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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 8, 2014

To the City Council
City of Grand Blanc
Grand Blanc, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Grand Blanc, Michigan* (the "City") as of and for the year ended May 31, 2014, and have issued our report thereon dated September 8, 2014. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 27, 2014, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated September 8, 2014.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on July 28, 2014.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant

classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the City Council
City of Grand Blanc
September 8, 2014
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Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the City of Grand Blanc and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehman Johnson LLC

CITY OF GRAND BLANC, MICHIGAN

■ Attachment A - Comments and Recommendations For the May 31, 2014 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the City's internal control over financial reporting is described in our report, dated September 8, 2014 issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated September 8, 2014 on the financial statements of the City of Grand Blanc.

Joint Venture Agreements

We were unable to verify that the City has a current agreement for the joint ventures with the Parks and Recreation, Community Fire, or the District Library Commissions. We recommend that the City create an agreement with the Parks and Recreation Commission and the District Library Commission that would support the equity interest for each party. In addition, we recommend that the City update the Community Fire Commission agreement to clearly state how the assets would be divided upon dissolution of the Commission.

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CITY OF GRAND BLANC, MICHIGAN

■ Attachment B - Upcoming Changes in Accounting Standards / Regulations For the May 31, 2014 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 67 ■ Financial Reporting for Pension Plans *Effective 06/15/2014 (your FY 2015)*

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

GASB 68 ■ Accounting and Financial Reporting for Pensions *Effective 06/15/2015 (your FY 2016)*

This standard establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated by the plan actuaries and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

CITY OF GRAND BLANC, MICHIGAN

■ **Attachment B - Upcoming Changes in Accounting Standards / Regulations** For the May 31, 2014 Audit

While GASB 68 is only applicable to pension plans, the GASB has released exposure drafts that would implement similar requirements for other postemployment benefits (e.g., retiree healthcare) within the next few years.

GASB 69 ■ Government Combinations and Disposals of Government Operations *Effective 12/15/2014 (your FY 2015)*

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

Given the infrequent nature of these types of events, we do not expect this standard to have any impact on the City at this time.

GASB 70 ■ Nonexchange Financial Guarantees *Effective 06/15/2014 (your FY 2015)*

This standard addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is "more likely than not" that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements.

We do not expect GASB 70 to have any significant impact on the City at this time.

GASB 71 ■ Pension Transition for Contributions Made Subsequent to the Measurement Date *Effective with the Implementation of GASB 68*

This standard is an amendment to GASB 68, and seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year.

CITY OF GRAND BLANC, MICHIGAN

■ Attachment B - Upcoming Changes in Accounting Standards / Regulations For the May 31, 2014 Audit

2 CFR 200 ■ Uniform Guidance for Federal Awards

Cost Principles Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2016)

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000 (up from \$500,000). The OMB has indicated that further changes to the single audit will be announced in 2015.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls that are consistent with the COSO framework and documented procedures for grant administration. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.



CITY OF GRAND BLANC, MICHIGAN

■ Attachment C - Management Representations For the May 31, 2014 Audit

Following are the written representations that we requested from management.



City of Grand Blanc

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MAYOR
Susan J. Soderstrom

CITY COUNCIL
John A. Freal
Lonnie E. Adkins
Matthew D. Telliga
Larry L. Burtrum
Lisa A. Kuntlerman
Paula L. Has

CITY MANAGER
Paul J. Brake

**CITY CLERK-
TREASURER**
Bethany J. Smith

**FINANCE DIRECTOR-
ASST. CITY MGR.**
Wendy L. Jean-Buhner

CITY ASSESSOR
Tonya Lall

CITY ATTORNEY
Walter P. Griffin

September 8, 2014

Rehmann Robson
5800 Gratiot Rd, Suite 201
P.O. Box 2025
Saginaw, MI 48605

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Grand Blanc, Michigan*, as of and for the year ended May 31, 2014, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the major special revenue fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 8, 2014:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 27, 2014, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
13. All components of net position and fund balance classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Deposit and investment risks have been properly and fully disclosed.
18. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
19. All required supplementary information is measured and presented within the prescribed guidelines.
20. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

21. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and

- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
24. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
25. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
26. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
27. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
28. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
29. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
30. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
31. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
32. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
33. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
34. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
35. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

36. With respect to the supplementary information accompanying the financial statements:

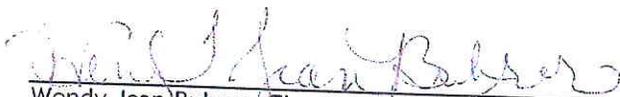
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

37. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



Paul Brake, City Manager



Wendy Jean Buhrer, Finance Director/Assistant City Manager

City of
Grand Blanc,
Michigan



Year Ended
May 31, 2014

Comprehensive
Annual Financial
Report

Prepared by: Finance Department

CITY OF GRAND BLANC, MICHIGAN

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INTRODUCTORY SECTION

CITY OF GRAND BLANC, MICHIGAN

LIST OF OFFICIALS

For the Year Ended May 31, 2014

Susan Soderstrom
Mayor

CITY COUNCIL

Paula L. Nas
John Freel
Lisa A. Kunkleman

Lonnie Adkins
Matthew Telliga
Larry L. Burtrum

ADMINISTRATIVE OFFICIALS

Paul J. Brake
City Manager

Wendy Jean-Buhrer
*Assistant City Manager/
Finance Director*

Bethany J. Smith
City Clerk/Treasurer

Larry Brawner
Code Enforcement

Tonya Lall
City Assessor

Christopher Rhind
Interim Police Chief

Ted Sczepanski
Building Inspector

Kae Eidson
Parks and Recreation Director

James B. Harmes
Fire Chief

Dan Harrett
Heritage Museum Director

Matthew S. Wurtz
Public Works Director



City of Grand Blanc

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MAYOR
Dennis J. Gendron

CITY COUNCIL
John A. Fries
Thomas E. Sisco
Matthew D. Telford
Larry L. Burpee
Linda A. Sanderson
Steve L. Siler

CITY MANAGER
Paul J. Siska

**CITY CLERK/
TREASURER**
Bobbie J. Smith

**FINANCE DIRECTOR/
ASST. CITY MGR.**
Wendy L. Judd-Holmes

CITY ASSESSOR
Tina L. Lee

CITY ATTORNEY
Arlene P. Gault

September 8, 2014

To the Mayor, City Council, and Citizens of the City of Grand Blanc:

The Comprehensive Annual Financial Report (CAFR) of the City of Grand Blanc for the fiscal year ending May 31, 2014, is hereby submitted. The responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The Administration believes that the data, as presented, is accurate in all material aspects, and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

The City of Grand Blanc's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Grand Blanc for the fiscal year ending May 31, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Grand Blanc's financial statements for the fiscal year ending May 31, 2014, are fairly presented in conformity with GAAP.

Since the report consists of management's representations concerning the finances of the City of Grand Blanc, a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of the City of Grand Blanc's financial statements is used. However, due to the fact that the internal control systems should be cost effective, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Grand Blanc was founded in 1930 and celebrated its 80th Anniversary in 2010. The City is a 3.7 square mile community located in southern Genesee County, Michigan in an ideal location; minutes from three major expressways that connect the City to cultural and industrial centers of Michigan as well as the rest of the country. The City is located five miles south of Flint, sixty miles north of Detroit, and three miles north of Automation Alley in Oakland County. The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier library system. Quality health care is provided by Genesys Hospital, located just outside the city limits.

The City operates under the council/manager form of government with seven elected officials, a mayor and six city council members representing the residents of the City of Grand Blanc. Policy making and legislative authority are vested with the Mayor and Council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The City Manager is responsible for carrying out the policies of the governing council, and for overseeing the day to day operation of the city. The Mayor and City Council members are elected on a non-partisan basis. The Mayor is directly elected by the electorate for a four year term. The City Council members are elected on a staggered four year term on an at large basis, with three members being elected every two years. The City Manager is appointed by, and serves at, the pleasure of the City Council.

The City of Grand Blanc provides various municipal services to its citizens. Among these are police protection, garbage collection, water and sewer operations, street construction, maintenance and snow removal, leaf removal and branch chipping in the spring and summer, planning and zoning and general administrative services. The City also participates in joint ventures such as: Grand Blanc Fire Commission, Grand Blanc Parks & Recreation Commission / Senior Citizen Activity Center and the Grand Blanc McFarlen District Library, with the Charter Township of Grand Blanc.

The City's annual budget provides the foundation for the financial planning and control. All departments and commissions funded by the City of Grand Blanc are required to submit requests for appropriations to the City Manager. The City Manager utilizes these requests as the basis for developing the proposed budget submitted to the City's Finance Committee. The Finance Committee is comprised of the Mayor and three City Council members, which meet on a monthly basis to review the budget to actual numbers, prepare the budget, review accounts payable and to address all financial requests/concerns of the City of Grand Blanc. The Finance Committee presents the proposed budget to the full City Council by the first Monday in May each year. The City Council amends current year, amends next year and adopts an original budget for two years out.

Major Initiatives

The City of Grand Blanc has begun a significant and extensive economic development plans in the current fiscal year. A gas station located at the intersection of Saginaw Street and Grand Blanc Road was purchased by a private developer. The private developer began negotiations with the City prior to the purchase of the gas station to develop the property as a Brownfield Redevelopment project and will bring over \$4 million in real property investments into the Central Business District. The City entered into a Brownfield Reimbursement Agreement and Act 381 Plan with the private developer. The gas station was demolished in the Fall of 2013. Construction began on two new buildings in Spring 2014 that will house retail and restaurant establishments. Final construction and occupation will take place in the Summer of 2014. The City also collaborated with property owners and developers for the K-Mart location. K-Mart announced the closing of the Grand Blanc store in May 2014. Final closure will take place in the next fiscal year.

The Local Street Fund did not reconstruct any streets in the current fiscal year. In Fiscal Year 2012, the Local Street used \$400,000 of the General Fund resources to complete a major reconstruction project. The local street fund will reimburse the general fund over four years if funding is available. Lochmoor Court, Curwood Drive, Kings Post Drive, Morningside Drive, Kings Coach Drive, Kings Coach Circle, Indian Hill school entrance, Stonybrook Drive and Hazel Avenue were reconstructed during this project. The second payment of \$100,000 was paid with interest in this fiscal year. Wellington Court was resurfaced utilizing funds from the developer's escrow account.

The City also began extensive preparations for the street projects: Perry Road Pedestrian Bridge and beautification and site improvements at the intersection of Saginaw Street and Grand Blanc Road. The City vacated Union Street. Union Street intersected the CSX railroad. The railroad was closed down and the City received grants to complete the vacation.

The City partially funded other post employment benefits in the Sewer and Water Funds during the current fiscal year. Concessions were made by employees in 2012 to discontinue post 65 health care coverage and provide post-65 retirees a monthly stipend in lieu of Medicare supplemental health insurance.

The City implemented service consolidation of the Assessing Department with the City of Fenton. This increases the likelihood of having a long term continuity of staff over a period of time.

