

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Grant	County Newaygo
Fiscal Year End June 30, 2007	Opinion Date August 6, 2007	Date Audit Report Submitted to State November 7, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES **NO** **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following :	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 W. Main		City Fremont	State Zip MI 49412
Authorizing CPA Signature	Printed Name Jodi DeKuiper		License Number

**CITY OF GRANT
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2007

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CITY OF GRANT

City Commission and City Management

List of Principal Individuals

City Commission

Position

Terry Fett

Mayor

Harry Robinson

Mayor Pro-term

Anne Pickard

Commission Member

Julie Hallman

Commission Member

Cheryl Lake

Commission Member

Terri Yeomans

Commission Member

Mike Gesler

Commission Member

City Officials

Sherry Powell

Interim City Manager/Clerk

Doug LaFave

Assistant City Manager

Lori Gardner

Treasurer

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

City Commission
City of Grant
Newaygo County
Grant, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Grant as of and for the year ended June 30, 2007, 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'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from 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 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, each major fund, and the aggregate remaining fund information of the City of Grant, Michigan as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 29 through 34, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Fremont
711 West Main Street
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Toll Free (800) 924-6891

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Montague, MI 49437
Phone (231) 893-6772

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1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grant, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hendon & Slate

Hendon & Slate, P.C.

Certified Public Accountants

August 6, 2007

(Except for the MD&A which was provided October 18, 2007)

City of Grant
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2007

Using this Annual Report

This overview and analysis of the financial activities of the City of Grant for the fiscal year ending June 30, 2007 is hereby presented to the readers of these financial statements. Readers are encouraged to consider the information furnished in this discussion and analysis along with the information presented in the financial statements.

This annual report consists of a series of financial statements, whose purposes are described as follows:

The information contained in the *Government Wide Statement of Net Assets* and the *Government Wide Statement of Activities* relate to the activities of the City as a whole and present a long-term view of the City's financial status. The Fund financial statements explain how these services were financed in the short-term, and provide data on funding that remains for future spending. The Fund financial statements also report the City's operations; this report is in more detail than the government-wide financial statements.

Condensed Financial Information

The following table provides key financial information in a condensed format for the current year and one previous year for a comparative analysis of government-wide data. Please note that much of the City's net assets are invested in *capital* assets, such as streets, buildings, land, vehicles, and miscellaneous equipment. These assets are used to provide services to the residents and are not available to pay salaries, operational expenses, or fund capital projects.

	Governmental Activities <u>2006</u>	Business-Type Activities <u>2006</u>	<u>Total</u>	Governmental Activities <u>2007</u>	Business-Type Activities <u>2007</u>	<u>Total</u>
Assets:						
Current Assets	\$ 107,123	\$ 291,692	\$ 398,815	\$ 99,354	\$ 545,071	\$ 644,425
Restricted Assets	-	122,115	122,115	-	47,283	47,283
Capital and Other Noncurrent Assets	945,880	4,701,112	5,646,992	1,018,998	4,504,346	5,523,344
Total Assets	\$ 1,053,003	\$ 5,114,919	\$ 6,167,922	\$ 1,118,352	\$ 5,096,700	\$ 6,215,052
Liabilities:						
Current Liabilities	\$ 20,665	\$ 26,268	\$ 46,933	\$ 29,619	\$ 17,667	\$ 47,286
Noncurrent Liabilities	94,010	893,000	987,010	74,749	871,000	945,749
Total Liabilities	\$ 114,675	\$ 919,268	\$ 1,033,943	\$ 104,368	\$ 888,667	\$ 993,035
Net Assets:						
Invested in Capital Assets, Net of Debt	\$ 961,871	\$ 3,698,112	\$ 4,659,983	\$ 912,529	\$ 3,633,346	\$ 4,545,875
Restricted	-	122,115	122,115	-	47,283	47,283
Unrestricted	(23,543)	375,424	351,881	101,455	527,404	628,859
Total net assets	\$ 938,328	\$ 4,195,651	\$ 5,133,979	\$ 1,013,984	\$ 4,208,033	\$ 5,222,017
Revenues:						
Program						
Charges for Services	\$ 16,050	\$ 321,685	\$ 337,735	\$ 12,463	\$ 367,725	\$ 380,188
Operating Grants	62,572	168,750	231,322	65,084	-	65,084
Capital Grants	-	-	-	-	-	-
General						
Property taxes	247,437	32,631	280,068	259,813	34,924	294,737
State Shared Revenue	103,013	-	103,013	101,776	-	101,776
Investment Earnings	4,192	13,977	18,169	3,865	13,891	17,756
Miscellaneous	67,179	5,743	72,922	70,079	35,206	105,285
Total Revenues	\$ 500,443	\$ 542,786	\$ 1,043,229	\$ 513,080	\$ 451,746	\$ 964,826

Expenses:

General Government	\$ 130,628	\$ -	\$ 130,628	\$ 196,400	\$ -	\$ 196,400
Public Safety	108,768	-	108,768	116,938	-	116,938
Public Works	128,515	-	128,515	87,496	-	87,496
Community and Econ. Dev.	3,000	-	3,000	4,107	-	4,107
Recreation and Culture	3,925	-	3,925	3,630	-	3,630
Other Functions	20,527	-	20,527	24,147	-	24,147
Unallocated Depreciation	37,648	-	37,648	-	-	-
Interest on Long-Term Debt	5,562	-	5,562	4,706	-	4,706
Water Fund	-	210,312	210,312	-	219,607	219,607
Sewer Fund	-	188,559	188,559	-	219,757	219,757
Total Expenses	\$ 438,573	\$ 398,871	\$ 837,444	\$ 437,424	\$ 439,364	\$ 876,788
Change in Net Assets	\$ 61,870	\$ 143,915	\$ 205,785	\$ 75,656	\$ 12,382	\$ 88,038

The City as a Whole:

The total revenues decreased from the previous fiscal year, while total expenses saw a very small increase at -7.5% and 5% respectively. Revenues have been affected by State Revenue Sharing cuts. Next year, revenues should be up due in part to awarded grants. Total net assets are at \$5,222,017, which is a total net asset gain of \$88,038 from the previous fiscal year 2006. This is expected to be much higher for the next fiscal year with road improvements made, additional City Park, streetscape and hopefully DPW/Police facility upgrades.

The City's primary source of revenue derives from property taxes. This represents nearly 50% of the total Governmental Activities revenue for FY 2006-2007. State grants and revenue sharing accounted for 32% of the year's Governmental Activities revenue, which is down from the previous fiscal year.

The City's total governmental and business-like revenues equaled \$964,826; a decrease of \$78,404 from the previous year. This again is attributed to economic hardships for both the public and private entities across the State of Michigan.

Both the Water and Sewer Funds' revenues exceeded expenditures and with rates raised by 8% for the upcoming fiscal year, they should remain healthy.

Net assets may be used as an indicator of a government's financial health. As of June 30, 2007, the City's total government-wide net asset equaled \$5,222,017. This is an increase from the previous fiscal year of \$88,038.

Government Activities:

Governmental activities saw a net asset increase of \$75,656 or 7.5% from the previous fiscal year.

