate investments with limiting the addition of debt and has maintained an operational budget that not only remains within revenues, but has added to fund balance. This fiscal year ending 2010-2011 the City has added \$26,276 to fund balance bringing it up to \$119,300. This continues to increase the City's operational reserves in times when many communities have had to utilize reserves for operational purposes.

CITY OF GRANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

Request for Information

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

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF GRANT, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 193,541	\$ 510,398	\$ 703,939
Receivables			
Accounts	1,648	129,592	131,240
External Parties (Fiduciary Funds)	1,835	0	1,835
Due from Other Governments	23,401	0	23,401
Internal Balances	(43,843)	43,843	0
	<hr/>		
Total Current Assets	176,582	683,833	860,415
	<hr/>		
<u>RESTRICTED ASSETS</u>			
Cash	0	280,305	280,305
	<hr/>		
<u>CAPITAL ASSETS</u>			
Land	36,910	0	36,910
Buildings	473,755	0	473,755
Improvements Other Than Buildings	177,189	0	177,189
Machinery and Equipment	58,568	0	58,568
Vehicles	130,890	0	130,890
Infrastructure	1,246,039	0	1,246,039
Property, Plant and Equipment	0	8,912,588	8,912,588
	<hr/>		
	2,123,351	8,912,588	11,035,939
	<hr/>		
Less Accumulated Depreciation	427,703	2,027,414	2,455,117
Net Capital Assets	1,695,648	6,885,174	8,580,822
	<hr/>		
TOTAL ASSETS	1,872,230	7,849,312	9,721,542
	<hr/>		

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

CITY OF GRANT, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	4,829	24,385	29,214
Accrued Expenditures	4,073	472	4,545
Accrued Interest	0	13,170	13,170
Deferred Revenue	27,134	0	27,134
Current Portion of Long-Term Debt	0	53,000	53,000
	<hr/>		
Total Current Liabilities	36,036	91,027	127,063
	<hr/>		
<u>LONG-TERM LIABILITIES</u>			
Compensated Absences	5,318	1,477	6,795
Bonds Payable (Net of Deferred Charges)	0	2,470,000	2,470,000
Less: Current Portion	0	(53,000)	(53,000)
	<hr/>		
Total Long-Term Liabilities	5,318	2,418,477	2,423,795
	<hr/>		
TOTAL LIABILITIES	41,354	2,509,504	2,550,858
	<hr/>		
<u>EQUITY</u>			
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,695,648	4,415,174	6,110,822
Restricted for Major Street	19,051	0	19,051
Restricted for Local Street	22,454	0	22,454
Restricted for Fire	84	0	84
Restricted for Drug Law Enforcement	10	0	10
Restricted for Debt Service	0	89,141	89,141
Restricted for Replacement, Repairs and Improvements	0	191,164	191,164
Unrestricted	93,629	644,329	737,958
	<hr/>		
TOTAL NET ASSETS	\$ 1,830,876	\$ 5,339,808	\$ 7,170,684
	<hr/>		

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

CITY OF GRANT, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		TOTALS
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
PRIMARY GOVERNMENT							
<u>GOVERNMENTAL ACTIVITIES</u>							
General Government	\$ 196,800	\$ 53,387	\$ 1,000	\$ 0	\$ (142,413)	\$ 0	\$ (142,413)
Public Safety	130,136	10,185	1,130	0	(118,821)	0	(118,821)
Public Works	148,168	45,382	65,721	0	(37,065)	0	(37,065)
Community and Economic Development	4,133	1,350	0	0	(2,783)	0	(2,783)
Culture and Recreation	9,447	0	0	0	(9,447)	0	(9,447)
Other Functions	25,147	0	0	0	(25,147)	0	(25,147)
Interest on Long-Term Debt	562	0	0	0	(562)	0	(562)
Total Governmental Activities	514,393	110,304	67,851	0	(336,238)	0	(336,238)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Water Fund	210,638	187,816	0	0	0	(22,822)	(22,822)
Sewer Fund	338,402	333,995	0	416,600	0	412,193	412,193
Total Business-Type Activities	549,040	521,811	0	416,600	0	389,371	389,371
TOTAL PRIMARY GOVERNMENT	\$ 1,063,433	\$ 632,115	\$ 67,851	\$ 416,600	(336,238)	389,371	53,133
<u>GENERAL REVENUES</u>							
Taxes					252,188	31,356	283,544
State Shared Revenue					86,660	0	86,660
Unrestricted Investment Earnings					496	3,853	4,349
Gain on Sale of Capital Assets					14,404	0	14,404
Other Revenue					5,419	915	6,334
Total General Revenues					359,167	36,124	395,291
Change in Net Assets					22,929	425,495	448,424
<u>NET ASSETS</u> - Beginning of Year					1,807,947	4,914,313	6,722,260
<u>NET ASSETS</u> - End of Year					\$ 1,830,876	\$ 5,339,808	\$ 7,170,684

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

CITY OF GRANT, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT OF WAYS FUND	NON- MAJOR FUNDS	TOTALS
<u>ASSETS</u>						
Cash	\$ 132,072	\$ 14,321	\$ 23,433	\$ 23,438	\$ 277	\$ 193,541
Accounts Receivable	1,648	0	0	0	0	1,648
Due from Other Funds	8,335	131	0	0	0	8,466
Due from Other Governments	13,269	7,611	2,521	0	0	23,401
TOTAL ASSETS	\$ 155,324	\$ 22,063	\$ 25,954	\$ 23,438	\$ 277	\$ 227,056
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 4,817	\$ 12	\$ 0	\$ 0	\$ 0	\$ 4,829
Accrued Expenditures	4,073	0	0	0	0	4,073
Due to Other Funds	0	3,000	3,500	0	131	6,631
Advances from Other Funds	0	0	0	43,843	0	43,843
Deferred Revenue	27,134	0	0	0	0	27,134
Total Liabilities	36,024	3,012	3,500	43,843	131	86,510
<u>FUND BALANCE</u>						
Restricted for:						
Major Streets	0	19,051	0	0	0	19,051
Local Streets	0	0	22,454	0	0	22,454
Fire Protection and Equipment	0	0	0	0	84	84
Drug Law Enforcement	0	0	0	0	10	10
Assigned for:						
Sidewalk Projects	0	0	0	0	52	52
Unassigned (Deficit)	119,300	0	0	(20,405)	0	98,895
Total Fund Balance	119,300	19,051	22,454	(20,405)	146	140,546
TOTAL LIABILITIES AND FUND BALANCE	\$ 155,324	\$ 22,063	\$ 25,954	\$ 23,438	\$ 277	\$ 227,056

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 ASSETS
JUNE 30, 2011

Total Fund Balances for Governmental Funds \$ 140,546

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

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

Land	\$ 36,910	
Buildings	473,755	
Improvements Other Than Buildings	177,189	
Machinery and Equipment	58,568	
Vehicles	130,890	
Infrastructure	1,246,039	
Accumulated Depreciation	<u>(427,703)</u>	1,695,648

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 assets.