The City continues to upgrade its BS&A computer software that includes general ledger, utility billing, accounts payable, tax, assessing and cash receipting. The BS&A software allows all financial operations to communicate effectively and efficiently with services provided by the City through cash receipting, utility billing, assessing and taxation. Reporting from the computer software is improved and is utilized to its maximum potential with upgrades constantly being added from the computer software company to do so. During this fiscal year, EFT payments were accepted by the City through the BS&A utility billing software. Utility billing also went online for ACH payments and credit card payments through a service, Point and Pay, which directly interfaces with the BS&A system, also increasing efficiency and reducing costs associated with utility billing. The City has determined that more efficiency can be gained by utilizing the Payroll module from BS & A which will be implemented in the next fiscal year.

The City has begun extensive planning and preparation for the Drinking Water Revolving Fund (DWRf) water project that will include water tower painting, paperless meter read system, water pipe looping, water main replacement, and energy efficient upgrades at the water plant. The estimated cost of the project will be \$1.9 million and is expected to be completed in FY 2015.

One police patrol vehicle was replaced the current fiscal year. The Police Department acquired a new server, new guns, gun accessories and an intoximeter system, as well.

Policy Implementation and Planning

The City instituted a Fund Balance Policy, adopted on May 9, 2012, as a guide to administration for budgeting of usage of fund balance and for designation and computation for nonspendable, restricted, committed, assigned, and unassigned fund balance. The Fund Balance Policy also addresses utilization of fund balance, minimum and maximum fund balance and maintenance and administrative responsibilities. The Fund Balance Policy is an implementation tool that guides expenditure and capital purchases.

The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Cash temporarily idle during the year was invested in demand and time deposits ranging from seven to 93 days. At the present time, the Council's investment policy is to invest in only Genesee and Oakland County institutions. The City invests in all available institutions in the Grand Blanc area. The City instituted a level of investment security by investing in more banks utilizing the Certificate of Deposit Account Registry Service (CDARS) system. A minimal amount of cash in current bank accounts is uninsured and available purely for expenses within the funds.

The City instituted a policy of not travelling out of state for education or training without prior approval. This is a reflection of the economy and the need to retain services within the City.

Long-Term Financial Planning/Financial Policies

The City Council and department heads convene annually to develop and update the City's strategic plan for improvements to the infrastructure. Highlights of the current program include:

- Increasing economic and community development.
- Continuing upgrade of computer technology throughout the City departments, including installation of upgrades and utilization of program features.
- Securing sustainable funding for public safety services, particularly maintaining the presence of police patrol in the neighborhoods and on school campuses.
- Focusing on innovation and right sizing the work force for the purposes of utilizing scarce resources.
- Continuing improvements to storm water management system.
- Continuing to make improvements to our water supply system and the quality of the water.
- Continuing the process to invest for postemployment benefits.

The City Council established a Downtown Development Authority (DDA) and a Brownfield Redevelopment Authority (BRA). This fiscal year, due to Michigan Tax Tribunal settlements, the DDA has experienced negative capture. In future fiscal years, until the negative capture is relieved by increases in taxable value, the DDA will not capture any taxes.

The DDA focuses on redeveloping the downtown area and promoting economic development. The City had already developed a comprehensive downtown design guideline. These guidelines have already aided in the redevelopment of the downtown area. There have been improvements made to existing businesses and several new businesses developed in the downtown area. Many of these improvements and new businesses were completed before establishing the DDA. The DDA will be used as another tool to create a unique downtown that will offer our residents and visitors options for entertainment, shopping, and services, all in one package.

The DDA sponsored the Grand Blanc Parks and Recreation Concerts in the Park and the Farmers Market Flint Banjo Club performance. The DDA was renewed as a member of the Michigan Main Street program and has completed the required training for the Associate Level program. This effort will focus the DDA's future attention on the desire for measured success in downtown revitalization, business development, and community engagement. This program level is the first step in a three-tier program in the fundamentals of downtown revitalization.

In 2012, the City of Grand Blanc joined thirty-five other municipalities, in a four county region, to form a Next Michigan Development Corporation (NMDC) designation for the I-69 International Trade Corridor. The purpose of the entity will be to bring strong marketing and business development tools for business and job growth. In December 2010, the state legislature created the Next Michigan program with the aim of leveraging our state's greatest assets - regional airports and highway systems. These regional entities will be able to offer economic incentives to businesses that rely on multimodal commerce to locate near major transportation facilities such as airports. The Next Michigan Development Corporation received several grants to promote the I-69 region.

Michigan's Brownfield Law is designed to encourage and assist developers who want to return property to productive use more quickly and at a lower cost than before, while still protecting human health and natural resources. The City of Grand Blanc has several properties that qualify under the Brownfield Act. The City's goal is to remediate property and to develop the property considered a Brownfield site. The City began its first project in the current fiscal year.

Long range financial planning, of course, is affected by the City's revenue stream. The negative effects of Proposal A of 1994 have become apparent. The City, until recently, has maintained sufficient growth and increase in property values to escape the pitfalls of Proposal A. The full impact of this proposal on local government services in Grand Blanc shows as residential property sales and ultimately assessments continue to decline.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the unique environment within which the City of Grand Blanc operates.

Local Economy

The City of Grand Blanc is a desirable community and continues to attract new residents and businesses that can produce financing for business ventures. The economic condition of the City is fiscally sound and stable. The future, however, is filled with economic uncertainties, challenges, and new opportunities.

Revenue projections continue to be challenging due to the reduction in the property tax values. Due to the decrease in these revenues, the City's first largest revenue source, the City continues to be challenged in maintaining current levels of operating expenses. The City maintains an adequate fund balance that offers a defense against a sluggish economy.

Many of Grand Blanc's residents work in either the Flint metropolitan area or in Automation Alley, a cluster of technology-driven companies in Oakland County. Genesee County's unemployment rate has increased for the past several years. Unemployment rates increased in durable manufacturing and in the wholesale sectors of the economy, while employment rates increased in business and health, construction, government, and non-durable manufacturing. Automotive and truck related production makes up the largest share of manufacturing employment in Genesee County. Employment at General Motors, SPE and Delphi facilities has decreased significantly in recent years.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grand Blanc for its CAFR for the fiscal year ended May 31, 2013. This was the twentieth consecutive year that the City has received this prestigious award. In order to be awarded the Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for only one year. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we will submit it to the GFOA to determine its eligibility for another certificate.

The City of Grand Blanc also received the GFOA Distinguished Budget Presentation Award for 2012. The City must complete an extensive, narrative budget to compete for this award. The City of Grand Blanc budget is among 30 municipalities in Michigan to receive this unique distinction.

We wish to acknowledge the efforts of the department heads and the office staff that make it possible to prepare this CAFR. The commitment of the City Council to fiscal integrity and to financial leadership is also greatly appreciated. The accounting firm of Rehmann Robson also made substantial contributions in the preparation of this document.

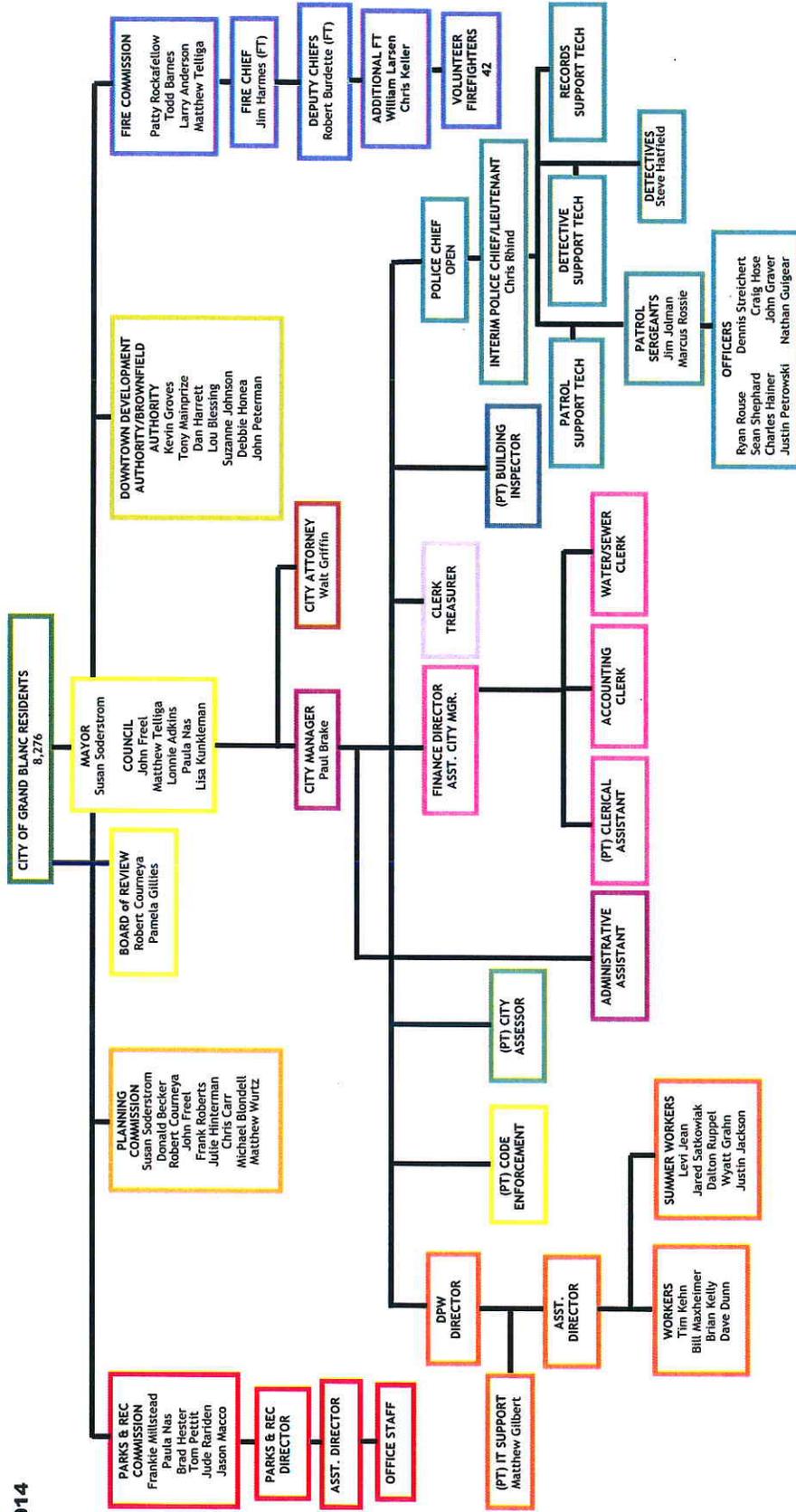
Respectfully submitted,



Bethany J. Smith
City Clerk/Treasurer



Wendy Jean-Buhrer
Finance Director/Assistant City Manager



CITY OF GRAND BLANC, MICHIGAN

GFOA Certificate of Achievement



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Grand Blanc
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

May 31, 2013

A handwritten signature in cursive script, reading "Jeffrey R. Egan".