Governmental activities saw a net decrease in total governmental liabilities from the previous year in the amount of \$10,307 or 9%.

Governmental activities saw a decrease in State shared revenue of 1.3% from the previous fiscal year.

Property taxes increased from the previous fiscal year in the amount of \$12,376 or 4.8%.

Total government expenses for governmental activities decreased slightly from the previous fiscal year in the amount of \$1,149 or .3%.

While the Public Safety expenses increased \$8,170, Public Works expenses decreased \$41,019. It was the Public Works Departments large decrease that helped keep overall government activity expenses under control. However, it is likely that there will be an increase for the Public Works Department in upcoming years as equipment and facilities very much need replacement and upgrades.

The City's Funds:

An analysis of the City's major funds follows the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds—not the City as a whole. The City Commission creates funds to help manage money for specific purposes, to demonstrate compliance with finance-related legal requirements, and to show accountability for certain activities such as special property tax millages. The City's major funds for 2007 include the General Fund, Major and Local Street Funds, Roads & Right-of-Ways Fund (Governmental Funds) and the Water and Sewer Funds (Proprietary Funds).

Governmental Funds:

The focus of the information provided regarding the City's Governmental Funds is to provide data on near-term inflows, outflows, and balances in spendable resources. This information is useful in assessing the City's financing requirements. In particular, unrestricted fund balances or lack thereof, 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 fiscal year, the total Governmental Funds reported a combined fund balance of \$86,840. This fund balance is comprised of \$60,168 from the General Fund, \$8,523 from the Major Streets Fund, \$ 15,392 from the Local Streets Fund, \$1,011 from Roads and Right-of-Ways Fund, and \$1,746 from Non-Major Governmental Funds.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures which is 16.6%.

Proprietary Funds:

The City Proprietary Funds provide the same type of information found in the government-wide financial statements, but with more detail. The unrestricted net assets of the Water and Sewer Funds had an overall net increase of \$12,382. This was significantly lower than the preceding fiscal year and is why an 8% increase was applied to both effective July 1, 2007.

Capital Assets and Debt Administration:

At the end of the fiscal year, the City had \$5,222,017 in capital assets for its governmental and business-type activities. The governmental activities assets are comprised of land, buildings, machinery/equipment, and maining and pumping equipment used by the Water and Sewer Funds.

Long Term Debt:

At the end of the fiscal year the City had total outstanding debt of \$945,749, consisting of general obligation bonds and revenue bonds. The general obligation debt of \$74,749 in governmental activities and \$353,272 in business-type activities are 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 revenue bonds, \$517,728).

Next Year's Millage Rates:

The City 2006-2007 budget includes a charter operating levy of 10.3714 mills per thousand dollars of taxable value for the purpose of providing funds for the operation of the City. This is the same millage levied in 2006 due to the Headlee millage reduction fraction, which was 1.000 as a direct result of new construction and growth evident throughout the City. Although the mills remain the same, the general fund will see a 2.9% increase in property tax revenue.

Contacting the City's Management:

This financial report is intended to provide our citizens, taxpayers, customers, and investors with the general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the City Offices at (231) 834-7904.

CITY OF GRANT

Government Wide Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Cash	\$ 168,877	\$ 358,040	\$ 526,917
Accounts Receivable	18,534	97,323	115,857
Accounts Receivable-Fiduciary Funds	1,651	-	1,651
Restricted Cash	-	47,283	47,283
Internal Balances	(89,708)	89,708	-
Bond Issuance Cost - Net of Amort.	2,101	-	2,101
Net Capital Assets	<u>1,016,897</u>	<u>4,504,346</u>	<u>5,521,243</u>
 Total Assets	 <u>1,118,352</u>	 <u>5,096,700</u>	 <u>6,215,052</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	6,025	2,903	8,928
Accrued Wages and Payroll Taxes	6,489	14,764	21,253
Accrued Absences	17,105	-	17,105
Noncurrent Liabilities			
Due Within One Year	20,157	23,000	43,157
Due in More Than One Year	<u>54,592</u>	<u>848,000</u>	<u>902,592</u>
 Total Liabilities	 <u>104,368</u>	 <u>888,667</u>	 <u>993,035</u>
NET ASSETS			
Invested in Capital Assets			
Net of Related Debt	912,529	3,633,346	4,545,875
Restricted Assets	-	47,283	47,283
Unrestricted Assets	<u>101,455</u>	<u>527,404</u>	<u>628,859</u>
 Total Net Assets	 <u>\$ 1,013,984</u>	 <u>\$ 4,208,033</u>	 <u>\$ 5,222,017</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Government Wide Statement of Activities
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Primary Government							
Governmental Activities							
General Government	\$ 196,400	\$ 12,463	\$ -	\$ (183,937)	\$ -	\$ (183,937)	
Public Safety	116,938	-	-	(116,938)	-	(116,938)	
Public Works	87,496	-	65,084	(22,412)	-	(22,412)	
Community and Econ. Dev.	4,107	-	-	(4,107)	-	(4,107)	
Recreation and Culture	3,630	-	-	(3,630)	-	(3,630)	
Other Functions	24,147	-	-	(24,147)	-	(24,147)	
Interest on Long-Term Debt	4,706	-	-	(4,706)	-	(4,706)	
Total Governmental Activities	437,424	12,463	65,084	(359,877)	-	(359,877)	
Business Type Activities							
Water	219,607	195,267	-	-	(24,340)	(24,340)	
Sewer	219,757	172,458	-	-	(47,299)	(47,299)	
Total Business-Type Activities	439,364	367,725	-	-	(71,639)	(71,639)	
Total	876,788	380,188	65,084	(359,877)	(71,639)	(431,516)	
General Revenues							
Property Taxes				259,813	34,924	294,737	
State Shared Revenue				101,776	-	101,776	
Interest				3,865	13,891	17,756	
Miscellaneous				70,079	35,206	105,285	
Total General Revenues and Transfers				435,533	84,021	519,554	
				Change in Net Assets	75,656	12,382	88,038
				Net Assets - Beginning	938,328	4,195,651	5,133,979
				Net Assets - Ending	<u>\$ 1,013,984</u>	<u>\$ 4,208,033</u>	<u>\$ 5,222,017</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Governmental Balance Sheet
June 30, 2007

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Roads & Right of Ways Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash	\$ 139,858	\$ 5,606	\$ 20,656	\$ 1,011	\$ 1,746	\$ 168,877
Accounts Receivable	13,350	3,810	1,374	-	-	18,534
Due from Other Funds	8,151	-	-	-	-	8,151
Total Assets	<u>\$ 161,359</u>	<u>\$ 9,416</u>	<u>\$ 22,030</u>	<u>\$ 1,011</u>	<u>\$ 1,746</u>	<u>\$ 195,562</u>
LIABILITIES						
Accounts Payable	\$ 4,994	\$ 893	\$ 138	\$ -	\$ -	\$ 6,025
Accrued Wages and Payroll Taxes	6,489	-	-	-	-	6,489
Due to Other Funds	21,113	-	6,500	-	-	27,613
Advances from Other Funds	68,595	-	-	-	-	68,595
Total Liabilities	101,191	893	6,638	-	-	108,722
FUND BALANCES						
Unrestricted	60,168	8,523	15,392	1,011	1,746	86,840
Total Liabilities and Fund Balance	<u>\$ 161,359</u>	<u>\$ 9,416</u>	<u>\$ 22,030</u>	<u>\$ 1,011</u>	<u>\$ 1,746</u>	<u>\$ 195,562</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Assets
For the Year Ended June 30, 2007