(5,318)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 1,830,876

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

CITY OF GRANT
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT OF WAYS FUND	NON- MAJOR FUNDS	TOTALS
<u>REVENUES</u>						
Taxes	\$ 190,168	\$ 0	\$ 0	\$ 46,343	\$ 15,677	\$ 252,188
Licenses and Permits	7,095	0	0	0	0	7,095
State Grants	91,721	47,167	15,623	0	0	154,511
Charges for Services	40,698	0	0	0	0	40,698
Fines and Forfeitures	2,589	0	0	0	0	2,589
Interest and Rents	60,255	29	54	80	0	60,418
Other Revenue	29,156	0	0	0	0	29,156
Total Revenues	421,682	47,196	15,677	46,423	15,677	546,655
<u>EXPENDITURES</u>						
General Government	159,500	0	0	0	0	159,500
Public Safety	110,053	0	0	0	15,681	125,734
Public Works	88,701	28,600	12,996	2,878	0	133,175
Community and Economic Development	4,133	0	0	0	0	4,133
Recreation and Culture	7,872	0	0	0	0	7,872
Other Functions	25,147	0	0	0	0	25,147
Debt Service	0	0	0	0	11,683	11,683
Total Expenditures	395,406	28,600	12,996	2,878	27,364	467,244
Excess (Deficiency) of Revenues Over Expenditures	26,276	18,596	2,681	43,545	(11,687)	79,411
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In (Out)	0	(11,553)	0	0	11,553	0
Net Change in Fund Balance	26,276	7,043	2,681	43,545	(134)	79,411
<u>FUND BALANCES</u> - Beginning of Year	93,024	12,008	19,773	(63,950)	280	61,135
<u>FUND BALANCES</u> - End of Year (Deficit)	\$ 119,300	\$ 19,051	\$ 22,454	\$ (20,405)	\$ 146	\$ 140,546

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, 2011

Net Change in Fund Balance - Total Governmental Funds	\$ 79,411
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation in the statement of activities.	
Depreciation Expense	(83,105)
Capital Outlay	18,440
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balances by the cost of the capital assets sold net of accumulated depreciation.	
Governmental Funds - Cost of capital assets sold	(9,333)
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	11,713
Compensated Absences - End of the Year	(5,318)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	11,421
Bond issuance costs are amortized over the life of the long-term debt.	
The current amount deducted in the statement of activities is:	<u>(300)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 22,929</u></u>

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

CITY OF GRANT, MICHIGAN
PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
JUNE 30, 2011

<u>ASSETS</u>	<u>BUSINESS TYPE ACTIVITIES -</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		
	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>
<u>CURRENT ASSETS</u>			
Cash	\$ 307,231	\$ 203,167	\$ 510,398
Accounts Receivable	46,002	83,590	129,592
Due from Other Funds	388	0	388
Advances to Other Funds	43,843	0	43,843
Total Current Assets	397,464	286,757	684,221
<u>NONCURRENT ASSETS</u>			
<u>RESTRICTED ASSETS</u>			
Cash	113,553	166,752	280,305
<u>CAPITAL ASSETS</u>			
Property, Plant and Equipment	3,366,583	5,546,005	8,912,588
Less Accumulated Depreciation	(950,696)	(1,076,718)	(2,027,414)
Net Capital Assets	2,415,887	4,469,287	6,885,174
Total Noncurrent Assets	2,529,440	4,636,039	7,165,479
TOTAL ASSETS	2,926,904	4,922,796	7,849,700
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	501	23,884	24,385
Accrued Expenses	418	54	472
Accrued Interest	1,954	11,216	13,170
Due to Other Funds	0	388	388
Current Portion of Long-Term Debt	12,000	41,000	53,000
Total Current Liabilities	14,873	76,542	91,415
<u>NONCURRENT LIABILITIES</u>			
Compensated Absences	1,164	313	1,477
Bonds Payable	469,000	2,001,000	2,470,000
Less Current Portion of Long-Term Debt	(12,000)	(41,000)	(53,000)
Total Noncurrent Liabilities	458,164	1,960,313	2,418,477
TOTAL LIABILITIES	473,037	2,036,855	2,509,892
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	1,946,887	2,468,287	4,415,174
Restricted for Debt Service	26,389	62,752	89,141
Restricted for Replacement, Repairs and Improvements	87,164	104,000	191,164
Unrestricted	393,427	250,902	644,329
TOTAL NET ASSETS	\$ 2,453,867	\$ 2,885,941	\$ 5,339,808

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 ASSETS
YEAR ENDED JUNE 30, 2011

	<u>BUSINESS TYPE ACTIVITIES -</u>		
	<u>ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		<u>TOTALS</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 187,816	\$ 333,995	\$ 521,811
Miscellaneous	600	0	600
Total Operating Revenues	188,416	333,995	522,411
<u>OPERATING EXPENSES</u>			
Salaries and Wages	24,624	11,543	36,167
FICA	2,163	1,182	3,345
Fringe Benefits	2,142	1,334	3,476
Administration	14,718	14,718	29,436
Health and Life Insurance	5,517	2,777	8,294
Office and Operating Supplies	11,250	22,443	33,693
Professional Services	4,673	3,499	8,172
Property and Liability Insurance	4,906	5,533	10,439
Workers Comp Insurance	1,335	1,335	2,670
Contracted Services	15,496	99,670	115,166
Repairs and Maintenance	11,666	179	11,845
Utilities	9,506	39,041	48,547
Telephone	1,847	1,415	3,262
Printing and Publishing	1,584	0	1,584
Equipment Rental	6,663	3,761	10,424
Miscellaneous	400	322	722
Transportation	0	390	390
Education and Training	1,440	0	1,440
Membership and Subscriptions	447	150	597
Depreciation	66,307	69,375	135,682
Total Operating Expenses	186,684	278,667	465,351
Operating Income (Loss)	1,732	55,328	57,060
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	3,074	779	3,853
Property Taxes	0	31,356	31,356
Other Revenue	155	160	315
Interest Expense	(23,954)	(59,735)	(83,689)
Total Nonoperating Revenues (Expenses)	(20,725)	(27,440)	(48,165)
<u>CAPITAL CONTRIBUTIONS</u>			
Federal Grant - USDA	0	416,600	416,600
Change in Net Assets	(18,993)	444,488	425,495
<u>TOTAL NET ASSETS</u> - Beginning of Year	2,472,860	2,441,453	4,914,313
<u>TOTAL NET ASSETS</u> - End of Year	\$ 2,453,867	\$ 2,885,941	\$ 5,339,808