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

September 8, 2014

Honorable Mayor and
Members of the City Council
of the City of Grand Blanc, Michigan
Grand Blanc, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Grand Blanc, Michigan* (the "City"), as of and for the year ended May 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grand Blanc, Michigan, as of May 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions for the pension and other postemployment benefit plans listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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 and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical tables have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2014 on our consideration of the City of Grand Blanc, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rehmann Johnson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

As management of the City of Grand Blanc, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended May 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The total Net Position for the City of Grand Blanc is \$22,477,154. Of this amount, \$4,680,823 is unrestricted and available for any City activity. The Net Position increased \$19,859 from fiscal year 2013.
- Combined Program and General Revenue for the Primary Government activities amounted to \$7,377,611. Expenses of \$7,357,752 were under revenues by \$19,859.
- The combined fund balance at May 31, 2014 for the City's governmental funds was \$3,286,231. This was an increase of \$350,423 from fiscal year 2013.
- General Fund revenues exceeded expenditures by \$163,731.

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 comprise 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.

The statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are 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 service, public works, highways and streets, and interest on long-term debt. The business-type activities of the City include water and sewer operations.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental funds such as the general fund, major streets fund, local streets fund, debt service fund and community development fund focus on the financing of these areas in the short-term and what remains for future spending.

Fiduciary fund statements provide information in regards to the Tax Collection Agency Fund.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Water Fund and Sewer Fund. An internal service fund is used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the motor and equipment pool provided to other departments of the government. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund, both of which are considered to be major funds of the City. The City's internal service fund is presented in the proprietary fund financial statements in the Governmental Activities - Internal Service Funds column.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

Government-Wide Financial Analysis

As previously stated, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$22,477,154 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 4,932,309	\$ 4,316,708	\$ 1,207,199	\$ 1,170,847	\$ 6,139,508	\$ 5,487,555
Capital assets, net	11,607,890	12,058,620	8,984,650	9,295,028	20,592,540	21,353,648
Total assets	16,540,199	16,375,328	10,191,849	10,465,875	26,732,048	26,841,203
Other liabilities	664,659	258,014	214,677	211,430	879,336	469,444
Long-term liabilities	581,927	853,949	2,793,631	3,060,515	3,375,558	3,914,464
Total liabilities	1,246,586	1,111,963	3,008,308	3,271,945	4,254,894	4,383,908
Net Position:						
Net investment in capital assets	11,087,890	11,393,620	6,227,424	6,292,802	17,315,314	17,686,422
Restricted	481,017	86,026	-	-	481,017	86,026
Unrestricted	3,724,706	3,783,719	956,117	901,128	4,680,823	4,684,847
Total net position	\$15,293,613	\$15,263,365	\$ 7,183,541	\$ 7,193,930	\$22,477,154	\$22,457,295

A substantial portion of the City's Net Position, \$17,315,314 (77 percent), reflects its net investment in capital assets (e.g., land, building and improvements, machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's Net Position of \$481,017 (2 percent) represents resources that are subject to external restrictions on how they may be used. The City may use the remaining balance of unrestricted Net Position of \$4,680,823 (21 percent) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of Net Position, both for the government as a whole, and for its separate governmental and business-type activities.

There was an increase of \$30,248 in Net Position reported in connection with the City's governmental activities. All of this \$30,248 increase was the result of infrastructure improvements net of the decrease in property tax collections in General, Major Street, Local Street and Water Funds and charges for services in the Water and Sewer Funds. State law restricts the use of accelerated property tax collections.

There was a decrease of \$10,389 in Net Position reported in connection with the City's business-type activities. This \$10,389 decrease was the result of a decrease in water and sewer charges for services.

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

	Governmental Activities		Change in Net Position Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 1,027,107	\$ 934,545	\$ 2,574,233	\$ 2,690,412	\$ 3,601,340	\$ 3,624,957
Operating grants	549,756	509,582	-	-	549,756	509,582
Capital grants	167,597	1,153,637	22,500	-	190,097	1,153,637
General revenues (expense):						
Property taxes	2,200,131	2,241,742	199,702	205,296	2,399,833	2,447,038
Grants and contributions	659,760	642,963	-	-	659,760	642,963
Unrestricted investment earnings (loss)	(23,430)	64,420	255	270	(23,175)	64,690
Total revenues	4,580,921	5,546,889	2,796,690	2,895,978	7,377,611	8,442,867
Expenses:						
General government	757,156	738,087	-	-	757,156	738,087
Public safety	1,932,701	1,879,852	-	-	1,932,701	1,879,852
Public service	732,845	770,562	-	-	732,845	770,562
Public works	270,101	260,255	-	-	270,101	260,255
Highway and streets	832,603	727,216	-	-	832,603	727,216
Interest on long-term debt	25,267	34,115	-	-	25,267	34,115
Water	-	-	1,531,990	1,502,514	1,531,990	1,502,514
Sewer	-	-	1,275,089	1,305,754	1,275,089	1,305,754
Total expenses	4,550,673	4,410,087	2,807,079	2,808,268	7,357,752	7,218,355
Change in Net Position	30,248	1,136,802	(10,389)	87,710	19,859	1,224,512
Net Position:						
Beginning of year	15,263,365	14,126,563	7,193,930	7,106,220	22,457,295	21,232,783
End of year	<u>\$15,293,613</u>	<u>\$15,263,365</u>	<u>\$ 7,183,541</u>	<u>\$ 7,193,930</u>	<u>\$22,477,154</u>	<u>\$22,457,295</u>

The City's Net Position increased by \$19,859 during the current fiscal year. The primary reason for the increase in Net Position is due to increased Governmental Activities charges for services and operating grants including State Revenue Sharing and EVIP grant proceeds net with an increase overall of expenses.

Governmental Activities. Governmental activities increased the City's net position by \$30,248. Key elements of this increase are as follows:

- An increase in statutory revenue sharing in the form of state grants
- An increase in building permits
- An increase in capital outlay in the form of major and local street projects
- An decrease in public service, highway and street and debt service expenditures
- A commitment to balanced budgets in all funds and budgetary controls

Business-type Activities. Business-type activities decreased the City's Net Position by \$10,389. The key element of this decrease was due to an decrease in bond liabilities and an decrease in water and sewer collections.

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of 3,286,231, an increase of \$350,423 in comparison with the prior year. This increase was due to the continued fiscally responsible practices of the City's management team and forecasting for future projects and needs. The entire general fund balance, with the exception of \$37,544, constitutes unassigned fund balance, which is available for spending at the government's discretion and needs.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the nonspendable and committed fund balance of the general fund was \$37,544, while total fund balance is \$2,805,214. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 78 percent of total general fund expenditures.

The fund balance of the City's General Fund increased by \$163,731 during the current fiscal year. Key factors in this change are as follows:

- A commitment by the City Manager and Department Heads to operate within budgetary guidelines and to control expenditures, while maximizing revenues.
- A commitment to forecast and plan for future projects including economic development plans and needs.

The General Fund's final budget was balanced with revenues equal to expenditures and the actual increase in fund balance was \$163,731. Significant changes in budgetary variances are as follows:

- Tax revenues, collection fees, and penalties and interest had a total negative budgetary variance of \$36,237, of which, the majority relates to both current and delinquent property tax revenues which were collected from previous Michigan Tax Tribunal stipulations.
- Intergovernmental revenue had a positive budgetary variance of \$19,135. The majority of this relates to the State of Michigan Revenue Sharing EVIP grant revenue increase.
- Expenditures had an overall positive budgetary variance of \$162,336 of which the greatest portions related to general government (\$37,149), public safety (\$77,014), public service (\$31,873), and public works (\$16,204). General government expenditures budgetarily decreased for all departments with the largest decreases relating to police wages and benefits, employee benefits, buildings and grounds, and no OPEB funding. Public safety expenditures decreased due to grant funding of one employee and no OPEB funding. Public works expenditures decreased due to employee benefit reductions, ongoing expenditure reductions and no OPEB funding.

The Major Streets fund had an increase in fund balance from the prior year of \$180,631 to the current year ending total of \$266,657. The fund balance was increased due to planning for future infrastructure projects.

The nonmajor funds include the Local Streets Special Revenue Fund, the Community Development Block Grant Special Revenue Fund and 2001 Transportation Bond Debt Service Fund and with fund balances of \$214,360, \$0 and \$0, respectively. These funds received revenues from the Major Street fund. The Community Development Fund received \$0 from federal revenues. The expenditures for these are paid out directly leaving no fund balance each year.

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

Proprietary Funds. The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The proprietary funds of the City of Grand Blanc are comprised of the Water Fund and Sewer Fund. Similar types of information are found here as compared to the government-wide statements but with more detail. The Water Fund's Net Position was decreased by \$53,342 to \$5,040,619. Unrestricted Net Position is \$279,545. This decrease in the Water Fund is due to an increase in the water capital service fee and increasing operating and maintenance expenses. The Sewer Fund's Net Position was increased by \$42,506, to \$2,332,404. Unrestricted Net Position is \$866,054. The increase in the Sewer Fund is due to an increase in the sewer capital service fee and increasing operating and maintenance expenses.

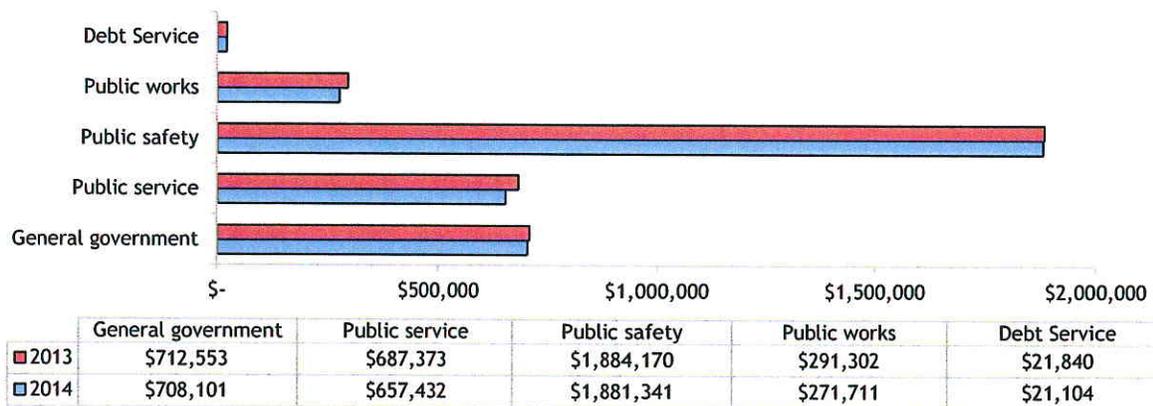
General Fund Budgetary Highlights

The General Fund accounts for all police, public works, planning and zoning, and administrative functions of the City government. The budget is essentially a status quo budget, which means it typically increases modestly from year to year. This economics of the last four (5) years has caused further reduction of the budget revenues and expenses. The budget is monitored closely, and during the annual budget process, the City completes an extensive review of the current year budget, culminating in a budget amendment to appropriate revised revenue and expenditure estimates. As a result of careful monitoring throughout the year, a practice and a history of conservative budgeting, and cost containment measures taken by all Department Heads, differences between the original and final amended budgets for revenues and expenditures usually result in a relatively minor amount. Budget to actual results for the year were also impressive as they anticipated to breakeven, when an actual gain of \$163,731 was seen, mostly due to public works, public safety, and assessing expenditure realignments. All other departments reduced expenditures in response to increasing health insurance and operational costs.