Total Governmental Fund Balances	\$	86,840
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Assets	1,299,012	
Governmental Accumulated Depreciation	<u>(282,115)</u>	1,016,897

Accrued absences (sick and vacation pay) are recognized in the fund statements when they mature (when they are due); however these amounts are recognized when they are earned in the statement of net assets.	(17,105)
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Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

General Obligation Debt	(164,457)	
Bond Issuance Costs - Net of Amortization	2,101	
Internal Balances	<u>89,708</u>	<u>(72,648)</u>

Total Net Assets - Governmental Activities:	\$	<u><u>1,013,984</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance June 30, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Roads & Right of Ways Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 195,219	\$ -	\$ -	\$ 51,624	\$ 17,200	\$ 264,043
Rents	55,483	-	-	-	-	55,483
State Shared Revenue	102,471	47,354	17,035	-	-	166,860
Charges for Services	8,233	-	-	-	-	8,233
Interest	3,461	41	102	250	11	3,865
Miscellaneous	28,069	-	-	-	-	28,069
Total Revenues	392,936	47,395	17,137	51,874	17,211	526,553
Expenditures						
General Government	153,029	-	-	-	-	153,029
Public Safety	94,890	-	-	-	19,870	114,760
Public Works	73,260	26,184	13,013	961	-	113,418
Community and Economic Dev.	4,107	-	-	-	-	4,107
Recreation and Culture	3,630	-	-	-	-	3,630
Other Functions	24,147	-	-	-	-	24,147
Debt Service	-	-	-	-	23,367	23,367
Capital Outlay	9,403	-	-	-	-	9,403
Total Expenditures	362,466	26,184	13,013	961	43,237	445,861
Excess Revenue Over (Under) Expenditures	30,470	21,211	4,124	50,913	(26,026)	80,692
Other Financing Sources (Uses)						
Sale of Capital Assets	1,441	-	-	-	-	1,441
Transfers In	14,000	-	42,500	-	27,200	83,700
Transfers Out	(3,800)	(23,400)	-	(42,500)	-	(69,700)
Total Other Financing Sources (Uses)	11,641	(23,400)	42,500	(42,500)	27,200	15,441
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	42,111	(2,189)	46,624	8,413	1,174	96,133
Fund Balance - Beginning	18,057	10,712	(31,232)	(7,402)	572	(9,293)
Fund Balance - Ending	\$ 60,168	\$ 8,523	\$ 15,392	\$ 1,011	\$ 1,746	\$ 86,840

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	96,133
 Amounts reported for governmental activities in the statement of activities are different because:		
 The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense		
Capital outlay reported in governmental fund statements	5,500	
Depreciation expense reported in the statement of activities	<u>(41,782)</u>	(36,282)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(2,856)
 Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.		
		19,261
 Bond issuance costs are amortized over the life of the long-term debt. The current amount deducted in the government-wide statement is:		
		<u>(600)</u>
Changes in Net Assets - Governmental Activities	\$	<u><u>75,656</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Proprietary Fund Statement of Net Assets
June 30, 2007

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash	\$ 193,285	\$ 164,755	\$ 358,040
Accounts Receivable	52,377	44,946	97,323
Due From Other Funds	388	-	388
Total Current Assets	246,050	209,701	455,751
Noncurrent Assets			
Restricted Cash	39,073	8,210	47,283
Due To Other Funds	21,113	-	21,113
Advances to Other Funds	68,595	-	68,595
Net Capital Assets	2,637,348	1,866,998	4,504,346
Total Noncurrent Assets	2,766,129	1,875,208	4,641,337
Total Assets	3,012,179	2,084,909	5,097,088
LIABILITIES			
Current Liabilities			
Accounts Payable	1,346	1,557	2,903
Due To Other Funds	-	388	388
Accrued Wages and Payroll Taxes	7,382	7,382	14,764
Current Long Term Debt	9,000	14,000	23,000
Total Current Liabilities	17,728	23,327	41,055
Noncurrent Liabilities			
Long Term Bonds	500,000	348,000	848,000
Total Liabilities	517,728	371,327	889,055
NET ASSETS			
Invested in Capital Assets			
-Net of Debt	2,128,348	1,504,998	3,633,346
Restricted Assets	39,073	8,210	47,283
Unrestricted	327,030	200,374	527,404
Total Net Assets	\$ 2,494,451	\$ 1,713,582	\$ 4,208,033

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Proprietary Fund Statement of Revenue, Expenses
and Changes in Net Assets
June 30, 2007

	Water Fund	Sewer Fund	Total
Operating Revenues			
Fees	\$ 195,267	\$ 172,458	\$ 367,725
Miscellaneous	33,606	1,600	35,206
Total Operating Revenues	228,873	174,058	402,931
Operating Expenses			
Payroll Expenses	54,562	54,562	109,124
Supplies	7,772	17,760	25,532
Professional & Contracted Services	23,118	35,253	58,371
Utilities and Telephone	11,764	20,654	32,418
Property and Workers Comp Insurance	10,382	11,880	22,262
Equipment Rental	9,724	2,884	12,608
Other Operating Expenses	4,029	271	4,300
Depreciation	65,356	51,068	116,424
Total Operating Expenses	186,707	194,332	381,039
Operating Income (Loss)	42,166	(20,274)	21,892
Non Operating Revenues			
Interest Income	9,319	4,572	13,891
Property Tax/User Fees	-	34,924	34,924
Interest Expense	(25,900)	(18,425)	(44,325)
Transfer Out	(7,000)	(7,000)	(14,000)
Total Non Operating Revenue (Expenses)	(23,581)	14,071	(9,510)
Net Income (Loss)	18,585	(6,203)	12,382
Total Net Assets - Beginning	2,475,866	1,719,785	4,195,651
Total Net Assets - Ending	\$ 2,494,451	\$ 1,713,582	\$ 4,208,033

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Proprietary Fund Statements of Cash Flows
June 30, 2007

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers	\$ 185,712	\$ 165,350	\$ 351,062
Receipts from Other Sources	33,606	1,600	35,206
Payments for Employees	(44,892)	(44,892)	(89,784)
Payments to Suppliers	(87,885)	(95,546)	(183,431)
Net Cash Provided (Used) by Operating Activities	86,541	26,512	113,053
Cash Flows From Noncapital Financing Activities			
Receipts from Property Taxes	-	34,924	34,924
Due From Other Funds	(820)	-	(820)
Advances to Other Funds	21,112	-	21,112
Transfers to Other Funds	(7,000)	(7,000)	(14,000)
Net Cash Provided (Used) by Noncapital Financing Activities	13,292	27,924	41,216
Cash Flows From Capital and Related Financing Activities			
Principal and Interest on Capital Debt	(34,900)	(31,425)	(66,325)
Change in Restricted Cash	38,374	36,458	74,832
Acquisitions of Capital Assets	(7,500)	(22,159)	(29,659)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(4,026)	(17,126)	(21,152)
Cash Flows From Investing Activities			
Interest Income	9,319	4,572	13,891
Net Increase (Decrease) in Cash	105,126	41,882	147,008
Balance - Beginning of Year	88,159	122,873	211,032
Balance - End of Year	\$ 193,285	\$ 164,755	\$ 358,040