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, 2011

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS MAJOR FUNDS		TOTALS
	WATER FUND	SEWER FUND	
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 193,534	\$ 322,513	\$ 516,047
Receipts from Other Sources	600	0	600
Cash Payments to Suppliers for Goods and Services	(70,813)	(174,875)	(245,688)
Cash Payments to Employees for Services	(53,725)	(35,710)	(89,435)
Net Cash Provided (Used) for Operating Activities	69,596	111,928	181,524
Cash Flows from Noncapital Financing Activities:			
Collections of Property Taxes	0	31,682	31,682
Advances to Other Funds	64,776	0	64,776
Other Revenue Received	155	160	315
Net Cash Provided (Used) for Noncapital Financing Activities	64,931	31,842	96,773
Cash Flows from Capital and Related Financing Activities:			
Principal and Interest on Capital Debt	(35,000)	(99,842)	(134,842)
Capital Contributions	0	580,000	580,000
Acquisition of Capital Assets	(43,163)	(548,015)	(591,178)
Net Cash Provided (Used) for Capital and Related Financing Activities	(78,163)	(67,857)	(146,020)
Cash Flows from Investing Activities:			
Interest Income	3,074	779	3,853
Net Increase (Decrease) in Cash and Cash Equivalents	59,438	76,692	136,130
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	361,346	293,227	654,573
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 420,784	\$ 369,919	\$ 790,703
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>			
Operating Income (Loss)	\$ 1,732	\$ 55,328	\$ 57,060
Adjustments to reconcile Operating Income To Net Cash Provided by Operating Activities			
Depreciation	66,307	69,375	135,682
(Increase) Decrease in Current Assets			
Accounts Receivable	5,718	(11,482)	(5,764)
Increase (Decrease) in Current Liabilities			
Accounts Payable	400	2,863	3,263
Other Accrued Expenses	(4,561)	(4,156)	(8,717)
Total Adjustments	67,864	56,600	124,464
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 69,596	\$ 111,928	\$ 181,524

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

CITY OF GRANT, MICHIGAN
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	<u>\$ 2,067</u>
<u>LIABILITIES</u>	
Due to Other Governments	232
Due to Other Funds	<u>1,835</u>
TOTAL LIABILITIES	<u>2,067</u>
<u>NET ASSETS</u>	<u><u>\$ 0</u></u>

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues 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 that are restricted to meeting the operational or capital

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues.)

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. 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.

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.

Property taxes, franchise taxes, licenses, interest and special assessments 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. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The City of Grant reports the following major governmental funds:

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

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

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

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

The City of Grant reports the following major proprietary funds:

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

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

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

The *debt service funds* account for the servicing of long-term debt not being financed by proprietary funds.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 and Sewer Fund's are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

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

The City's investment policy conforms to state statutes.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

both measurable and available for use to finance City operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2010 taxable valuation of the City of Grant totaled \$15,683,223, on which ad valorem taxes levied consisted of 10.3714 mills for general operating, .5000 mills for fire protection services, .5000 mills for fire equipment, 2.9559 mills for roads, 1.0000 mill for public safety, and 2.0000 mills for sewer bond debt. These levies raised approximately \$162,655 for operating purposes, \$7,840 for fire protection, \$7,840 for fire equipment, \$46,356 for roads, \$15,682 for public safety, and \$31,365 for sewer bond debt.

3. *Inventories and Prepaid Items*

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

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

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 estimated fair market value at date of donation.

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

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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

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

7. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. *Fund Balance*

Beginning with fiscal year 2011, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Restricted – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Includes amounts that can only be used for specific purposes determined by a formal action by Council Resolution. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (Council Resolution) that was employed when the funds were initially committed.

Assigned – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

As stated in Note 1C above, restricted resources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first from committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

9. Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. 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.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

4. 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.
5. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
6. 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.
7. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Excess of Expenditures Over Appropriations in Budgeted Funds:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Public Works	\$ 88,496	\$ 88,701
Recreation and Culture	7,716	7,872

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2011, none of the City's bank balance of \$1,168,479 was exposed to custodial credit risk because none of it was uninsured and uncollateralized. The City's investment policy does not address custodial credit risk.

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

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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	\$ 1,648	\$ 0	\$ 0	\$46,002	\$ 83,590	\$131,240
Intergovernmental	13,269	7,611	2,521	0	0	23,401
Receivables	<u>\$14,917</u>	<u>\$ 7,611</u>	<u>\$ 2,521</u>	<u>\$46,002</u>	<u>\$ 83,590</u>	<u>\$154,641</u>

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 36,910	\$ 0	\$ 0	\$ 36,910
Capital Assets, Being Depreciated				
Buildings	473,755	0	0	473,755
Improvements other than Buildings	177,189	0	0	177,189
Machinery and Equipment	96,728	6,440	44,600	58,568
Vehicles	162,890	12,000	44,000	130,890
Infrastructure	1,246,039	0	0	1,246,039
Total Capital Assets, Being Depreciated	<u>2,156,601</u>	<u>18,440</u>	<u>88,600</u>	<u>2,086,441</u>
Less Accumulated Depreciation For:				
Buildings	43,476	12,040	0	55,516
Improvements other than buildings	36,611	7,810	0	44,421
Machinery and Equipment	62,267	5,730	44,600	23,397
Vehicles	129,748	4,666	34,667	99,747
Infrastructure	151,763	52,859	0	204,622
Total Accumulated Depreciation	<u>423,865</u>	<u>83,105</u>	<u>79,267</u>	<u>427,703</u>
Total Capital Assets, Being Depreciated, Net	<u>1,732,736</u>	<u>(64,665)</u>	<u>9,333</u>	<u>1,658,738</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,769,646</u>	<u>\$ (64,665)</u>	<u>\$ 9,333</u>	<u>\$ 1,695,648</u>