During the year, there was a \$52,075 decrease in appropriations between the original and final amended budget. Following are the main components of the change:

- \$100,000 increase in debt service principal payments made to the General Fund from Local Street Fund
- \$65,000 increase in intergovernmental State revenue
- \$30,000 decrease in police wages due to attrition
- \$23,000 increase in retiree health insurance benefits due to retirements
- \$20,000 increase in administration due to economic development, legal and professional fees
- \$10,000 increase in City Hall due to building improvements
- \$10,000 increase in Building Inspection due to permitting code books

General Fund Expenditures



CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

Capital Asset and Debt Administration

At May 31, 2014, the City of Grand Blanc's net investment in capital assets for the governmental and business-type activities amounted to \$17,315,314. The investment in capital assets covers a broad variety of land, building and improvements, machinery and equipment, roads, highways, and bridges. The net investment in capital assets decreased \$371,108 due to a decrease in investments in infrastructure.

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

- Infrastructure reconstruction and improvements: Union Street Closure and Wellington Court resurfacing - \$108,000
- Police vehicle: \$27,000

Additional information on the City's capital assets can be found in Note 8 of this report.

At May 31, 2014, the City had \$581,927 in outstanding bonds, notes, and compensated absences for governmental activities and \$2,793,631 in outstanding bonds and compensated absences for business-type activities. Governmental and business-type activities long-term debt decreased from prior due to scheduled to payments on long-term debt and additions exceeding deductions of compensated absences.

Additional information on the City's long-term debt can be found in Note 9.

Economic Factors and Next Year's Budget and Rates

- The average annual unemployment rate for the City for May 2014 was 8.3 percent, which is a decrease from a rate of 9.1 percent a year ago. This is above the State's average annual unemployment rate of 7.3 percent for May 2014, and above the Nation's average unemployment rate of 6.3 percent.
- Inflationary trends in the region compare favorably to national indices.

The City considered these factors in preparing the City's budget for the 2015 fiscal year.

During the current fiscal year, unassigned fund balance in the General Fund was \$2,767,670. The City has appropriated \$3,694,255 for spending in the 2015 fiscal year budget. This appropriation of available fund balance allows the City to adopt a balanced budget and eliminates the need to raise taxes or charges above the current recommended levels during the 2014 fiscal year.

Requests for Information

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors a general overview of the City's finances and provide further accountability of the financial transactions that take place. If you have questions about this report or need additional financial information, please contact the City of Grand Blanc Finance Director/Assistant City Manager's or Clerks' Office, 203 E. Grand Blanc Road, Grand Blanc, Michigan, 48439, 810-694-1118.

BASIC FINANCIAL STATEMENTS

CITY OF GRAND BLANC, MICHIGAN

Statement of Net Position

May 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,600,983	\$ 439,344	\$ 2,040,327	\$ 76,912
Investments	1,888,650	500,004	2,388,654	-
Receivables	404,850	480,640	885,490	3,088
Internal balances	228,779	(228,779)	-	-
Other assets	31,562	5,864	37,426	2,500
Investment in joint ventures:				
Fire commission	549,308	-	549,308	-
Parks and recreation commission	228,177	-	228,177	-
Other asset - net other postemployment benefits asset	-	10,126	10,126	-
Capital assets not being depreciated	3,613,212	320,451	3,933,663	-
Capital assets being depreciated, net	7,994,678	8,664,199	16,658,877	-
Total assets	16,540,199	10,191,849	26,732,048	82,500
Liabilities				
Accounts payable and accrued liabilities	482,282	214,677	696,959	-
Unearned revenue	4,767	-	4,767	-
Long-term liabilities:				
Due within one year	218,694	264,843	483,537	-
Due in more than one year	363,233	2,528,788	2,892,021	-
Net other postemployment benefits obligation	177,610	-	177,610	-
Total liabilities	1,246,586	3,008,308	4,254,894	-
Net position				
Net investment in capital assets	11,087,890	6,227,424	17,315,314	-
Restricted for highways and streets	481,017	-	481,017	-
Unrestricted	3,724,706	956,117	4,680,823	82,500
Total net position	\$ 15,293,613	\$ 7,183,541	\$ 22,477,154	\$ 82,500

The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

Statement of Activities
For the Year Ended May 31, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 757,156	\$ 383,547	\$ -	\$ -	\$ (373,609)
Public safety	1,932,701	195,046	-	-	(1,737,655)
Public service	732,845	295,919	-	-	(436,926)
Public works	270,101	152,595	-	-	(117,506)
Highways and streets	832,603	-	549,756	167,597	(115,250)
Interest on long-term debt	25,267	-	-	-	(25,267)
Total governmental activities	4,550,673	1,027,107	549,756	167,597	(2,806,213)
Business-type activities:					
Water	1,531,990	1,256,631	-	22,500	(252,859)
Sewer	1,275,089	1,317,602	-	-	42,513
Total business-type activities	2,807,079	2,574,233	-	22,500	(210,346)
Total primary government	\$ 7,357,752	\$ 3,601,340	\$ 549,756	\$ 190,097	\$ (3,016,559)
Component unit					
Downtown Development Authority	\$ 4,384	\$ -	\$ -	\$ -	\$ (4,384)

continued...

CITY OF GRAND BLANC, MICHIGAN

Statement of Activities For the Year Ended May 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (2,806,213)	\$ (210,346)	\$ (3,016,559)	\$ (4,384)
General revenues:				
Property taxes	2,200,131	199,702	2,399,833	-
Grants and contributions not restricted to specific programs	659,760	-	659,760	-
Unrestricted investment earnings (loss)	(23,430)	255	(23,175)	240
Total general revenues	2,836,461	199,957	3,036,418	240
Change in net position	30,248	(10,389)	19,859	(4,144)
Net position, beginning of year	15,263,365	7,193,930	22,457,295	86,644
Net position, end of year	<u>\$ 15,293,613</u>	<u>\$ 7,183,541</u>	<u>\$ 22,477,154</u>	<u>\$ 82,500</u>

concluded

The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

Balance Sheet Governmental Funds May 31, 2014

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,326,798	\$ 223,493	\$ 50,692	\$ 1,600,983
Investments	1,588,650	200,000	100,000	1,888,650
Receivables:				
Accounts	181,863	150	90	182,103
Taxes	29,681	1,145	323	31,149
Due from other funds	199,297	-	46,313	245,610
Due from other governmental units	-	63,925	22,846	86,771
Inventories	12,600	-	-	12,600
Prepaid items	14,944	-	-	14,944
Total assets	\$ 3,353,833	\$ 488,713	\$ 220,264	\$ 4,062,810
Liabilities				
Accounts payable	\$ 78,601	\$ 21,376	\$ 5,904	\$ 105,881
Accrued liabilities	114,179	-	-	114,179
Due to other governments	246,245	-	-	246,245
Due to other funds	104,827	200,680	-	305,507
Unearned revenue	4,767	-	-	4,767
Total liabilities	548,619	222,056	5,904	776,579
Fund balances				
Nonspendable:				
Inventories	12,600	-	-	12,600
Prepays	14,944	-	-	14,944
Restricted for highways and streets	-	266,657	214,360	481,017
Committed:				
Employee retirement benefit costs	10,000	-	-	10,000
Unassigned	2,767,670	-	-	2,767,670
Total fund balances	2,805,214	266,657	214,360	3,286,231
Total liabilities and fund balances	\$ 3,353,833	\$ 488,713	\$ 220,264	\$ 4,062,810

The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
May 31, 2014

Fund balances - total governmental funds	\$ 3,286,231
Amounts reported for <i>governmental activities</i> in the statement of Net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	3,613,212
Capital assets being depreciated, net	7,801,810
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures.	
Delinquent property taxes receivable	102,944
Other long-term assets are not available to pay for current year expenditures and therefore, not recorded in the funds.	
Investments in joint ventures	777,485
Internal service funds are used by management to charge the costs of certain activities, such as equipment costs, to individual funds. Certain assets and liabilities of internal service fund are included in governmental activities.	
Net position of governmental activities accounted for in the internal service fund	478,674
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds and notes payable	(520,000)
Accrued interest on long-term debt	(7,206)
Other postemployment benefits obligation	(177,610)
Compensated absences	(61,927)
Net position of governmental activities	<u>\$ 15,293,613</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended May 31, 2014

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,007,335	\$ 139,661	\$ 39,103	\$ 2,186,099
Licenses and permits	212,799	-	-	212,799
Intergovernmental revenue:				
State	659,760	377,977	171,779	1,209,516
Charges for services	556,211	-	-	556,211
Fines and forfeitures	26,971	-	-	26,971
Interest and rentals	9,218	231	83	9,532
Other revenue	231,126	167,597	-	398,723
Total revenues	3,703,420	685,466	210,965	4,599,851
Expenditures				
Current:				
General government	708,101	-	-	708,101
Public safety	1,881,341	-	-	1,881,341
Public service	657,432	-	-	657,432
Public works	271,711	-	-	271,711
Highways and streets	-	314,672	245,904	560,576
Debt service:				
Principal	20,000	-	125,000	145,000
Interest and fiscal charges	1,104	-	24,163	25,267
Total expenditures	3,539,689	314,672	395,067	4,249,428
Revenues over (under) expenditures	163,731	370,794	(184,102)	350,423
Other financing sources (uses)				
Transfers in	-	-	190,163	190,163
Transfers out	-	(190,163)	-	(190,163)
Total other financing sources (uses)	-	(190,163)	190,163	-
Net change in fund balances	163,731	180,631	6,061	350,423
Fund balances, beginning of year	2,641,483	86,026	208,299	2,935,808
Fund balances, end of year	\$ 2,805,214	\$ 266,657	\$ 214,360	\$ 3,286,231

The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended May 31, 2014

Net change in fund balances - total governmental funds \$ 350,423

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	148,501
Depreciation expense	(546,373)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Net change in investment in joint ventures	(32,962)
Net change in delinquent property taxes receivable	14,032

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on bonds and notes payable	145,000
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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.