The Notes to the Financial Statements are an integral part of this statement.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 42,166	\$ (20,274)	\$ 21,892
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	65,356	51,068	116,424
Change in Assets and Liabilities:			
Accounts Receivable	(9,555)	(7,108)	(16,663)
Due From Other Funds	(388)	-	(388)
Accounts Payable	(11,919)	1,557	(10,362)
Due To Other Funds	-	388	388
Accrued Expenses	881	881	1,762
Net Cash Provided by Operating Activities	<u>\$ 86,541</u>	<u>\$ 26,512</u>	<u>\$ 113,053</u>

Supplemental Information

Cash paid for interest in the Water and Sewer Funds for the year ended June 30, 2007 was \$25,900 and \$18,425 respectively.

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Fiduciary Fund Statement of Net Assets
June 30, 2007

	Trust and Agency Fund
ASSETS	
Cash	<u>\$ 1,670</u>
LIABILITIES	
Due to Other Units	<u>\$ 1,670</u>
Total Liabilities	<u>\$ 1,670</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Grant conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the City of Grant.

A. Reporting Entity

The City of Grant is governed by an elected seven-member commission (Board).

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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 requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are record only when payment is due.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by June 30; therefore, a receivable is recorded for this amount. For fiscal year-end June 30, 2007, this amount was \$18,534.

2. Property Taxes Receivable

The City property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the City as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2006 delinquent taxes of \$14,883 were received in May 2007, and thus no receivable was recorded.

The 2006 taxable valuation of the City totaled \$17,199,804 on which ad valorem taxes levied consisted of 10.3714 mills for general operating, .9852 mills for fire operations and equipment, 2.0 mills for sewer bond debt, and 2.9559 mills for roads. These taxes raised \$190,989 for operating, \$17,200 for fire operating and equipment, \$34,924 for sewer bond debt, and \$51,624 for roads. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenues.

All other revenue items are considered to be available only when cash is received by the government.

The government 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 Streets Fund accounts for state shared revenue and other revenue sources used to construct and improve the major streets throughout the City.

The Local Streets Fund accounts for the state shared revenue used to construct and improve road throughout the City.

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

The government reports the following major proprietary funds:

The Water and Sewer Funds account for the equipment, debt and operating activities of the water and sewer systems respectively.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

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

Amounts reported as program revenue include: (1) charges to customers or applicants for 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 revenue rather than as program revenue. Likewise, general revenue includes 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 our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenues. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary 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.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, CD's and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed. Delinquent taxes are typically received by the end of the fiscal year.

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets -The general obligation bonds in the Sewer Fund and Major Streets Fund requires amounts to be set aside for debt service of interest and principal.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 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 the date of donation. In accordance with GASB 34, infrastructure assets costs incurred prior to June 30, 2004 are not included in the financial statements.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Buildings and Improvements	25 to 40 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Roads	20 to 30 years
Other Infrastructure	30 years
Vehicles	5 to 10 years
Machinery and Equipment	5 to 10 years

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.

Long-Term Obligations - In the government-wide financial statements and the 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 deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the 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 are reported as other financial uses. Issuance costs are reported as debt service expenditures.

Notes to the Financial Statements (continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City has no restricted fund balance as of June 30, 2007.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 30th, the City Commission reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at the City Offices to obtain taxpayer comments.

Prior to June 30th, the budget is legally adopted.

The budgets shown in these financial statements are as last amended through June 30, 2007.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditure for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted to the activity level for all governmental funds. The City does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in budgeted funds which were materially in excess of the amounts appropriated.

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Major Streets			
Winter Maintenance	17,228	14,350	2,878
Local Streets			
Traffic Maintenance	2,077	1,800	277
Winter Maintenance	7,054	6,100	954
Roads & Right of Ways			
Contracted Services	961	260	701
Sewer Fund			
Depreciation Expense	51,068	45,000	6,068
Water Fund			
Depreciation Expense	65,356	61,000	4,356

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Commission in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The City's deposits and investment policy are in accordance with statutory authority.

At year-end the City's deposits and investments were reported in basic financial statements in the following categories:

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Total Primary Government
Cash and Equivalents	\$ 168,877	\$ 358,040	\$ 1,670	\$ 528,587
Restricted Assets	-	47,283	-	47,283
Total	<u>\$ 168,877</u>	<u>\$ 405,323</u>	<u>\$ 1,670</u>	<u>\$ 575,870</u>

The bank balance of the primary government's deposits is \$596,818, of which \$300,000 is covered by federal depository insurance and 293,602 is backed by US Treasury Securities. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC Insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the City; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Depositories actively used by the City during the year are detailed as follows:

1. Choice One Bank
2. Fifth Third Bank

Notes to the Financial Statements (continued)

NOTE D RECEIVABLES

Receivables as of year-end for the City’s individual major and non-major funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Water & Sewer Fund	Non- Major Funds	Total
State Shared Revenue	\$ 13,350	\$ 3,810	\$ 1,374	\$ -	\$ -	\$ 18,534
Charges for Services	-	-	-	97,323	-	97,323
Total Receivables	\$ 13,350	\$ 3,810	\$ 1,374	\$ 97,323	\$ -	\$ 115,857

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the City did not incur deferred revenue.

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$ 15,421	\$ -	\$ -	\$ 15,421
Capital Assets Being Depreciated				
Buildings	270,914	-	-	270,914
Improvements Other than Buildings	98,000	-	-	98,000
Machinery and Equipment	73,732	-	-	73,732
Vehicles	133,900	5,500	-	139,400
Infrastructure	701,545	-	-	701,545
Subtotal	1,278,091	5,500	-	1,283,591

Notes to the Financial Statements (continued)

Less Accumulated Depreciation for				
Buildings	15,200	6,573	-	21,773
Improvements Other Than Buildings	15,680	3,920	-	19,600
Machinery and Equipment	46,376	3,055	-	49,431
Vehicles	113,850	2,600	-	116,450
Infrastructure	49,227	25,634	-	74,861
	<u>240,333</u>	<u>41,782</u>	<u>-</u>	<u>282,115</u>
Subtotal				
Net Capital Assets Being Depreciated	<u>1,037,758</u>	<u>(36,282)</u>	<u>-</u>	<u>1,001,476</u>
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 1,053,179</u>	<u>\$ (36,282)</u>	<u>\$ -</u>	<u>\$ 1,016,897</u>
	Beginning			Ending
Business-Type Activities	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital Assets not being depreciated				
Land	\$ 53,642	\$ -	\$ -	\$ 53,642
Capital Assets Being Depreciated				
Buildings	88,704	-	-	88,704
Machinery and Equipment	31,010	29,658	-	60,668
Maining and Pumping Equipment	5,821,181	-	-	5,821,181
	<u>5,940,895</u>	<u>29,658</u>	<u>-</u>	<u>5,970,553</u>
Subtotal				
Less Accumulated Depreciation for				
Buildings	88,704	-	-	88,704
Machinery and Equipment	31,010	-	-	31,010
Maining and Pumping Equipment	1,283,711	116,424	-	1,400,135
	<u>1,403,425</u>	<u>116,424</u>	<u>-</u>	<u>1,519,849</u>
Subtotal				
Net Capital Assets Being Depreciated	<u>4,537,470</u>	<u>(86,766)</u>	<u>-</u>	<u>4,450,704</u>
Business-Type Activities Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 4,591,112</u>	<u>\$ (86,766)</u>	<u>\$ -</u>	<u>\$ 4,504,346</u>