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 53,642	\$ 0	\$ 0	\$ 53,642
Construction In Progress	2,342,920	0	2,342,920	0
Total Capital Assets, Not Being Depreciated	2,396,562	0	2,342,920	53,642
Capital Assets, Being Depreciated				
Buildings	88,704	76,295	0	164,999
Machinery and Equipment	221,583	6,132	0	227,715
Improvements Other Than Buildings	5,821,181	2,645,051	0	8,466,232
Total Capital Assets, Being Depreciated	6,131,468	2,727,478	0	8,858,946
Less Accumulated Depreciation For:				
Buildings	88,704	0	0	88,704
Machinery and Equipment	53,620	19,057	0	72,677
Improvements Other Than Buildings	1,749,408	116,625	0	1,866,033
Total Accumulated Depreciation	1,891,732	135,682	0	2,027,414
Total Capital Assets, Being Depreciated, Net	4,239,736	2,591,796	0	6,831,532
Business-Type Activities Capital Assets, Net	\$ 6,636,298	\$ 2,591,796	\$ 2,342,920	\$ 6,885,174

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

Governmental activities:

General Government	\$ 43,695
Public Safety	4,402
Public Works, including depreciation of general infrastructure assets	33,433
Recreation and Culture	1,575
Total depreciation expense - governmental activities	\$ 83,105

Business-type activities:

Water Fund	\$ 66,307
Sewer Fund	69,375

Total depreciation expense - business-type activities	\$ 135,682
---	------------

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2011, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 8,335	\$ 0
Major Street Fund	131	3,000
Local Street Fund	0	3,500
Transportation Bond Fund	0	131
Water Fund	388	0
Sewer Fund	0	388
Tax Collection Fund	0	1,835
	<u>\$ 8,854</u>	<u>\$ 8,854</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, 2011, are expected to be repaid within one year.

Interfund Transfers as of June 30, 2011, were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
Primary Government		
Major Street Fund	\$ 0	\$ 11,553
Transportation Bond Fund	11,553	0
	<u>\$ 11,553</u>	<u>\$ 11,553</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, 2011

E. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the City of Grant for the year ended June 30, 2011:

	WATER REVENUE BOND	SEWER LINE BONDS	SEWER SYSTEM REVENUE BONDS	MICHIGAN TRANSPORTATION BOND	COMPENSATED ABSENCES	TOTAL
Debt Payable at July 1, 2010	\$ 480,000	\$ 319,000	\$ 1,722,000	\$ 11,421	\$ 21,293	\$ 2,553,714
New Debt Incurred	0	0	0	0	0	0
Debt Retired	(11,000)	(16,000)	(24,000)	(11,421)	(14,498)	(76,919)
Debt Payable at June 30, 2011	\$ 469,000	\$ 303,000	\$ 1,698,000	\$ 0	\$ 6,795	\$ 2,476,795
Due within one year	\$ 12,000	\$ 17,000	\$ 24,000	\$ 0	\$ 0	\$ 53,000

Debt payable at June 30, 2011, is comprised of the following individual issues:

Bonds:

\$586,000 Water Revenue Bonds, Series 1994 bonds, due in annual installments \$12,000 to \$27,000 through June 1, 2034; plus interest at 5.00%.	\$ 469,000
\$1,722,000 Sewer System Revenue Bonds, Series 2009 Bonds in annual installments of \$24,000 to \$68,000 through September 1, 2049; plus interest at 2.625%	1,698,000
\$670,000 Sewer Line Bonds, General Obligation Limited Tax due in annual installments of \$17,000 to \$31,000 through October 1, 2023; plus interest at 5.00%	303,000

Other Long-Term Debt:

Accumulated sick and vacation pay owed to City employees	<u>6,795</u>
	<u><u>\$2,476,795</u></u>

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The annual requirements to amortize these debts outstanding other than compensated absences as of June 30, 2011, including interest payments of \$1,444,010, are as follows:

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 53,000	\$ 82,433
2013	55,000	80,314
2014	59,000	78,107
2015	62,000	75,760
2016	64,000	73,300
2017-2021	357,000	325,996
2022-2026	373,000	250,116
2027-2031	327,000	189,206
2032-2036	306,000	129,966
2037-2041	257,000	90,313
2042-2046	292,000	54,390
2047-2050	265,000	14,109
	<u>\$ 2,470,000</u>	<u>\$ 1,444,010</u>

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

IV. OTHER INFORMATION

A. Statement of Cash Flows

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

B. Deferred Compensation Plan

The City has a deferred compensation plan in accordance with the Internal Revenue Code Section 457. The plan is administered by Security Benefit Group through an administrative service agreement. Eligible employees are allowed to defer a portion of their salary until future years. In addition, the City has a policy in place to contribute 6% of each employee's gross compensation into the plan after one year of service has been completed. All amounts contributed are 100% vested immediately and therefore are the property of the employee as soon as the contributions are made. City contributions for the year ended June 30, 2011 amounted to \$9,365.

CITY OF GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011, the City has withheld \$289 more than it has disbursed, all of which is expected to be disbursed by the end of the plan year.

D. Commitments and Contingencies

Under the terms of 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 district.

E. New GASB Standard

Effective July 1, 2010 the City adopted GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement also clarifies existing governmental fund type definitions. Accordingly the components of fund balance in the prior year have been restated using the new definitions in order to be consistent with the current year's presentation.

F. Risk Management

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

G. Endowment Fund

The Fremont Area Community Foundation holds an endowment fund which has been earmarked for the City of Grant. As of June 30, 2011, the Fremont Area Community Foundation holds endowment funds for the City of Grant in the amount of \$36,303.

H. Fund Balance Deficit

The City has incurred a fund balance deficit in the Roads and Right of Ways Fund in the amount of \$20,405. A deficit elimination plan has been filed with the State of Michigan and the City expects the deficit to be resolved by June 30, 2012.

CITY OF GRANT, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

	<u>GENERAL FUND</u>			<u>MAJOR STREET FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 189,148	\$ 191,859	\$ 190,168	\$ 0	\$ 0	\$ 0
Licenses and Permits	3,600	8,195	7,095	0	0	0
State Grants	80,000	85,720	91,721	45,000	45,000	47,167
Charges for Services	45,927	42,456	40,698	0	0	0
Fines and Forfeitures	4,500	2,400	2,589	0	0	0
Interest and Rents	72,300	54,807	60,255	50	30	29
Other Revenue	15,378	65,905	29,156	0	0	0
 Total Revenues	 410,853	 451,342	 421,682	 45,050	 45,030	 47,196
<u>EXPENDITURES</u>						
General Government	158,811	159,631	159,500	0	0	0
Public Safety	104,853	110,055	110,053	0	0	0
Public Works	79,229	88,496	88,701	28,550	29,330	28,600
Community and Economic Development	4,530	4,265	4,133	0	0	0
Recreation and Culture	4,169	7,716	7,872	0	0	0
Other Functions	59,261	58,033	25,147	0	0	0
 Total Expenditures	 410,853	 428,196	 395,406	 28,550	 29,330	 28,600
 Excess (Deficiency) of Revenues Over Expenditures	 0	 23,146	 26,276	 16,500	 15,700	 18,596
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In (Out)	0	0	0	(11,684)	(11,684)	(11,553)
 Net Change in Fund Balance	 0	 23,146	 26,276	 4,816	 4,016	 7,043
<u>FUND BALANCE</u> - Beginning of Year	93,024	93,024	93,024	12,008	12,008	12,008
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ 93,024	\$ 116,170	\$ 119,300	\$ 16,824	\$ 16,024	\$ 19,051