Change in accrued interest on bonds and notes payable	1,893
Change in the accrual for compensated absences	483
Change in obligation for other postemployment benefits	(51,071)

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Operating income from governmental activities in internal service funds	<u>322</u>
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Change in net position of governmental activities	<u>\$ 30,248</u>
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The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended May 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 2,033,000	\$ 2,045,000	\$ 2,007,335	\$ (37,665)
Licenses and permits	210,535	203,650	212,799	9,149
Intergovernmental revenue:				
State	575,540	640,625	659,760	19,135
Charges for services	570,500	549,650	556,211	6,561
Fines and forfeitures	20,000	20,000	26,971	6,971
Interest and rentals	16,000	12,500	9,218	(3,282)
Other revenue	73,000	230,600	231,126	526
Total revenues	3,498,575	3,702,025	3,703,420	1,395
Expenditures				
Current				
General government:				
Administration	146,825	179,000	177,788	(1,212)
City manager	144,220	150,930	149,837	(1,093)
Elections	6,950	4,375	3,482	(893)
Finance director	93,145	96,375	95,007	(1,368)
Assessor	54,445	58,335	54,534	(3,801)
City treasurer	41,520	39,475	37,469	(2,006)
City hall	65,500	60,000	55,039	(4,961)
City property	11,600	23,600	7,754	(15,846)
Retirement benefits	109,335	132,925	127,191	(5,734)
Other	-	235	-	(235)
Total general government	673,540	745,250	708,101	(37,149)
Public safety:				
Police department	1,937,275	1,900,830	1,825,473	(75,357)
Building inspection	52,390	57,525	55,868	(1,657)
Total public safety	1,989,665	1,958,355	1,881,341	(77,014)
Public service	695,960	689,305	657,432	(31,873)
Public works	373,735	287,915	271,711	(16,204)
Debt service	21,200	21,200	21,104	(96)
Total expenditures	3,754,100	3,702,025	3,539,689	(162,336)
Net change in fund balances	(255,525)	-	163,731	163,731
Fund balances, beginning of year	2,641,483	2,641,483	2,641,483	-
Fund balances, end of year	\$ 2,385,958	\$ 2,641,483	\$ 2,805,214	\$ 163,731

The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Major Streets Special Revenue Fund For the Year Ended May 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 143,200	\$ 143,200	\$ 139,661	\$ (3,539)
Intergovernmental:				
State	334,500	383,100	377,977	(5,123)
Other	-	156,700	167,597	10,897
Interest	300	70	231	161
Total revenues	478,000	683,070	685,466	2,396
Expenditures				
Current:				
Highways and streets	127,000	432,000	314,672	(117,328)
Revenue over expenditures	351,000	251,070	370,794	119,724
Other financing uses				
Transfers out	(234,000)	(206,000)	(190,163)	(15,837)
Net change in fund balances	117,000	45,070	180,631	135,561
Fund balances, beginning of year	86,026	86,026	86,026	-
Fund balances, end of year	\$ 203,026	\$ 131,096	\$ 266,657	\$ 135,561

The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

Statement of Net Position Proprietary Funds May 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 43,160	\$ 396,184	\$ 439,344	\$ -
Investments	100,004	400,000	500,004	-
Accounts receivables - customers	480,329	311	480,640	1,883
Prepays	3,871	1,993	5,864	4,018
Due from other funds	-	227,769	227,769	99,194
Total current assets	627,364	1,026,257	1,653,621	105,095
Noncurrent assets:				
Net other postemployment benefits asset	7,380	2,746	10,126	-
Capital assets not being depreciated	134,554	185,897	320,451	-
Capital assets being depreciated, net	6,846,530	1,817,669	8,664,199	192,868
Total noncurrent assets	6,988,464	2,006,312	8,994,776	192,868
Total assets	7,615,828	3,032,569	10,648,397	297,963
Liabilities				
Current liabilities:				
Accounts payable	38,303	138,985	177,288	8,771
Accrued liabilities	17,358	8,543	25,901	-
Accrued interest payable	9,250	2,238	11,488	-
Due to other funds	266,093	973	267,066	-
Compensated absences, current portion	13,804	6,039	19,843	-
Bonds payable, current portion	220,000	25,000	245,000	-
Total current liabilities	564,808	181,778	746,586	8,771
Noncurrent liabilities:				
Compensated absences, net of current portion	10,391	6,171	16,562	-
Bonds payable, net of current portion	2,000,010	512,216	2,512,226	-
Total noncurrent liabilities	2,010,401	518,387	2,528,788	-
Total liabilities	2,575,209	700,165	3,275,374	8,771
Net position				
Net investment in capital assets	4,761,074	1,466,350	6,227,424	192,868
Unrestricted	279,545	866,054	1,145,599	96,324
Total net position	\$ 5,040,619	\$ 2,332,404	7,373,023	\$ 289,192
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(189,482)</u>	
Net position of business-type activities			<u>\$ 7,183,541</u>	

The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended May 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating revenues				
Charges for services	\$ 1,088,719	\$ 1,270,819	\$ 2,359,538	\$ 268,766
Rentals	135,283	-	135,283	1,200
Parts and service	13,128	23,000	36,128	-
Penalties	19,501	23,783	43,284	-
Total operating revenues	1,256,631	1,317,602	2,574,233	269,966
Operating expenses				
Salaries and fringe benefits	534,196	289,681	823,877	-
Operating supplies	301,720	18,054	319,774	-
Maintenance and repairs	8,065	5,484	13,549	146,794
Utilities	211,827	16,191	228,018	-
Sewage disposal service	-	669,425	669,425	-
Depreciation	284,425	140,952	425,377	86,273
Insurance	52,383	38,688	91,071	36,130
Miscellaneous	5,469	18,476	23,945	-
Equipment rental	76,800	73,595	150,395	-
Sewer back up	-	4,762	4,762	-
Total operating expenses	1,474,885	1,275,308	2,750,193	269,197
Operating income (loss)	(218,254)	42,294	(175,960)	769
Nonoperating revenues (expenses)				
Capital contribution	22,500	-	22,500	-
Taxes	199,702	-	199,702	-
Interest income	43	212	255	-
Interest expense	(57,333)	-	(57,333)	-
Total nonoperating revenues (expenses)	164,912	212	165,124	-
Change in net position	(53,342)	42,506	(10,836)	769
Net position, beginning of year	5,093,961	2,289,898		288,423
Net position, end of year	\$ 5,040,619	\$ 2,332,404		\$ 289,192
			Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	447
Change in net position of business-type activities				\$ (10,389)

The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended May 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 1,289,679	\$ 1,325,306	\$ 2,614,985	\$ 216,167
Payments for interfund services received	(20,293)	-	(20,293)	-
Payments to employees	(524,376)	(289,563)	(813,939)	-
Payments to suppliers	(682,854)	(861,628)	(1,544,482)	(182,752)
Net cash provided by operating activities	62,156	174,115	236,271	33,415
Cash flows from noncapital financing activities				
Taxes	199,702	-	199,702	-
Net cash provided by noncapital financing activities	199,702	-	199,702	-
Cash flows from capital and related financing activities				
Capital contribution	22,500	-	22,500	-
Principal paid on bonds and notes payable	(220,000)	(25,000)	(245,000)	-
Interest paid on bonds and notes payable	(58,250)	(105)	(58,355)	-
Acquisition and construction of capital assets	(103,582)	(11,417)	(114,999)	(33,415)
Net cash used in capital and related financing activities	(359,332)	(36,522)	(395,854)	(33,415)
Cash flows from investing activities				
Interest received on investments	43	212	255	-
Purchase of investments	-	(200,000)	(200,000)	-
Net cash provided by (used in) investing activities	43	(199,788)	(199,745)	-
Net increase (decrease) in cash and cash equivalents	(97,431)	(62,195)	(159,626)	-
Cash and cash equivalents, beginning of year	140,591	458,379	598,970	-
Cash and cash equivalents, end of year	\$ 43,160	\$ 396,184	\$ 439,344	\$ -

continued...

CITY OF GRAND BLANC, MICHIGAN

Statement of Cash Flows Proprietary Funds For the Year Ended May 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Cash flows from operating activities				
Operating income (loss)	\$ (218,254)	\$ 42,294	\$ (175,960)	\$ 769
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	284,425	140,952	425,377	86,273
Change in:				
Accounts receivables - customers	33,048	(205)	32,843	505
Due from other funds	361	8,200	8,561	(54,304)
Prepays	(3,871)	(1,993)	(5,864)	(4,018)
Accounts payable	(961)	2,244	1,283	4,190
Accrued liabilities	3,559	(573)	2,986	-
Due to other funds	(20,654)	(291)	(20,945)	-
Compensated absences	6,261	691	6,952	-
Net other postemployment obligation	(21,758)	(17,204)	(38,962)	-
Net cash provided by operating activities	<u>\$ 62,156</u>	<u>\$ 174,115</u>	<u>\$ 236,271</u>	<u>\$ 33,415</u>

concluded

The accompanying notes are an integral part of these basic financial statements.

CITY OF GRAND BLANC, MICHIGAN

■ Statement of Fiduciary Assets and Liabilities Agency Fund May 31, 2014

	Tax Collection Agency Fund
Assets	
Cash and cash equivalents	\$ 3,289
Taxes receivable	<u>103,102</u>
Total assets	<u>\$ 106,391</u>
Liabilities	
Due to other governments	\$ 84,728
Due to others	<u>21,663</u>
Total liabilities	<u>\$ 106,391</u>

The accompanying notes are an integral part of these basic financial statements.

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NOTES TO FINANCIAL STATEMENTS

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and financial statements of the City of Grand Blanc, Michigan, conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Grand Blanc, Michigan (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or functional relationships with the City.

Blended Component Unit

City of Grand Blanc Building Authority - The City of Grand Blanc Building Authority was incorporated under provisions of Michigan Public Act 31 of 1948 and is governed by a five member Board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The Building Authority has no current activity, so has not been shown as a fund in the City's financial statements. When there is activity, then separate financial statements of the City of Grand Blanc Building Authority can be obtained from the finance department at the City of Grand Blanc, 203 E. Grand Blanc Road, Grand Blanc, Michigan 48439.

Discretely Presented Component Unit

Downtown Development Authority (the "DDA") - The members of the governing Board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority. Separate financial statements of the Downtown Development Authority can be obtained from the finance department at the City of Grand Blanc, 203 E. Grand Blanc Road, Grand Blanc, Michigan 48439.

Joint Ventures

The City is a member of the Grand Blanc Community Fire Commission, which provides fire protection services to the residents of the Charter Township and City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$102,900 for its operations. The City's equity interest of \$549,308 is recorded in the governmental activities column of the statement of net position.

The City is a member of Grand Blanc Parks and Recreation Commission, which provides recreational services to the residents of the Charter Township and City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$113,090 for its operations. The City's equity interest of \$228,177 is recorded in the governmental activities column of the statement of net position. Complete financial statements for the Grand Blanc Parks and Recreation Commission can be obtained from the City offices or P&R Commission offices.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

The City is a member of Grand Blanc District Library Commission, which provides library services to the residents of the Charter Township and City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$33,333 for its operation. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Grand Blanc District Library Commission can be obtained from the administrative office.

Administrative Offices

Grand Blanc Fire Commission
117 High Street
Grand Blanc, MI 48439

Grand Blanc Parks and Recreation Commission
131 E. Grand Blanc Road
Grand Blanc, MI 48439

Grand Blanc District Library Commission
4195 W. Pasadena
Flint, MI 48504

Government-Wide and Fund Financial Statements

The government wide financial statements (i.e., the statement of Net Position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

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 revenues.

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

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

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. Revenues are 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 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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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 or within one year for reimbursement basis grants. 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, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

The *Major Streets Special Revenue Fund* accounts for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units for major streets and roads.

The City reports the following major proprietary funds:

The *Water Fund* and *Sewer Fund* are managed by the City's Department of Public Works. Separate funds are maintained for the operations of the water distribution system and sewage collection, pumping and distribution to the City's treatment plant.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *Internal service fund* accounts for the motor and equipment pool activity of the City provided to other departments and funds on a cost reimbursement basis.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

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 City'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 concerned. The general fund provides certain central services to other funds of the City which are presented as program expenses in the funds receiving services. The related general fund revenue has been netted against program expense in the government-wide statement of activities.