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

Governmental Activities	
General Government	37,719
Public Safety	1,071
Public Works	<u>2,992</u>
Total Governmental Activities	<u>\$ 41,782</u>

Notes to the Financial Statements (continued)

Business-Type Activities

Water	\$ 65,356
Sewer	<u>51,068</u>
Total Business-Type Activities	<u><u>\$ 116,424</u></u>

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund Due From/Advances To		Payable Fund (Due To)/(Advances From)	
General Fund	\$ 1,651	Trust & Agency Fund	\$ (1,651)
General Fund	6,500	Local Streets Fund	(6,500)
Water Fund	388	Sewer Fund	(388)
Water Fund	21,113	General Fund	(21,113)
<u>Transfers In</u>		<u>(Transfers Out)</u>	
General Fund	\$ 7,000	Water Fund	\$ (7,000)
General Fund	7,000	Sewer Fund	(7,000)
Fire Fund	3,800	General Fund	(3,800)
Transportation Bond Fund	23,400	Major Streets Fund	(23,400)
Local Streets Fund	42,500	Roads & Right of Ways	(42,500)

NOTE G LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balances	Additions (Reductions)	Ending Balances	Due Within One Year
Governmental Activities						
General Obligation Bonds						
2003 MI Transportation Bond	4.60%	12/1/2010	\$ 94,010	\$ (19,261)	\$ 74,749	\$ 20,157
			<u>\$ 94,010</u>	<u>\$ (19,261)</u>	<u>\$ 74,749</u>	<u>\$ 20,157</u>
Business-Type Activities						
General Obligation Bonds						
1992 Sewer Line Bonds	5.00%	10/1/2023	\$ 375,000	\$ (13,000)	\$ 362,000	\$ 14,000
Revenue Bonds						
1994 Water Revenue Bond	5.00%	12/1/2034	518,000	(9,000)	509,000	9,000
			<u>\$ 893,000</u>	<u>\$ (22,000)</u>	<u>\$ 871,000</u>	<u>\$ 23,000</u>

Notes to the Financial Statements (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 20,157	\$ 3,209	\$ 23,000	\$ 43,200
2009	21,095	2,271	24,000	42,050
2010	22,076	1,290	25,000	41,325
2011	11,421	263	27,000	39,550
2012	-	-	29,000	38,175
2013-2017	-	-	169,000	167,250
2018-2022	-	-	216,000	119,850
2023-2027	-	-	175,000	66,550
2028-2032	-	-	129,000	33,100
2033-2037	-	-	54,000	4,050
	<u>\$ 74,749</u>	<u>\$ 7,033</u>	<u>\$ 871,000</u>	<u>\$ 595,100</u>

For major streets construction projects, the net proceeds of the 2003 MI Transportation Bond after related fees were \$122,515. A debt service fund was created to pay principal and interest payments.

NOTE H RESTRICTED ASSETS

The balances of the restricted assets in the enterprise funds are as follows:

	Water	Sewer
Bond Debt	<u>\$ 39,073</u>	<u>\$ 8,210</u>
Total Restricted Assets	<u>\$ 39,073</u>	<u>\$ 8,210</u>

NOTE I 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; and natural disasters for which the City carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE J ENDOWMENT FUND

The Fremont Area Community Foundation holds an endowment fund which has been earmarked for the City of Grant. As of June 30, 2007, the Fremont Area Community Foundation holds endowment funds for the City of Grant in the amount of \$49,635.

NOTE K 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, 2007 amounted to \$10,623.

NOTE L 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. In addition, the City contributes \$1,000 into the 125(b) plan for each of its full-time employees. 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, 2007, the City has disbursed \$158 more than it has withheld, which is expected to be withheld by the end of the plan year.

CITY OF GRANT

Required Supplementary Information
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 53,248	\$ 53,248	\$ 18,057	\$ (35,191)
Resources (Inflows)				
Property Taxes	188,136	194,430	195,219	789
State Sources	105,225	100,060	102,471	2,411
Charges for Services	9,650	6,210	8,233	2,023
Interest	1,100	935	3,461	2,526
Other	70,775	79,080	83,552	4,472
Sale of Capital Assets	-	1,440	1,441	1
Transfer In	72,705	72,705	14,000	(58,705)
Amounts Available for Appropriation	500,839	508,108	426,434	(81,674)
Charges to Appropriations (Outflows)				
General Government	145,169	150,030	153,029	(2,999)
Public Safety	91,270	95,500	94,890	610
Public Works	67,966	72,236	73,260	(1,024)
Community and Econ. Dev.	4,923	4,219	4,107	112
Recreation and Culture	5,768	3,467	3,630	(163)
Other Functions	20,875	21,963	24,147	(2,184)
Transfers Out	29,292	28,292	3,800	24,492
Capital Outlay	1,150	9,405	9,403	2
Total Charges to Appropriation	366,413	385,112	366,266	18,846
Budgetary Fund Balance-June 30, 2007	<u>\$ 134,426</u>	<u>\$ 122,996</u>	<u>\$ 60,168</u>	<u>\$ (62,828)</u>

CITY OF GRANT

Required Supplementary Information
 Budgetary Comparison Schedule for the Major Streets Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 6,506	\$ 6,506	\$ 10,712	\$ 4,206
Resources (Inflows)				
State Shared Revenue	48,000	48,000	47,354	(646)
Interest	60	40	41	1
Amounts Available for Appropriation	54,566	54,546	58,107	3,561
Charges to Appropriations (Outflows)				
Routine Maintenance	8,600	6,600	5,710	890
Traffic Maintenance	3,500	3,000	2,746	254
Winter Maintenance	11,000	14,350	17,228	(2,878)
Administration	910	910	500	410
Transfer Out	23,400	23,400	23,400	-
Total Charges to Appropriations	47,410	48,260	49,584	(1,324)
Budgetary Fund Balance-June 30, 2007	\$ 7,156	\$ 6,286	\$ 8,523	\$ 2,237

CITY OF GRANT

Required Supplementary Information
 Budgetary Comparison Schedule for the Local Streets Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 4,635	\$ 4,635	\$ (31,232)	\$ (35,867)
Resources (Inflows)				
State Shared Revenue	18,000	18,000	17,035	(965)
Interest	100	100	102	2
Transfer In	42,500	42,500	42,500	-
Amounts Available for Appropriation	65,235	65,235	28,405	(36,830)
Charges to Appropriations				
Routine Maintenance	7,750	4,450	3,382	1,068
Traffic Maintenance	500	1,800	2,077	(277)
Winter Maintenance	4,100	6,100	7,054	(954)
Administration	500	500	500	-
Contracted Services	500	-	-	-
Total Charges to Appropriations	13,350	12,850	13,013	(163)
Budgetary Fund Balance-June 30, 2007	\$ 51,885	\$ 52,385	\$ 15,392	\$ (36,993)