LOCAL STREET FUND			ROADS AND RIGHT OF WAYS FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
\$ 0	\$ 0	\$ 0	\$ 46,000	\$ 46,824	\$ 46,343
0	0	0	0	0	0
14,400	14,400	15,623	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
150	50	54	450	80	80
0	0	0	0	0	0
<u>14,550</u>	<u>14,450</u>	<u>15,677</u>	<u>46,450</u>	<u>46,904</u>	<u>46,423</u>
0	0	0	0	0	0
0	0	0	0	0	0
13,150	14,365	12,996	46,000	45,540	2,878
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>13,150</u>	<u>14,365</u>	<u>12,996</u>	<u>46,000</u>	<u>45,540</u>	<u>2,878</u>
1,400	85	2,681	450	1,364	43,545
0	0	0	0	0	0
1,400	85	2,681	450	1,364	43,545
19,773	19,773	19,773	(63,950)	(63,950)	(63,950)
<u>\$ 21,173</u>	<u>\$ 19,858</u>	<u>\$ 22,454</u>	<u>\$ (63,500)</u>	<u>\$ (62,586)</u>	<u>\$(20,405)</u>

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF GRANT, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2011

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
	FIRE	SIDEWALK	DRUG LAW ENFORCEMENT	TRANSPORTATION BOND FUND	TOTALS	
<u>ASSETS</u>						
Cash	\$ 84	\$ 52	\$ 10	\$ 131	\$ 277	
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 131	\$ 131	
<u>FUND BALANCE</u>						
Restricted for:						
Fire Protection and Equipment	84	0	0	0	84	
Drug Law Enforcement	0	0	10	0	10	
Assigned for:						
Sidewalk Projects	0	52	0	0	52	
Total Fund Balance	84	52	10	0	146	
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 84</u>	<u>\$ 52</u>	<u>\$ 10</u>	<u>\$ 131</u>	<u>\$ 277</u>	

CITY OF GRANT, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2011

	<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SERVICE FUND</u>	<u>TOTALS</u>
	<u>FIRE</u>	<u>SIDEWALK</u>	<u>DRUG LAW ENFORCEMENT</u>	<u>TRANSPORTATION BOND FUND</u>	
<u>REVENUES</u>					
Taxes	\$ 15,677	\$ 0	\$ 0	\$ 0	\$ 15,677
<u>EXPENDITURES</u>					
Public Safety	15,681	0	0	0	15,681
Debt Service	0	0	0	11,683	11,683
Total Expenditures	15,681	0	0	11,683	27,364
Excess (Deficiency) of Revenues Over Expenditures	(4)	0	0	(11,683)	(11,687)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfer In					
General Fund	0	0	0	11,553	11,553
Net Change in Fund Balance	(4)	0	0	(130)	(134)
<u>FUND BALANCE - Beginning of Year</u>	88	52	10	130	280
<u>FUND BALANCE - End of Year</u>	\$ 84	\$ 52	\$ 10	\$ 0	\$ 146

CITY OF GRANT, MICHIGAN
GENERAL FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	2011	2010
<u>ASSETS</u>		
Cash	\$ 132,072	\$ 97,527
Accounts Receivable	1,648	3,722
Due from Other Funds	8,335	10,006
Due from Other Governments	13,269	12,330
	\$ 155,324	\$ 123,585
TOTAL ASSETS	\$ 155,324	\$ 123,585
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,817	\$ 475
Accrued Expenditures	4,073	2,710
Due to Other Funds	0	3,600
Advances from Other Funds	0	23,776
Deferred Revenue	27,134	0
	36,024	30,561
Total Liabilities	36,024	30,561
 <u>FUND BALANCE</u>		
Unassigned	119,300	93,024
	119,300	93,024
TOTAL LIABILITIES AND FUND BALANCE	\$ 155,324	\$ 123,585

CITY OF GRANT, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	2011		2010
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 191,859	\$ 190,168	\$ 186,495
Licenses and Permits	8,195	7,095	6,104
State Grants	85,720	91,721	89,131
Charges for Services	42,456	40,698	44,547
Fines and Forfeitures	2,400	2,589	3,556
Interest and Rents	54,807	60,255	58,134
Other Revenue	65,905	29,156	170,198
Total Revenues	451,342	421,682	558,165
<u>EXPENDITURES</u>			
General Government	159,631	159,500	316,103
Public Safety	110,055	110,053	99,718
Public Works	88,496	88,701	80,531
Community and Economic Development	4,265	4,133	3,614
Recreation and Culture	7,716	7,872	9,803
Other Functions	58,033	25,147	27,535
Total Expenditures	428,196	395,406	537,304
Excess (Deficiency) of Revenues Over Expenditures	23,146	26,276	20,861
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	0	0	(3,600)
Net Change in Fund Balance	23,146	26,276	17,261
<u>FUND BALANCE</u> - Beginning of Year	93,024	93,024	75,763
<u>FUND BALANCE</u> - End of Year	\$ 116,170	\$ 119,300	\$ 93,024

CITY OF GRANT, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	<u>2011</u>		<u>2010</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>TAXES</u>			
Current and Delinquent Taxes	\$ 179,968	\$ 178,197	\$ 174,476
Trailer	108	155	171
Penalties and Interest	3,432	3,461	2,921
Property Tax Administration Fee	8,351	8,355	8,927
Total Taxes	191,859	190,168	186,495
<u>LICENSES AND PERMITS</u>			
Franchise Fees	7,425	6,325	5,009
Business Licenses and Permits	770	770	1,095
Total Licenses and Permits	8,195	7,095	6,104
<u>STATE GRANTS</u>			
Sales and Use Tax	85,720	86,660	85,034
Telecommunications Right of Way Maintenance	0	2,931	3,187
Liquor Licenses	0	880	660
MJTC Grant	0	250	250
Other State Grants	0	1,000	0
Total State Grants	85,720	91,721	89,131
<u>CHARGES FOR SERVICES</u>			
Cemetery Lot Sales	0	0	450
Monuments and Foundation Sales	834	836	525
Zoning Fees	525	580	1,982
Contracted Services	6,720	7,596	9,462
Administration	34,377	31,686	32,128
Total Charges for Services	42,456	40,698	44,547
<u>FINES AND FORFEITURES</u>			
Violation Bureau and Ordinance Fines	2,400	2,589	3,556
<u>INTEREST AND RENTS</u>			
Interest	307	333	1,422
Rent (Community Building and Equipment)	41,500	46,422	43,962
Water Tower Lease	13,000	13,500	12,750
Total Interest and Rents	54,807	60,255	58,134
<u>OTHER REVENUE</u>			
Sale of Property and Equipment	23,737	23,737	0
Grants	23,250	0	157,510
Private Donations	3,300	3,300	260
Refunds and Rebates	2,222	1,486	9,591
Other Revenue	13,396	633	2,837
Total Other Revenue	65,905	29,156	170,198
TOTAL REVENUES	\$ 451,342	\$ 421,682	\$ 558,165