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 enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

Restricted Net Position includes assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity

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 the date of acquisition.

State statutes authorize the City to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

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 the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are deferred.

Property taxes attach as an enforceable lien on property as of December 31 each year. City taxes, levied and immediately due on the following July 1, are collected without penalty through August 31, and with penalty thereafter. City property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available. The City bills and collects its own property taxes, as well as taxes for the county and school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the tax collection agency fund. Real and personal property in the City for the 2013 levy had a taxable value of \$205,764,048. The City’s charter allows a levy of up to 20 mills. The City levied for 2013 general operating 9.9500 mills and streets .9000 mills for a total of 10.8500 mills. The City also has a voted levy for water debt service of 1.000 mill which expires in 2023. The general operating millage is recorded in the general fund. The water debt levy is recorded in the water fund. The streets millage is recorded in the major and local street funds.

Other assets

Inventories recorded in the General Fund are accounted for utilizing the consumption method and are valued at lower of cost (first-in, first-out) or market.

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

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 and an estimated useful life of more than one year. 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 the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all roads and streets regardless of their acquisition date or amount.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

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 completed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

Property, infrastructure, buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	31.5
Improvements other than buildings	15-50
Vehicles	3-20
Machinery and equipment	5-20
Infrastructure	15-50

The amount presented as capital assets not being depreciated includes land and construction in progress.

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred the asset is written down to its net realizable value and a current charge to income is recognized.

Deferred outflows of resources

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

Compensated absences

The City's policy allows employees to accumulate earned but unused vacation benefits. Accumulated sick and vacation is accrued when incurred in the proprietary funds. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements.

The total of unpaid sick and vacation pay that is applicable to governmental fund types is reported in the statement of Net Position. All vacation days accumulated must be used by December 31 each year, or the vacation pay will be forfeited. Depending on the employee group, up to five days of accumulated personal days will be paid to each employee at December 31 of each year. Up to 40 sick days may be accumulated by each employee. Any unused sick pay of employees will be paid at thirty three percent for police and twenty five percent for all other employees of the outstanding balance upon retirement only.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are 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.

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

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The assignment of funds may come from the City Council or from a designee of the City Council. Unassigned fund balance is the residual classification for the General Fund.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance. For the General Fund, the budget shall be prepared and activities managed to result in an ending unassigned fund balance of at least 50% of the average of the past three fiscal year general fund expenses, except in the case of emergency or financial distress.

Interfund transactions

During the course of normal operations, the City has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City departments and funds as transfers or operating revenue. All City funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The City utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

2. BUDGETARY INFORMATION

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General Fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. Debt service funds are also included in the budgetary process; however, State statutes do not require legally adopted budgets for such funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first Monday in May, the City Manager submits to the City Council, a proposed operating budget for the fiscal year commencing the following June 1. The operating budget includes proposed expenditures and the means of financing them for the general and special revenue funds. Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted to obtain taxpayer comments.
3. In May, by resolution, the approved budgets of the City were adopted on the department level basis for all governmental funds for the ensuing fiscal year, in accordance with Public Act 621 of the State of Michigan.
4. The City Manager, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
6. Budget appropriations lapse at year-end.
7. The original budget was amended during the year in compliance with the City Charter and applicable state laws. The budget-to-actual expenditures in the financial statements represent the final budgeted expenditures as amended by the City Council.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no encumbrances at year-end.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

3. EXCESS OF EXPENDITURES OVER BUDGET

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The approved budgets of the City were adopted on the department level basis for all governmental funds, which is the legal level of control. During the year ended May 31, 2014 the City incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of May 31, 2014:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 2,040,327	\$ 76,912	\$ 2,117,239
Investments	2,388,654	-	2,388,654
Statement of Fiduciary Assets and Liabilities			
Cash and cash equivalents	3,289	-	3,289
Total	<u>\$ 4,432,270</u>	<u>\$ 76,912</u>	<u>\$ 4,509,182</u>
			Totals
Deposits and investments			
Bank deposits:			
Checking and savings accounts			\$ 1,519,854
Pooled certificates of deposit:			
Due within one year			2,988,653
Cash on hand			675
Total			<u>\$ 4,509,182</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. It is City policy to review and verify a bank's creditworthiness through a system of ratio analysis and from information provided by several third-party sources. In addition, the City's investment policy places concentration limits on the total amount deposited with a single financial institution. As of year-end, \$1,163,700 of the City's bank balance of \$4,516,070 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes 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.

The City has adopted an official investment policy which is in accordance with investments permitted by Act 20 of the Michigan Public Acts of 1943, as amended. The Act generally allows the City to deposit funds in banks, savings and loan associations, and credit unions in the State of Michigan. The Act also provides for investment in U.S. government obligations; certificates of deposit of banks, savings and loans, and credit unions; commercial paper; repurchase agreements; bankers' acceptances; and, with some restrictions, mutual funds.

Credit Risk. Statutes and various bond indentures authorized the City to invest in obligations of the U.S. Treasury, governmental agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service, and mutual funds composed of the types of investment vehicles named previously.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. To limit its exposure to fair value losses from rising interest rates, the City's investment policy requires that the investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. This is accomplished by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio as required by the City's policy.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk.

5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts	\$ 183,986	\$ 480,640
Taxes (current)	31,149	-
Taxes (delinquent)	102,944	-
Intergovernmental	86,771	-
	<u>\$ 404,850</u>	<u>\$ 480,640</u>

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts	\$ 114,652	\$ 177,288
Accrued liabilities	114,179	25,901
Intergovernmental	246,245	-
Accrued interest on long-term debt	7,206	11,488
	<u>\$ 482,282</u>	<u>\$ 214,677</u>

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of May 31, 2014, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 199,297	\$ 104,827
Major streets fund	-	200,680
Nonmajor governmental funds	46,313	-
Water fund	-	266,093
Sewer fund	227,769	973
Internal service fund	99,194	-
	<u>\$ 572,573</u>	<u>\$ 572,573</u>

Interfund balances 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. In addition, an interfund balance existed between governmental activities and business-type activities in the amount of \$228,779.

Transfers of \$190,163 were used to move receipts restricted for debt service from the major streets funds collecting the receipts to the 2001 transportation bond debt service fund as debt service payments became due.

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 GRAND BLANC, MICHIGAN

Notes to Financial Statements

8. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended May 31, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,548,085	\$ -	\$ -	\$ -	\$ 3,548,085
Construction in progress	19,496	56,807	-	(11,176)	65,127
	<u>3,567,581</u>	<u>56,807</u>	<u>-</u>	<u>(11,176)</u>	<u>3,613,212</u>
Capital assets, being depreciated:					
Infrastructure	8,747,897	84,804	-	11,176	8,843,877
Improvements other than buildings	541,568	-	-	-	541,568
Buildings and improvements	3,273,615	-	-	-	3,273,615
Machinery and equipment	1,740,266	40,305	-	-	1,780,571
	<u>14,303,346</u>	<u>125,109</u>	<u>-</u>	<u>11,176</u>	<u>14,439,631</u>
Less accumulated depreciation for:					
Infrastructure	(1,845,952)	(410,119)	-	-	(2,256,071)
Improvements other than buildings	(416,403)	(31,624)	-	-	(448,027)
Buildings and improvements	(2,110,535)	(94,170)	-	-	(2,204,705)
Machinery and equipment	(1,439,417)	(96,733)	-	-	(1,536,150)
	<u>(5,812,307)</u>	<u>(632,646)</u>	<u>-</u>	<u>-</u>	<u>(6,444,953)</u>
Total capital assets being depreciated, net	<u>8,491,039</u>	<u>(507,537)</u>	<u>-</u>	<u>11,176</u>	<u>7,994,678</u>
Governmental activities capital assets, net	<u>\$ 12,058,620</u>	<u>\$ (450,730)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,607,890</u>

At May 31, 2014, the City's governmental activities had outstanding commitments through construction contracts of \$674,873.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Construction in progress	\$ 57,540	\$ 67,791	\$ -	\$ -	\$ 125,331
Land	11,400	-	-	-	11,400
Land improvements	183,720	-	-	-	183,720
	<u>252,660</u>	<u>67,791</u>	<u>-</u>	<u>-</u>	<u>320,451</u>
Capital assets, being depreciated:					
Improvements other than buildings	7,271,497	9,240	-	-	7,280,737
Buildings and improvements	4,730,866	-	-	-	4,730,866
Machinery and equipment	7,399,543	37,968	-	-	7,437,511
	<u>19,401,906</u>	<u>47,208</u>	<u>-</u>	<u>-</u>	<u>19,449,114</u>
Less accumulated depreciation for:					
Improvements other than buildings	(5,513,551)	(165,420)	-	-	(5,678,971)
Buildings and improvements	(1,698,413)	(94,713)	-	-	(1,793,126)
Machinery and equipment	(3,147,574)	(165,244)	-	-	(3,312,818)
	<u>(10,359,538)</u>	<u>(425,377)</u>	<u>-</u>	<u>-</u>	<u>(10,784,915)</u>
Total capital assets being depreciated, net	<u>9,042,368</u>	<u>(378,169)</u>	<u>-</u>	<u>-</u>	<u>8,664,199</u>
Business-type activities capital assets, net	<u>\$ 9,295,028</u>	<u>\$ (310,378)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,984,650</u>

At May 31, 2014, the City's business-type activities had outstanding commitments through construction contracts of \$1,542,460.

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

Depreciation of governmental activities by function

General government	\$ 10,460
Public safety	77,400
Public service	47,162
Public works	1,232
Highways and streets	410,119
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets	<u>86,273</u>
	<u>\$ 632,646</u>

Depreciation of business-type activities by function

Water	\$ 284,425
Sewer	<u>140,952</u>
	<u>\$ 425,377</u>

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

9. LONG-TERM DEBT

Long-term debt activity for the year ended May 31, 2014, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
2001 Michigan Transportation Bonds, \$1,500,000, due in annual installments of \$150,000 to \$175,000 through August 1, 2016, interest at 2.00%	\$ 625,000	\$ -	\$ (125,000)	\$ 500,000	\$ 150,000
2005 Mannor Property Note Payable, \$310,000, due in annual installments of \$20,000 through October 1, 2014, interest at 3.68% payable semi-annually	40,000	-	(20,000)	20,000	20,000
Total installment debt	665,000	-	(145,000)	520,000	170,000
Compensated absences	62,410	125,703	(126,186)	61,927	48,694
Total governmental activities	\$ 727,410	\$ 125,703	\$ (271,186)	\$ 581,927	\$ 218,694

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type Activities					
Drinking Water Revolving Fund Bonds, Series 2003, \$3,600,000, due in annual installments of \$190,000 to \$235,000 through October 1, 2022, interest at 2.50%, payable semi-annually	\$ 2,105,000	\$ -	\$ (190,000)	\$ 1,915,000	\$ 190,000
Drinking Water Revolving Fund Bonds, Series 2003, \$630,010, due in annual installments of \$10,010 to \$40,000 through October 1, 2022, interest at 2.50%, payable semi-annually	335,010	-	(30,000)	305,010	30,000
Clean Water Fund Bonds, Series 2010, \$282,082, due in annual installments of \$10,000 to \$20,000 through April 1, 2030, interest at 2.50%, payable semi-annually	252,082	-	(10,000)	242,082	10,000
Strategic Water Quality Initiatives Bonds, Series 2010, \$340,134, due in annual installments of \$15,000 to \$25,000 through April 1, 2030, interest at 2.50%, payable semi-annually	310,134	-	(15,000)	295,134	15,000
Total installment debt	3,002,226	-	(245,000)	2,757,226	245,000
Compensated absences	29,453	74,667	(67,715)	36,405	19,843
Total business-type activities	\$ 3,031,679	\$ 74,667	\$ (312,715)	\$ 2,793,631	\$ 264,843

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended May 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 170,000	\$ 18,430	\$ 245,000	\$ 59,710
2016	175,000	11,156	255,000	53,460
2017	175,000	3,719	260,000	47,021
2018	-	-	270,000	40,678
2019	-	-	290,000	34,240
2020-2024	-	-	1,215,010	71,134
2025-2029	-	-	200,000	9,884
2030	-	-	22,216	552
	<u>\$ 520,000</u>	<u>\$ 33,305</u>	<u>\$ 2,757,226</u>	<u>\$ 316,679</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits provided to employees and participates in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors and omissions. The City pays unemployment claims on a reimbursement basis. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MML risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

11. BENEFIT PLANS

Defined Contribution - ICMA

During the year ended May 31, 1994, the City began participating in a defined contribution plan. The plan is a single employer defined contribution plan administered by the International City Managers Association (ICMA). The plan covers all full-time employees that elected to participate in the plan. The City has no fiduciary responsibilities for the plan administration or investment of the funds.