CITY OF GRANT

Required Supplementary Information
 Budgetary Comparison Schedule for the Roads & Right of Ways Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 572	\$ 572	\$ (7,402)	\$ (7,974)
Resources (Inflows)				
Property Taxes	50,840	51,570	51,624	54
Interest	25	240	250	10
Amounts Available for Appropriation	51,437	52,382	44,472	(7,910)
Charges to Appropriations				
Contracted Services	-	260	961	(701)
Transfers Out	50,500	50,500	42,500	8,000
Total Charges to Appropriations	50,500	50,760	43,461	7,299
Budgetary Fund Balance-June 30, 2007	\$ 937	\$ 1,622	\$ 1,011	\$ (611)

CITY OF GRANT

Required Supplementary Information
Budgetary Comparison Schedule for the Water Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 2,561,483	\$ 2,561,483	\$ 2,475,866	\$ (85,617)
Resources (Inflows)				
Charges for Services	208,000	182,000	195,267	13,267
Miscellaneous	300	31,750	33,606	1,856
Interest	230	1,340	9,319	7,979
Transfers In	24,492	24,492	-	(24,492)
	2,794,505	2,801,065	2,714,058	(87,007)
Charges to Appropriations				
Operating Expenses	112,430	140,408	121,351	19,057
Depreciation	61,000	61,000	65,356	(4,356)
Interest Expense	26,100	26,100	25,900	200
Transfers Out	-	7,000	7,000	-
	199,530	234,508	219,607	14,901
Total Charges to Appropriations	199,530	234,508	219,607	14,901
Budgetary Fund Balance-June 30, 2007	\$ 2,594,975	\$ 2,566,557	\$ 2,494,451	\$ (72,106)

CITY OF GRANT

Required Supplementary Information
 Budgetary Comparison Schedule for the Sewer Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 1,537,326	\$ 1,537,326	\$ 1,719,785	\$ 182,459
Resources (Inflows)				
Charges for Services	175,000	175,000	172,458	(2,542)
Property Taxes	34,400	34,800	34,924	124
Miscellaneous	1,275	1,600	1,600	-
Interest	740	1,290	4,572	3,282
Amounts Available for Appropriation	1,748,741	1,750,016	1,933,339	183,323
Charges to Appropriations				
Operating Expenses	123,270	149,525	143,264	6,261
Depreciation	45,000	45,000	51,068	(6,068)
Interest Expense	18,900	18,425	18,425	-
Transfer Out	8,705	8,705	7,000	1,705
Total Charges to Appropriations	195,875	221,655	219,757	1,898
Budgetary Fund Balance-June 30, 2007	<u>\$ 1,552,866</u>	<u>\$ 1,528,361</u>	<u>\$ 1,713,582</u>	<u>\$ 185,221</u>

CITY OF GRANT

Combining Balance Sheet
 Non-Major Governmental Fund
 June 30, 2007

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Fire Fund</u>	<u>Sidewalk Fund</u>	<u>Transportation Bond Fund</u>	
ASSETS				
Cash and Investments	<u>\$ 1,447</u>	<u>\$ 180</u>	<u>\$ 119</u>	<u>\$ 1,746</u>
Total Assets	<u><u>\$ 1,447</u></u>	<u><u>\$ 180</u></u>	<u><u>\$ 119</u></u>	<u><u>\$ 1,746</u></u>
 LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	-	-	-	-
Fund Equity				
Fund Balances - Unreserved	<u>1,447</u>	<u>180</u>	<u>119</u>	<u>1,746</u>
Total Liabilities and Fund Equity	<u><u>\$ 1,447</u></u>	<u><u>\$ 180</u></u>	<u><u>\$ 119</u></u>	<u><u>\$ 1,746</u></u>

CITY OF GRANT

Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - Non-Major Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Fire Fund</u>	<u>Sidewalk Fund</u>	<u>Transportation Bond Fund</u>	
Revenues				
Taxes	\$ 17,200	\$ -	\$ -	\$ 17,200
Interest	-	-	11	11
	<u>17,200</u>	<u>-</u>	<u>11</u>	<u>17,211</u>
Expenditures				
Public Safety	19,870	-	-	19,870
Debt Service	-	-	23,367	23,367
	<u>19,870</u>	<u>-</u>	<u>23,367</u>	<u>43,237</u>
Excess Revenue Over (Under) Expenditures	(2,670)	-	(23,356)	(26,026)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>3,800</u>	<u>-</u>	<u>23,400</u>	<u>27,200</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	1,130	-	44	1,174
Fund Balance - July 1, 2006	<u>317</u>	<u>180</u>	<u>75</u>	<u>572</u>
Fund Balance - June 30, 2007	<u>\$ 1,447</u>	<u>\$ 180</u>	<u>\$ 119</u>	<u>\$ 1,746</u>

CITY OF GRANT

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2007

	Budget	Actual	Favorable (Unfavorable)
Revenues			
Taxes			
Current	\$ 180,810	\$ 181,141	\$ 331
Trailer	170	171	1
Fees and Penalties	3,760	4,230	470
Property Tax Administration Fee	9,690	9,677	(13)
	194,430	195,219	789
State Sources			
State Shared Revenue	99,420	101,776	2,356
Business Licenses and Permits	640	695	55
	100,060	102,471	2,411
Charges for Services			
Cemetery Lot Sales	1,020	1,020	-
Monuments and Foundation Sales	200	240	40
Contracted Services	4,990	6,973	1,983
	6,210	8,233	2,023
Grants	-	800	800
Fines and Forfeits	6,925	7,722	797
Interest	935	3,461	2,526
Rent (Community Building and Equipment)	51,795	55,483	3,688
Refunds and Rebates	1,930	1,931	1
Miscellaneous	6,360	5,184	(1,176)
Water Tower Lease	8,675	8,525	(150)
Private Donations	245	370	125
Cable TV Franchise	3,150	3,537	387
Total Revenues	\$ 380,715	\$ 392,936	\$ 12,221

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Expenditures

General Government

City Commission and Mayor

Salaries and Wages	\$	6,000	
Social Security Tax		459	
Office and Operating Supplies		264	
Professional Services		516	
Printing and Publishing		1,433	
Memberships and Dues		1,026	
Education and Training		310	
Miscellaneous		<u>402</u>	

	\$	10,049	10,410	\$	(361)
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City Manager

Salaries and Wages		43,077	
Social Security Tax		3,263	
Fringes		2,487	
Office and Operating Supplies		709	
Professional Services		556	
Telephone		320	
Transportation		1,000	
Education and Training		1,518	
Memberships and Dues		175	
Miscellaneous		<u>49</u>	

		51,309	53,154		(1,845)
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Clerk

Salaries and Wages		23,732	
Social Security Tax		1,788	
Office and Operating Supplies		774	
Professional Services		556	
Telephone		308	
Memberships and Dues		130	
Transportation		125	
Education and Training		302	
Miscellaneous		<u>101</u>	