CITY OF GRANT, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	<u>2011</u>		<u>2010</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>GENERAL GOVERNMENT</u>			
Mayor and City Council			
Salaries and Wages	\$ 5,200	\$ 4,875	\$ 5,313
Social Security Tax	400	373	406
Office and Operating Supplies	300	173	320
Professional Services	1,700	1,030	2,924
Printing and Publishing	1,500	1,359	1,854
Membership and Dues	925	924	1,014
Telephone	0	0	386
Miscellaneous	625	635	606
	<u>10,650</u>	<u>9,369</u>	<u>12,823</u>
Manager			
Salaries and Wages	45,000	45,282	45,173
Social Security Tax	3,443	3,460	3,443
Fringes	1,890	1,890	2,700
Office and Operating Supplies	625	324	556
Professional Services	597	474	534
Membership and Dues	600	595	235
Education and Training	1,000	897	633
Telephone	1,080	1,080	1,044
Transportation	780	755	821
Miscellaneous	100	113	24
Capital Outlay	0	0	494
	<u>55,115</u>	<u>54,870</u>	<u>55,657</u>
Clerk			
Salaries and Wages	26,391	27,223	27,205
Social Security Tax	2,019	1,970	2,006
Office and Operating Supplies	660	350	524
Professional Services	483	474	534
Membership and Dues	370	370	360
Education and Training	1,100	100	1,700
Telephone	423	480	629
Transportation	100	34	137
Miscellaneous	125	54	72
	<u>31,671</u>	<u>31,055</u>	<u>33,167</u>

CITY OF GRANT, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	<u>2011</u>		<u>2010</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Board of Review			
Salaries and Wages	270	270	59
Social Security Tax	21	21	4
Printing and Publishing	289	289	234
Miscellaneous	34	33	35
	<u>614</u>	<u>613</u>	<u>332</u>
Treasurer			
Salaries and Wages	18,947	18,712	19,188
Social Security Tax	1,449	1,240	1,518
Office and Operating Supplies	580	359	618
Professional Services	360	357	516
Contracted Services	1,690	1,685	1,327
Membership and Dues	165	165	165
Education and Training	585	576	340
Telephone	480	480	361
Transportation	100	92	92
Miscellaneous	70	54	89
	<u>24,426</u>	<u>23,720</u>	<u>24,214</u>
Assessor			
Office and Operating Supplies	240	0	40
Contracted Services	11,000	13,931	7,977
	<u>11,240</u>	<u>13,931</u>	<u>8,017</u>
Elections			
Salaries and Wages	1,180	1,176	714
Social Security Tax	94	90	55
Office and Operating Supplies	80	74	214
Contracted Services	770	760	721
Printing and Publishing	580	575	128
Transportation	150	118	149
Miscellaneous	25	5	0
	<u>2,879</u>	<u>2,798</u>	<u>1,981</u>
City Hall			
Salaries and Wages	561	608	3,070
Social Security Tax	40	40	235
Operating Supplies	353	353	277
Utilities	3,809	3,809	3,852
Repairs and Maintenance	1,374	1,373	2,014
Equipment Rental	448	447	0
Miscellaneous	100	100	142
	<u>6,685</u>	<u>6,730</u>	<u>9,590</u>

CITY OF GRANT, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	<u>2011</u>		<u>2010</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Community Building			
Salaries and Wages	1,640	1,943	513
Social Security Tax	125	140	39
Operating and Maintenance Supplies	1,100	992	1,155
Utilities	4,750	4,944	5,643
Repairs and Maintenance	100	67	460
Refunds	1,350	863	810
Equipment Rental	700	794	0
Miscellaneous	40	26	282
Capital Outlay	0	0	158,306
	<u>9,805</u>	<u>9,769</u>	<u>167,208</u>
Cemetery			
Salaries and Wages	2,935	3,027	2,149
Social Security Tax	220	227	164
Operating and Maintenance Supplies	320	320	201
Contracted Services	516	516	600
Equipment Rental	2,555	2,555	0
	<u>6,546</u>	<u>6,645</u>	<u>3,114</u>
Total General Government	<u>159,631</u>	<u>159,500</u>	<u>316,103</u>

PUBLIC SAFETY

Police Department			
Salaries and Wages	78,967	79,817	70,991
Social Security Tax	5,827	5,979	5,255
Fringes	2,645	2,700	2,469
Office and Operating Supplies	2,660	2,334	3,197
Professional Services	1,500	1,230	1,803
Contracted Services	2,910	2,657	2,327
Utilities	380	264	0
Membership and Dues	240	243	239
Education and Training	1,525	1,520	327
Telephone	1,150	922	1,405
Transportation	8,100	8,398	6,673
Uniforms	620	585	1,139
Miscellaneous	531	497	398
Capital Outlay	3,000	2,907	3,495
	<u>110,055</u>	<u>110,053</u>	<u>99,718</u>

CITY OF GRANT, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	<u>2011</u>		<u>2010</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>PUBLIC WORKS</u>			
Drains	400	394	1,550
Steet Lighting			
Utilities	18,040	18,040	25,195
Miscellaneous	50	50	2,642
	<u>18,090</u>	<u>18,090</u>	<u>27,837</u>
Department of Public Works			
Salaries and Wages	27,000	27,267	26,061
Social Security Tax	1,920	2,040	1,902
Fringes	1,250	1,222	1,787
Office and Operating Supplies	2,720	2,759	4,319
Professional Services	870	860	574
Contracted Services	2,640	2,610	1,407
Education and Training	100	100	0
Telephone	900	837	1,265
Transportation	11,320	11,315	10,920
Uniforms	400	373	27
Utilities	2,300	2,252	2,065
Repairs and Maintenance	70	70	164
Miscellaneous	540	536	542
Capital Outlay	17,976	17,976	111
	<u>70,006</u>	<u>70,217</u>	<u>51,144</u>
Total Public Works	<u>88,496</u>	<u>88,701</u>	<u>80,531</u>
<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>			
Planning Commission			
Salaries and Wages	210	204	264
Social Security Tax	20	16	20
Office and Operating Supplies	10	8	0
	<u>240</u>	<u>228</u>	<u>284</u>
Zoning Commission			
Office and Operating Supplies	25	0	0
Enforcement	1,000	905	330
	<u>1,025</u>	<u>905</u>	<u>330</u>
Economic Development	3,000	3,000	3,000
Total Community and Economic Development	<u>4,265</u>	<u>4,133</u>	<u>3,614</u>