The City's ICMA plan was organized under Michigan Public Act #135 of 1945, as amended. Employees are eligible to participate in the ICMA plan after one month of service with a minimum age requirement of 21. The plan provides for employees to be 100% vested after three years of service, with 0% vesting prior to that point. The minimum required contribution for plan participants is 11.5% of base salary to be paid by the employer. Employees did not contribute to the plan during the year.

During the year, contributions totaling \$21,783 were made by the employer in accordance with contribution requirements established by the City Council.

All investments are handled through ICMA. The plan allows loans to participants. Plan assets do not consist of any employer or related party investments.

Defined Benefit - Michigan Municipal Employees' Retirement System

During the year ended May 31, 1996, the City of Grand Blanc elected to participate in the Michigan Municipal Employees' Retirement System (MERS) which is an agent multiple-employer public employee retirement system that is administered by the Retirement Board of MERS. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The City has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole. The report can be obtained by writing to Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

Funding policy. The plan provides that the employer contribute amounts necessary to fund the actuarially determined benefits. The City makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by union contract.

Membership in the plan at December 31, 2013, the date of the latest actuarial valuation, is comprised of 30 active members, 2 vested former members, and 13 retirees and beneficiaries.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 50 with 25 or more years of service for police patrol unit, at age 55 with 15 years or more of service for administration, department of public works (DPW), and police command. Election of early retirement is subject to reduction of benefits as outlined below.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 1% of the member's final average compensation (FAC) for police patrol unit, administration, police command and for DPW. The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available.

For the fiscal year ended May 31, 2014, the DPW group was required to contribute 8.99% of wages, the police command group was required to contribute 10.77% of wages, the police employees were required to contribute 5.00% of wages and the administration group was required to contribute 4.60% of wages.

Pension contributions withheld from employees amounted to \$128,807 for the year ended May 31, 2014. The City's annual pension cost of \$242,451 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.00% to 13.00% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on a 10-year smoothed value of assets. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, the date of the latest actuarial valuation, was 25 years.

Three-Year Trend Information			
Years Ended May 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 243,343	100%	\$ -
2013	229,276	100%	-
2014	242,451	100%	-

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 69 percent funded. The actuarial accrued liability for benefits was \$11,954,676, and the actuarial value of assets was \$8,279,447, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,675,229. The covered payroll (annual payroll of active employees covered by the plan) was \$1,815,584, and the ratio of the UAAL to the covered payroll was 202 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

12. OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare

Plan Description. The City of Grand Blanc administers a single-employer defined benefit healthcare plan established by the City Council. The City participates in the Michigan Municipal Employees' Retirement Systems (MERS) Retiree Health Funding vehicle. Substantially all employees are eligible to receive postemployment benefits upon retirement in the form of health care, dental, and life insurance benefits. These benefits are provided by contractual agreement and are paid annually by the fund from which the employee retired. The total number of retirees amounted to 15 individuals at May 31, 2014. By contractual agreement, the City pays 100% of these costs for retirees under 65. During the fiscal year ending May 31, 2011 the City modified the plan to pay a monthly stipend to retirees greater than 65 years of age in lieu of health insurance. There are no provisions for employee contributions. The plan does not issue a separate financial report.

Membership of the Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	10
Vested former members	8
Active plan members	<u>31</u>
Total	<u><u>49</u></u>

Funding Policy. The contribution requirements of the Plan members and the City are established and may be amended by the City Council, in accordance with City policies, union contracts, and Plan provisions. For the year ended May 31, 2014, the City contributed \$224,727 to the Plan, and the balance deposited with MERS to fund the OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 252,438
Interest on net OPEB obligation	14,211
Adjustment to annual required contribution	<u>(29,813)</u>
Net OPEB cost	236,836
Contributions made	<u>(224,727)</u>
Increase in net OPEB obligation	12,109
Net OPEB obligation, beginning of year	<u>155,375</u>
Net OPEB obligation, end of year	<u><u>\$ 167,484</u></u>

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Year Ended May 31,	Three-Year Trend Information		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 195,177	70.8%	\$ 124,834
2013	207,942	85.3%	155,375
2014	236,836	94.9%	167,484

The schedule of employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Funded Status and Funding Progress. As of May 31, 2014, the actuarial accrued liability for benefits was \$3,190,270, the actuarial value of assets was \$442,797, and the unfunded actuarial accrued liability was \$2,747,473. The funded ratio was 13.9%. The covered payroll (annual payroll of active employees covered by the plan) was \$2,043,373, and the ratio of unfunded actuarial accrued liability to the covered payroll was 134.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees. Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55, with the exception of the police officers who are eligible to retire at age 50.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Mortality. Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2006 United States Life Tables for Males and for Females were used.

Turnover. Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate. The expected rate of increase in healthcare insurance premiums was based on projections by City management. A rate of 5.80% was used.

Health insurance premiums. Fiscal year 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate. The expected long-term inflation assumption of 5.50% was based on NYHART's Health Care Trends. NYHART is an employee benefit, consulting, actuarial and administration firm.

Payroll growth rate. The expected long-term payroll growth rate was assumed to be 2.00%.

Investment rate of return. The expected rate of return on investments was assumed to be 9.15%

13. CONSTRUCTION CODE REVENUES/EXPENDITURES

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the general fund if the expenditures would normally exceed revenues. The City chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended May 31, 2014 is as follows:

Beginning deficit		\$ (411,807)
Construction permit revenue	49,590	
Expenditures		
Professional services	<u>(55,868)</u>	
Revenues under expenditures		<u>(6,278)</u>
Ending deficit		<u>\$ (418,085)</u>

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

14. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of May 31, 2014, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,613,212	\$ 320,451
Capital assets being depreciated, net	7,994,678	8,664,199
	<u>11,607,890</u>	<u>8,984,650</u>
Related debt:		
Total bonds and notes payable	<u>(520,000)</u>	<u>(2,757,226)</u>
Net investment in capital assets	<u><u>\$ 11,087,890</u></u>	<u><u>\$ 6,227,424</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND BLANC, MICHIGAN

Required Supplementary Information Municipal Employees' Retirement System of Michigan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2008	\$ 6,408,595	\$ 8,846,947	\$ 2,438,352	72.4%	\$ 2,072,525	117.7%
12/31/2009	6,861,127	9,451,646	2,590,519	72.6%	1,984,438	130.5%
12/31/2010	7,366,783	9,824,969	2,458,186	75.0%	1,995,518	123.2%
12/31/2011	7,779,467	10,853,966	3,074,499	71.7%	1,879,121	163.6%
12/31/2012	8,014,654	11,554,404	3,539,750	69.4%	1,836,041	192.8%
12/31/2013	8,279,447	11,954,676	3,675,229	69.3%	1,815,584	202.4%

Schedule of Employer Contributions

Year Ended May 31,	Annual Required Contributions	Percentage Contributed
2009	\$ 256,791	100%
2010	246,251	100%
2011	243,320	100%
2012	243,343	100%
2013	229,276	100%
2014	242,451	100%

CITY OF GRAND BLANC, MICHIGAN

Required Supplementary Information
Postemployment Healthcare Plan - Retiree Health

Schedule of Funding Progress
Retiree Health

Year Ended	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
5/31/2012	\$ 282,742	\$ 2,880,295	\$ 2,597,553	9.8%	\$ 2,120,638	122.5%
5/31/2013	298,008	3,170,761	2,872,753	9.4%	2,006,989	143.1%
5/31/2014	442,797	3,190,270	2,747,473	13.9%	2,043,373	134.5%

Schedule of Employer Contributions
Retiree Health

Year Ended May 31,	Annual Required Contributions	Percentage Contributed
2012	\$ 204,128	67.6%
2013	220,535	80.4%
2014	252,438	89.0%

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF GRAND BLANC, MICHIGAN

■ Nonmajor Governmental Funds

Special Revenue Funds

Local Streets Fund - accounts for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units for local streets and roads. State law requires that these taxes be used for street maintenance and construction.

Community Development Fund - accounts for revenues earned and expenditures incurred by the City as a subgrantee of the Community Development Block Grant Program. The program includes projects for the senior citizen center staffing, ADA ramps, and other community enrichment activities.