	\$	28,191	\$	27,816	\$	375
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Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Board of Review			
Salaries and Wages		\$	410
Social Security Tax			31
Transportation			93
Printing and Publishing			150
Education and Training			<u>120</u>
	\$	806	804
			\$ 2
Treasurer			
Salaries and Wages			17,108
Social Security Tax			1,159
Office and Operating Supplies			875
Professional Services			556
Contracted Services			1,735
Telephone			232
Transportation			225
Memberships and Dues			145
Education and Training			128
Miscellaneous			<u>182</u>
		22,026	22,345
			(319)
Assessor			
Office and Operating Supplies			366
Contracted Services			<u>5,884</u>
		6,274	6,250
			24
Elections			
Salaries and Wages			1,539
Social Security Tax			118
Office and Operating Supplies			199
Printing and Publishing			221
Contracted Services			1,280
Transportation			<u>114</u>
	\$	4,198	\$ 3,471
			\$ 727

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

City Hall			
Salaries and Wages		\$	1,326
Social Security Tax			101
Operating Supplies			139
Public Utilities			3,073
Repairs and Maintenance			4,766
Miscellaneous			<u>697</u>
	\$	9,654	10,102
			\$ (448)
Community Building			
Salaries and Wages			1,016
Social Security Taxes			78
Operating and Maintenance Supplies			855
Public Utilities			6,986
Repairs and Maintenance			2,247
Refunds			1,925
Contracted Services			351
Capital Outlay			<u>2,308</u>
	16,399		15,766
			633
Cemetery			
Salaries and Wages			2,571
Social Security Tax			197
Operating and Maintenance Supplies			753
Contracted Services			<u>1,698</u>
	<u>3,434</u>		<u>5,219</u>
			(1,785)
Total General Government	\$	152,340	155,337
			\$ (2,997)
Public Safety			
Police Department			
Salaries and Wages			59,119
Social Security Tax			4,358
Fringes			2,288
Office and Operating Supplies			5,670
Professional Services			2,580
Printing and Publications			232
Contracted Services		\$	1,833

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Education and Training		\$	329			
Telephone			1,343			
Transportation			15,034			
Uniforms			1,063			
Memberships and Dues			111			
Miscellaneous			930			
Capital Outlay			<u>7,095</u>			
Total Public Safety	\$	102,595	101,985	\$	610	
Public Works						
Department of Public Works						
Salaries and Wages			22,515			
Social Security Tax			1,722			
Fringes			1,579			
Office and Operating Supplies			3,613			
Contracted Services			4,663			
Repairs and Maintenance			1,969			
Printing and Publishing			59			
Professional Services			56			
Telephone			203			
Transportation			14,771			
Utilities			2,090			
Uniforms			545			
Miscellaneous			<u>682</u>			
		54,924	54,467		457	
Drains		712	712		-	
Street Lighting		<u>16,600</u>	<u>18,081</u>		<u>(1,481)</u>	
Total Public Works		72,236	73,260		(1,024)	
Community and Economic Development						
Planning Commission						
Salaries and Wages			108			
Social Security Tax			<u>8</u>			
	\$	219	\$	116	\$	103

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Zoning Commission			
Professional Services		\$ 800	
Enforcement		<u>191</u>	
	\$ 1,000	<u>991</u>	\$ 9
Economic Development	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total Community and Economic Dev.	4,219	4,107	112
Recreation and Culture			
Parks			
Salaries and Wages		1,987	
Social Security Tax		152	
Operating and Maintenance Supplies		44	
Utilities		106	
Water Tower Lease		1,239	
Miscellaneous		<u>102</u>	
	<u>3,467</u>	<u>3,630</u>	<u>(163)</u>
Total Recreation and Cultural	3,467	3,630	(163)
Other Functions			
Health and Life Insurance		12,809	
Property and Liability Insurance		5,763	
Worker's Compensation Insurance		1,376	
Interest Expense		<u>4,199</u>	
Total Other Functions	21,963	24,147	(2,184)
Total Expenditures	<u>356,820</u>	<u>362,466</u>	<u>(5,646)</u>
Excess Revenues Over (Under) Expenditures	\$ 23,895	\$ 30,470	\$ 6,575

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Other Financing Sources (Uses)			
Transfers In	\$ 72,705	\$ 14,000	\$ (58,705)
Sale of Capital Assets	1,440	1,441	1
Transfers Out	<u>(28,292)</u>	<u>(3,800)</u>	<u>24,492</u>
Total Other Financing Sources (Uses)	<u>45,853</u>	<u>11,641</u>	<u>(34,212)</u>
Excess Revenues and Sources Over (Under) Expenditures and Uses	<u>\$ 69,748</u>	42,111	<u>\$ (27,637)</u>
Fund Balance - July 1, 2006		<u>18,057</u>	
Fund Balance - June 30, 2007		<u>\$ 60,168</u>	

CITY OF GRANT

Water Fund
Balance Sheets
June 30, 2007 and 2006

	<u>6/30/2007</u>	<u>6/30/2006</u>
ASSETS		
Cash - Receiving	\$ 60,690	\$ 48,243
Cash - Operating	67,694	39,916
Cash - Reserved	-	36,000
Cash - Replacement/Improvement	64,901	38,697
Accounts Receivable	52,377	42,822
Due From Other Funds	388	-
Due To Other Funds	21,113	20,293
Advances To Other Funds	68,595	89,707
Property, Plant and Equipment	3,323,420	3,315,921
Less Accumulated Depreciation	(686,072)	(620,716)
Restricted Assets		
Cash - Debt Service	<u>39,073</u>	<u>2,750</u>
Total Assets	3,012,179	3,013,633
LIABILITIES		
Accounts Payable	1,346	13,266
Accrued Wages	7,382	6,501
Current Long-Term Debt	9,000	9,000
Bond Debt	<u>500,000</u>	<u>509,000</u>
Total Liabilities	<u>517,728</u>	<u>537,767</u>
NET ASSETS		
Invested in Capital Assets		
Net of Related Debt	2,128,348	2,177,205
Restricted	39,073	2,750
Unrestricted	<u>327,030</u>	<u>295,911</u>
Total Net Assets	<u>\$ 2,494,451</u>	<u>\$ 2,475,866</u>

CITY OF GRANT

Statements of Revenues, Expenses and Changes in Retained Earnings - Water Fund For the Year Ended June 30, 2007 and 2006