CITY OF GRANT, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	<u>2011</u>		<u>2010</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>RECREATION AND CULTURE</u>			
Parks and Recreation			
Salaries and Wages	2,370	2,515	3,243
Social Security Tax	179	190	248
Operating and Maintenance Supplies	500	500	301
Contracted Services	315	315	510
Repairs and Maintenance	0	0	40
Equipment Rental	3,229	3,229	0
Miscellaneous	1,123	1,123	110
Capital Outlay	0	0	5,351
	<u>7,716</u>	<u>7,872</u>	<u>9,803</u>
<u>OTHER FUNCTIONS</u>			
Fringe Benefits			
Health and Life Insurance	28,659	19,875	20,891
Workers' Compensation	1,300	1,148	1,233
Insurance			
Property and Liability Insurance	3,600	3,426	3,772
Interest Expense	24,474	698	1,639
	<u>58,033</u>	<u>25,147</u>	<u>27,535</u>
TOTAL EXPENDITURES	<u>428,196</u>	<u>395,406</u>	<u>537,304</u>
<u>OTHER FINANCING USES</u>			
Transfers Out			
Fire Fund	0	0	3,600
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 428,196</u>	<u>\$ 395,406</u>	<u>\$ 540,904</u>

CITY OF GRANT, MICHIGAN

WATER FUND
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 307,231	\$ 274,476
Accounts Receivable	46,002	51,720
Due from Other Funds	388	388
Advances to Other Funds	43,843	108,619
	<hr/>	<hr/>
Total Current Assets	397,464	435,203
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	113,553	86,870
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	3,366,583	3,323,420
Less Accumulated Depreciation	(950,696)	(884,389)
Net Capital Assets	2,415,887	2,439,031
	<hr/>	<hr/>
Total Noncurrent Assets	2,529,440	2,525,901
	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,926,904	\$ 2,961,104
<hr/>		
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 501	\$ 101
Accrued Expenses	418	475
Accrued Interest	1,954	2,000
Current Portion of Long-Term Debt	12,000	11,000
	<hr/>	<hr/>
Total Current Liabilities	14,873	13,576
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	1,164	5,668
Bonds Payable	469,000	480,000
Less Current Portion of Long-Term Debt	(12,000)	(11,000)
	<hr/>	<hr/>
Total Long-Term Debt	458,164	474,668
	<hr/>	<hr/>
Total Liabilities	473,037	488,244
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	1,946,887	1,959,031
Restricted for Debt Service	26,389	24,167
Restricted for Replacement, Repairs and Improvements	87,164	62,703
Unrestricted	393,427	426,959
	<hr/>	<hr/>
Total Net Assets	2,453,867	2,472,860
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 2,926,904	\$ 2,961,104
	<hr/>	<hr/>

CITY OF GRANT, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 187,816	\$ 201,145
Miscellaneous	600	718
Hydrant Rental	0	768
	<hr/>	
Total Operating Revenues	188,416	202,631
	<hr/>	
<u>OPERATING EXPENSES</u>		
Salaries and Wages	24,624	37,363
FICA	2,163	2,794
Fringe Benefits	2,142	2,297
Administration	14,718	16,064
Health and Life Insurance	5,517	13,345
Office and Operating Supplies	11,250	7,802
Professional Services	4,673	4,138
Property and Liability Insurance	4,906	4,974
Workers Comp Insurance	1,335	1,591
Contracted Services	15,496	4,735
Repairs and Maintenance	11,666	20
Utilities	9,506	9,422
Telephone	1,847	4,125
Printing and Publishing	1,584	337
Equipment Rental	6,663	10,050
Miscellaneous	400	350
Education and Training	1,440	371
Membership and Subscriptions	447	630
Depreciation	66,307	66,106
	<hr/>	
Total Operating Expenses	186,684	186,514
	<hr/>	
Operating Income (Loss)	1,732	16,117
	<hr/>	

CITY OF GRANT, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	3,074	7,065
Other Revenue	155	460
Interest Expense	(23,954)	(24,458)
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	(20,725)	(16,933)
	<hr/>	<hr/>
Change in Net Assets	(18,993)	(816)
<u>TOTAL NET ASSETS - Beginning of Year</u>	<hr/> 2,472,860	<hr/> 2,473,676
<u>TOTAL NET ASSETS - End of Year</u>	<hr/> <u>\$ 2,453,867</u>	<hr/> <u>\$ 2,472,860</u>

CITY OF GRANT, MICHIGAN
WATER FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 193,534	\$ 197,916
Receipts from Other Sources	600	1,486
Cash Payments to Suppliers for Goods and Services	(70,813)	(49,136)
Cash Payments to Employees for Services	(53,725)	(71,961)
Net Cash Provided (Used) for Operating Activities	<u>69,596</u>	<u>78,305</u>
Cash Flows from Noncapital Financing Activities:		
Advances to Other Funds	64,776	(61,990)
Other Revenue Received	155	460
Net Cash Provided (Used) for Noncapital Financing Activities	<u>64,931</u>	<u>(61,530)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(43,163)	0
Principal and Interest on Capital Debt	(35,000)	(34,500)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(78,163)</u>	<u>(34,500)</u>
Cash Flows from Investing Activities:		
Interest Income	3,074	7,065
Net Increase (Decrease) in Cash and Cash Equivalents	59,438	(10,660)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>361,346</u>	<u>372,006</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 420,784</u>	<u>\$ 361,346</u>

CITY OF GRANT, MICHIGAN
WATER FUND
COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ 1,732</u>	<u>\$ 16,117</u>
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	66,307	66,106
(Increase) Decrease in Current Assets		
Accounts Receivable	5,718	(3,229)
Increase (Decrease) in Current Liabilities		
Accounts Payable	400	(591)
Other Accrued Expenses	(57)	87
Increase (Decrease) in Long-Term Liabilities		
Compensated Absences	<u>(4,504)</u>	<u>(185)</u>
Total Adjustments	<u>67,864</u>	<u>62,188</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 69,596</u>	<u>\$ 78,305</u>

CITY OF GRANT, MICHIGAN
SEWER FUND
COMPARATIVE STATEMENT OF NET ASSETS
JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 203,167	\$ 246,932
Accounts Receivable	83,590	72,108
Due from Other Funds	0	326
Due from Other Governments	0	163,400
Total Current Assets	<u>286,757</u>	<u>482,766</u>
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	166,752	46,295
<u>CAPITAL ASSETS</u>		
Property, Plant and Equipment	5,546,005	5,204,610
Less Accumulated Depreciation	<u>(1,076,718)</u>	<u>(1,007,343)</u>
Net Capital Assets	<u>4,469,287</u>	<u>4,197,267</u>
Total Noncurrent Assets	<u>4,636,039</u>	<u>4,243,562</u>
TOTAL ASSETS	<u>\$ 4,922,796</u>	<u>\$ 4,726,328</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 23,884	\$ 227,641
Accrued Expenses	54	611
Accrued Interest	11,216	11,323
Due to Other Funds	388	388
Current Portion of Long-Term Debt	<u>41,000</u>	<u>40,000</u>
Total Current Liabilities	<u>76,542</u>	<u>279,963</u>
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	313	3,912
Bonds Payable	2,001,000	2,041,000
Less Current Portion of Long-Term Debt	<u>(41,000)</u>	<u>(40,000)</u>
Total Long-Term Liabilities	<u>1,960,313</u>	<u>2,004,912</u>
Total Liabilities	<u>2,036,855</u>	<u>2,284,875</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	2,468,287	2,156,267
Restricted for Debt Service	62,752	46,295
Restricted for Repairs, Replacement and Improvements	104,000	0
Unrestricted	<u>250,902</u>	<u>238,891</u>
Total Net Assets	<u>2,885,941</u>	<u>2,441,453</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,922,796</u>	<u>\$ 4,726,328</u>

CITY OF GRANT, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>OPERATING REVENUES</u>		
Charges for Services and Connection Fees	\$ 333,995	\$ 284,304
<u>OPERATING EXPENSES</u>		
Salaries and Wages	11,543	52,799
FICA	1,182	4,106
Fringe Benefits	1,334	2,297
Administration	14,718	16,064
Health and Life Insurance	2,777	16,198
Office and Operating Supplies	22,443	6,381
Professional Services	3,499	3,451
Property and Liability Insurance	5,533	4,863
Workers Comp Insurance	1,335	1,591
Contracted Services	99,670	23,697
Repairs and Maintenance	179	20
Utilities	39,041	29,241
Telephone	1,415	1,402
Printing and Publishing	0	4,315
Equipment Rental	3,761	2,061
Miscellaneous	322	697
Transportation	390	0
Memberships and Dues	150	200
Depreciation	69,375	65,599
Total Operating Expenses	<u>278,667</u>	<u>234,982</u>
Operating Income (Loss)	<u>55,328</u>	<u>49,322</u>

CITY OF GRANT, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	779	3,646
Property Taxes	31,356	33,488
Other Revenue	160	0
Interest Expense	(59,735)	(32,329)
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	(27,440)	4,805
	<hr/>	<hr/>
<u>CAPITAL CONTRIBUTIONS</u>		
Federal Grant - USDA	416,600	723,400
	<hr/>	<hr/>
Change in Net Assets	444,488	777,527
	<hr/>	<hr/>
<u>TOTAL NET ASSETS</u> - Beginning of Year	2,441,453	1,663,926
	<hr/>	<hr/>
<u>TOTAL NET ASSETS</u> - End of Year	<u>\$ 2,885,941</u>	<u>\$ 2,441,453</u>

CITY OF GRANT, MICHIGAN
SEWER FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 322,513	\$ 254,589
Cash Payments to Suppliers for Goods and Services	(174,875)	(77,712)
Cash Payments to Employees for Services	(35,710)	(93,182)
	<hr/>	<hr/>
Net Cash Provided (Used) for Operating Activities	111,928	83,695
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities:		
Collections of Property Taxes	31,682	33,162
Other Revenue Received	160	0
	<hr/>	<hr/>
Net Cash Provided (Used) for Noncapital Financing Activities	31,842	33,162
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Principal and Interest on Capital Debt	(99,842)	(40,181)
Loan Proceeds	0	1,722,000
Capital Contributions	580,000	560,000
Acquisition of Capital Assets	(548,015)	(2,074,515)
	<hr/>	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	(67,857)	167,304
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest Income	779	3,646
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	76,692	287,807
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	293,227	5,420
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 369,919</u>	<u>\$ 293,227</u>

CITY OF GRANT, MICHIGAN
SEWER FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ 55,328	\$ 49,322
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	69,375	65,599
(Increase) Decrease in Current Assets		
Accounts Receivable	(11,482)	(29,715)
Increase (Decrease) in Current Liabilities		
Accounts Payable	2,863	207
Other Accrued Expenses	(557)	223
Increase (Decrease) In Long-Term Liabilities		
Compensated Absences	(3,599)	(1,941)
Total Adjustments	<u>56,600</u>	<u>34,373</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 111,928</u>	<u>\$ 83,695</u>

CITY OF GRANT, MICHIGAN

TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2011

	BALANCE			BALANCE
	7/1/2010	INCREASES	DECREASES	6/30/2011
<u>ASSETS</u>				
Cash	\$ 4,474	\$ 844,749	\$ 847,156	\$ 2,067
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 4,328	\$ 4,328	\$ 0
Due to Other Governments	0	530,012	529,780	232
Due to Other Funds	4,474	310,409	313,048	1,835
TOTAL LIABILITIES	\$ 4,474	\$ 844,749	\$ 847,156	\$ 2,067

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

September 15, 2011

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

To the City Council
City of Grant, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grant, Michigan, as of and for the year ended June 30, 2011, which collectively comprise the City of Grant, Michigan's basic financial statements and have issued our report thereon dated September 15, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Grant, Michigan's internal control over financial reporting in order to determine our auditing procedures 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, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A significant 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. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the City make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Council to establish a larger accounting staff in order to implement proper segregation of duties.

With the status of state funding, the City is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. The City realizes that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. The City is still exploring ways to spread some of the day-to-day accounting responsibilities. The City and 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

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a 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 the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors 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.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual 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.

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

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 notes prior to approving them and accepting responsibility for their content and presentation.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Grant, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such

an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Grant, Michigan, in a separate letter dated September 15, 2011.

The City of Grant, Michigan's response to the findings identified in our audit is described above. We did not audit the City of Grant, Michigan's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, others within the organization, federal awarding agencies and pass-through entities. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