	June 30, 2007		June 30, 2006
	Budget	Actual	Actual
Operating Revenues			
Fees	\$ 182,000	\$ 195,267	\$ 169,410
State Grants	-	-	82,539
Miscellaneous	31,750	33,606	5,743
Total Operating Revenues	213,750	228,873	257,692
Operating Expenses			
Salaries and Wages	38,900	40,597	34,782
FICA	2,976	3,042	2,604
Fringe Benefits	2,150	2,134	2,000
Health and Life Insurance	9,600	8,789	9,930
Office and Operating Supplies	14,700	7,772	9,077
Professional Services	2,500	2,500	2,500
Contracted Services	35,000	20,618	20,341
Repairs and Maintenance	1,400	1,263	417
Utilities	8,900	8,962	8,773
Telephone	2,700	2,802	2,324
Education and Training	150	-	323
Printing and Publishing	700	1,101	50
Property and Liability Insurance	8,281	8,281	6,482
Workers Comp Insurance	1,626	2,101	1,958
Equipment Rental	9,400	9,724	9,680
Membership Dues	725	990	625
Miscellaneous	700	675	1,501
Depreciation	61,000	65,356	63,645
Total Operating Expenses	201,408	186,707	177,012
Operating Income (Loss)	12,342	42,166	80,680
Non Operating Revenues (Expenses)			
Interest Income	1,340	9,319	6,447
Transfers In	24,492	-	-
Interest Expense	(26,100)	(25,900)	-
Transfers Out	(7,000)	(7,000)	-
Total Non Operating Revenue (Expenses)	(7,268)	(23,581)	6,447
Net Income (Loss)	\$ 5,074	18,585	\$ 87,127
Total Net Assets - Beginning		2,475,866	
Total Net Assets - Ending		\$ 2,494,451	

CITY OF GRANT

Sewer Fund
Balance Sheets
June 30, 2007 and 2006

	<u>6/30/2007</u>	<u>6/30/2006</u>
ASSETS		
Cash - Operating	\$ 124,755	\$ 122,873
Cash - Reserved	40,000	40,000
Accounts Receivable	44,946	37,838
Property, Plant and Equipment	2,700,775	2,678,616
Less Accumulated Depreciation	(833,777)	(782,709)
Restricted Assets		
Cash - Debt Service	<u>8,210</u>	<u>4,668</u>
Total Assets	2,084,909	2,101,286
LIABILITIES		
Accounts Payable	1,557	-
Due to Other Funds	388	-
Accrued Wages and Payroll Taxes	7,382	6,501
Current Long-Term Debt	14,000	13,000
Bond Debt	<u>348,000</u>	<u>362,000</u>
Total Liabilities	<u>371,327</u>	<u>381,501</u>
NET ASSETS		
Invested in Capital Assets		
Net of Related Debt	1,504,998	1,520,907
Restricted	8,210	4,668
Unrestricted	<u>200,374</u>	<u>194,210</u>
Total Net Assets	<u><u>\$ 1,713,582</u></u>	<u><u>\$ 1,719,785</u></u>

CITY OF GRANT

Statements of Revenues, Expenses and Changes
in Retained Earnings - Sewer Fund
For the Year Ended June 30, 2007 and 2006

	June 30, 2007		June 30, 2006
	Budget	Actual	Actual
Operating Revenues			
Fees	\$ 175,000	\$ 172,458	\$ 152,275
State Grants	-	-	86,211
Miscellaneous	1,600	1,600	-
Total Operating Revenues	176,600	174,058	238,486
Operating Expenses			
Salaries and Wages	39,600	40,597	34,782
FICA	3,029	3,042	2,604
Fringe Benefits	2,150	2,134	2,000
Health and Life Insurance	8,775	8,789	9,930
Office and Operating Supplies	13,500	17,760	16,198
Professional Services	2,800	2,733	2,612
Contracted Services	24,000	32,520	13,962
Repairs and Maintenance	1,000	139	-
Utilities	18,500	19,542	17,468
Telephone	1,000	1,112	850
Education and Training	625	-	-
Printing and Publishing	340	38	675
Property and Liability Insurance	9,780	9,779	7,391
Workers Comp Insurance	1,626	2,101	1,958
Equipment Rental	3,100	2,884	2,434
Membership Dues	150	-	-
Miscellaneous	200	94	100
Depreciation	45,000	51,068	49,545
Capital Outlay	19,350	-	-
Total Operating Expenses	194,525	194,332	162,509
Operating Income (Loss)	(17,925)	(20,274)	75,977
Non Operating Revenues (Expenses)			
Interest Income	1,290	4,572	7,530
Property Taxes/User Fees (For Debt Service)	34,800	34,924	32,631
Transfers Out	(8,705)	(7,000)	-
Interest Expense	(18,425)	(18,425)	(19,050)
Total Non Operating Revenue (Expenses)	8,960	14,071	21,111
Net Income (Loss)	(8,965)	(6,203)	97,088
Total Net Assets - Beginning		1,719,785	
Total Net Assets - Ending		\$ 1,713,582	

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Report on Internal Control and Compliance Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

City Commission
City of Grant
Newaygo County
Grant, Michigan 49327

We have audited the financial statements of the City of Grant as of and for the year ended June 30, 2007, and have issued our report thereon dated August 6, 2007. 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.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Grant'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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grant's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Commission, management, other within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
August 6, 2007

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H&S Companies

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August 6, 2007

City Commission
City of Grant
Grant, Michigan 49327

Dear Council Members:

We have audited the financial statements of the City of Grant as of and for the year ended June 30, 2007 and issued our report thereon dated August 6, 2007. As part of our audit, we studied and evaluated the City's accounting and administrative controls as well as compliance with laws having a bearing on the fair presentation of your financial statements. Because this study was only part of the overall audit plan, it is not intended to be a complete review of all your accounting procedures; and, therefore, would not necessarily disclose all weaknesses in your system. Accordingly, we offer the following comments and recommendations.

Books and Records

The books and records were in good shape again this year. There were a few reporting issues, especially with transfers and loans between funds, in the clerk's reports but they have been addressed and corrective steps have been taken.

While reviewing the City's chart of accounts it came to our attention a few accounts did not comply with the State of Michigan's Uniform Chart of Accounts. Please review and adjust the following general fund activity account numbers: elections, assessor, planning, zoning, and city hall.

Water and Sewer Billings

Over the past few years we have recommend the water and sewer revenues be reported on the accrual basis of accounting. We are happy to report the clerk has created a schedule of revenues based on the accrual basis of accounting and will reconcile her balances with the treasurer.

Fund Deficits

Last year two funds, local streets and roads and right of ways, contained fund deficits. As reported last year, these deficits would be eliminated in the 2006-2007 fiscal year. We want to point out that these fund deficits have been eliminated as of June 30, 2007.

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Operating Statistics

The fund balance of the general fund increased this year to \$60,168 which is roughly 17% of total general fund expenditures. This equates to a 2 month operating cushion compared to last year which was only 3 weeks.

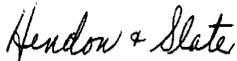
This year the street funds received approximately \$116,000 in revenues from property taxes and state shared revenue. Almost \$40,000 of this was used to eliminate negative fund balances from expenditures that occurred in the prior fiscal year.

The water and sewer rate increases from the previous year are evident in the financial statements. Water and sewer fees were up \$25,000 and 20,000 respectively. This equaled a 15% increase in water fees and 13% in sewer fees.

Attached are graphs mainly reflecting general fund revenues and expenditures over the past 7 years. As you can see, property taxes continue to be a larger part of overall revenues for the general fund while state shared revenue decreases. General government continues to be the largest expenditures while public safety, public works, capital outlay and other functions have all increased over the prior year.

We appreciate the opportunity to provide our services and to the courtesy that has been extended to us. If you have any questions we will be happy to assist the City in any way.

Respectively submitted,



Hendon & Slate, P.C.
Certified Public Accountants