Debt Service Funds

2001 Transportation Bond Debt Service - accounts for the debt servicing of the 2001 Transportation Bonds.

CITY OF GRAND BLANC, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 May 31, 2014

	Special Revenue Funds		Debt Service Fund	Total
	Local Streets	Community Development Fund	2001 Transportation Bond Debt Service	
Assets				
Cash and cash equivalents	\$ 50,692	\$ -	\$ -	\$ 50,692
Investments	100,000	-	-	100,000
Receivables				
Accounts	90	-	-	90
Taxes	323	-	-	323
Due from other funds	40,680	5,633	-	46,313
Due from other governments	22,846	-	-	22,846
Total assets	\$ 214,631	\$ 5,633	\$ -	\$ 220,264
Liabilities				
Accounts payable	\$ 271	\$ 5,633	\$ -	\$ 5,904
Fund balances				
Restricted	214,360	-	-	214,360
Total liabilities and fund balances	\$ 214,631	\$ 5,633	\$ -	\$ 220,264

CITY OF GRAND BLANC, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended May 31, 2014

	Special Revenue Funds		Debt Service Fund	Total
	Local Streets	Community Development Fund	2011 Transportation Bond Debt Service	
Revenues				
Taxes	\$ 39,103	\$ -	\$ -	\$ 39,103
Intergovernmental:				
State	171,779	-	-	171,779
Interest	83	-	-	83
Total revenues	210,965	-	-	210,965
Expenditures				
Current:				
Highways and streets	245,904	-	-	245,904
Debt service:				
Principal	-	-	125,000	125,000
Interest and fiscal charges	-	-	24,163	24,163
Total expenditures	245,904	-	149,163	395,067
Revenues under expenditures	(34,939)	-	(149,163)	(184,102)
Other financing sources				
Transfers in	41,000	-	149,163	190,163
Net change in fund balances	6,061	-	-	6,061
Fund balances, beginning of year	208,299	-	-	208,299
Fund balances, end of year	\$ 214,360	\$ -	\$ -	\$ 214,360

CITY OF GRAND BLANC, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Local Streets Special Revenue Fund For the Year Ended May 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 41,200	\$ 40,000	\$ 39,103	\$ (897)
Intergovernmental:				
Federal	119,240	-	-	-
State	128,000	173,700	171,779	(1,921)
Interest	50	50	83	33
Total revenues	288,490	213,750	210,965	(2,785)
Expenditures				
Current:				
Highways and streets	120,000	247,300	245,904	(1,396)
Revenues over (under) expenditures	168,490	(33,550)	(34,939)	(1,389)
Other financing sources (uses)				
Transfers in	80,000	52,000	41,000	(11,000)
Transfers out	(159,600)	-	-	-
Total other financing sources (uses)	(79,600)	52,000	41,000	(11,000)
Net change in fund balances	88,890	18,450	6,061	(12,389)
Fund balances, beginning of year	208,299	208,299	208,299	-
Fund balances, end of year	\$ 297,189	\$ 226,749	\$ 214,360	\$ (12,389)

CITY OF GRAND BLANC, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Special Revenue Fund For the Year Ended May 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal	\$ 20,000	\$ -	\$ -	\$ -
Expenditures				
Current:				
Public service	20,000	-	-	-
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF GRAND BLANC, MICHIGAN

■ Agency Fund

Tax Collection Fund - accounts for the collection and payment to the county, school districts, and others for which property taxes are collected by the City on their behalf.

CITY OF GRAND BLANC, MICHIGAN

Statement of Changes in Assets and Liabilities

Tax Collection Agency Fund

For the Year Ended May 31, 2014

	Balance June 1, 2013	Additions	Deletions	Balance May 31, 2014
Assets				
Cash and cash equivalents	\$ 29,225	\$ 9,452,889	\$ 9,478,825	\$ 3,289
Taxes receivable	91,345	21,663	9,905	103,102
Total assets	<u>\$ 120,570</u>	<u>\$ 9,474,552</u>	<u>\$ 9,488,730</u>	<u>\$ 106,391</u>
Liabilities				
Due to other governments	<u>\$ 120,570</u>	<u>\$ 9,474,552</u>	<u>\$ 9,488,730</u>	<u>\$ 106,391</u>

STATISTICAL SECTION

CITY OF GRAND BLANC, MICHIGAN

Statistical Section Table of Contents

This part of the City's Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of the City of Grand Blanc.

		<u>Page</u>
Financial Trends Tables 1 - 4	These schedules contain trend information to help the reader understand and evaluate how the City's financial condition, performance and well-being have changed over time.	73
Revenue Capacity Tables 5 - 8	These schedules contain information to help the reader assess the City's ability to generate its most significant local revenue source, the property tax.	78
Debt Capacity Tables 9 - 13	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	82
Demographic and Economic Information Tables 14 - 15	These schedules present various demographic and economic indicators to help the reader understand the environment within which the City operates and how they affect the City's financial activities.	86
Operating Information Tables 16 - 18	These schedules contain information about the City's operations and resources to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	89

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

CITY OF GRAND BLANC, MICHIGAN

Table 1
Unaudited

Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 4,535,007	\$ 7,526,757	\$ 7,974,525	\$ 8,317,006	\$ 8,984,675	\$ 8,919,664	\$ 9,573,149	\$ 10,418,781	\$ 11,393,620	\$ 11,087,890
Restricted	785,190	514,491	546,141	327,244	206,558	237,221	10,452	17,541	86,026	481,017
Unrestricted	3,732,748	3,174,742	3,329,842	3,613,939	3,685,883	3,564,490	3,788,914	3,690,241	3,783,719	3,724,706
Total governmental activities net position	9,052,945	11,215,990	11,850,508	12,258,189	12,877,116	12,721,375	13,372,515	14,126,563	15,263,365	15,293,613
Business-type activities										
Net investment in capital assets	7,371,541	7,319,602	7,222,077	7,097,616	7,005,885	6,799,485	6,594,683	6,440,967	6,292,802	6,227,424
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,168,942	999,837	832,191	711,836	458,074	522,629	667,970	665,253	901,128	956,117
Total business-type activities net position	8,540,483	8,319,439	8,054,268	7,809,452	7,463,959	7,322,114	7,262,653	7,106,220	7,193,930	7,183,541
Primary government										
Net investment in capital assets	11,906,548	14,846,359	15,196,602	15,414,622	15,990,560	15,719,149	16,167,832	16,859,748	17,686,422	17,315,314
Restricted	785,190	514,491	546,141	327,244	206,558	237,221	10,452	17,541	86,026	481,017
Unrestricted	4,901,690	4,174,579	4,162,033	4,325,775	4,143,957	4,087,119	4,456,884	4,355,494	4,684,847	4,680,823
Total primary government net position	\$ 17,593,428	\$ 19,535,429	\$ 19,904,776	\$ 20,067,641	\$ 20,341,075	\$ 20,043,489	\$ 20,635,168	\$ 21,232,783	\$ 22,457,295	\$ 22,477,154

Source: City of Grand Blanc Audit Reports

CITY OF GRAND BLANC, MICHIGAN

Table 2
Unaudited

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 764,846	\$ 1,241,738	\$ 859,923	\$ 752,777	\$ 865,901	\$ 819,410	\$ 654,454	\$ 679,168	\$ 738,087	\$ 757,156
Public safety	1,927,040	2,090,488	2,070,892	2,140,998	2,153,651	2,276,460	1,970,931	1,979,775	1,879,852	1,932,701
Public service	975,498	532,730	778,733	898,822	932,449	805,292	768,763	848,058	770,562	732,845
Public works	470,877	343,667	320,549	308,465	333,909	426,327	326,194	265,870	260,255	270,101
Highway and streets	293,444	208,530	312,299	635,385	160,111	421,899	555,225	461,783	727,216	832,603
Interest on long-term debt	85,507	85,137	74,496	67,403	42,179	34,380	55,518	33,303	34,115	25,267
Total governmental activities expenses	4,517,212	4,502,290	4,416,892	4,803,850	4,488,200	4,783,768	4,331,085	4,267,957	4,410,087	4,550,673
Business-type activities:										
Water	1,272,831	1,363,648	1,426,733	1,549,328	1,578,691	1,699,525	1,528,476	1,549,342	1,502,514	1,531,990
Sewer	1,000,240	1,035,658	907,423	985,091	1,111,016	1,273,924	1,219,232	1,317,383	1,305,754	1,275,089
Total business-type activities expenses	2,273,071	2,399,306	2,334,156	2,534,419	2,689,707	2,973,449	2,747,708	2,866,725	2,808,268	2,807,079
Total primary government expenses	6,790,283	6,901,596	6,751,048	7,338,269	7,177,907	7,757,217	7,078,793	7,134,682	7,218,355	7,357,752
Program revenues										
Governmental activities:										
Charges for services:										
General government	202,810	236,479	174,289	226,676	187,811	194,580	248,331	249,160	382,501	383,547
Public safety	163,856	227,251	329,367	174,989	176,118	172,785	160,669	162,060	171,349	195,046
Public service	301,411	278,889	185,308	292,845	287,465	296,144	302,277	311,780	316,264	295,919
Public works	127,678	-	-	15,303	-	63,475	67,409	44,301	64,431	152,595
Operating grants and contributions	1,622,919	521,417	549,913	494,068	477,400	480,225	477,852	563,976	509,582	549,756
Capital grants and contributions	-	1,026,099	16,797	13,461	87,309	18,130	548,379	576,156	1,153,637	167,597
Total governmental activities program revenues	2,418,674	2,290,135	1,255,674	1,217,342	1,216,103	1,225,339	1,804,917	1,907,433	2,597,764	1,744,460
Business-type activities:										
Charges for services:										
Water	852,386	1,038,263	944,778	1,116,111	1,110,563	1,278,293	1,168,849	1,233,615	1,351,834	1,256,631
Sewer	755,438	758,438	710,050	735,175	945,163	1,290,733	1,281,902	1,253,821	1,338,578	1,317,602
Operating grants and contributions	-	33,721	-	-	-	-	-	-	-	-
Capital grants and contributions	23,500	37,500	42,238	2,300	-	-	-	6,000	-	22,500
Total business-type activities program revenues	1,631,324	1,867,922	1,697,066	1,853,586	2,055,726	2,569,026	2,450,751	2,493,436	2,690,412	2,596,733
Total primary government program revenues	4,049,998	4,158,057	2,952,740	3,070,928	3,271,829	3,794,365	4,255,668	4,400,869	5,288,176	4,341,193

Continued...

CITY OF GRAND BLANC, MICHIGAN

Table 2
Unaudited

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental activities	\$ (2,098,538)	\$ (2,212,155)	\$ (3,161,218)	\$ (3,586,508)	\$ (3,272,097)	\$ (3,558,429)	\$ (2,526,168)	\$ (2,360,524)	\$ (1,812,323)	\$ (2,806,213)
Business-type activities	(641,747)	(531,384)	(637,090)	(680,833)	(633,981)	(404,423)	(296,957)	(373,289)	(117,856)	(210,346)
Total primary government net expense	(2,740,285)	(2,743,539)	(3,798,308)	(4,267,341)	(3,906,078)	(3,962,852)	(2,823,125)	(2,733,813)	(1,930,179)	(3,016,559)
General revenues										
Governmental activities:										
Property taxes	3,121,778	3,263,590	3,038,932	3,179,576	3,148,545	2,791,397	2,579,946	2,366,658	2,241,742	2,200,131
State shared revenue	709,581	706,382	696,411	686,551	670,587	586,333	585,472	616,507	642,963	659,760
Unrestricted investment earnings	55,029	122,373	127,885	196,819	65,392	21,356	-	131,407	64,420	(23,430)
Other revenue	-	3,876	-	2,168	6,500	3,602	11,890	-	-	-
Total governmental activities	3,886,388	4,096,221	3,863,228	4,065,114	3,891,024	3,402,688	3,177,308	3,114,572	2,949,125	2,836,461
Business-type activities:										
Property taxes	310,275	322,167	330,697	341,021	279,015	261,773	236,456	216,226	205,296	199,702
Unrestricted investment earnings	19,641	33,189	50,924	37,339	9,474	805	-	630	270	255
Other revenue	-	-	-	-	-	-	1,040	-	-	-
Total business-type activities	329,916	355,356	381,621	378,360	288,489	262,578	237,496	216,856	205,566	199,957
Total primary government	4,216,304	4,451,577	4,244,849	4,443,474	4,179,513	3,665,266	3,414,804	3,331,428	3,154,691	3,036,418
Change in net position										
Governmental activities	1,787,850	1,884,066	702,010	478,606	618,927	(155,741)	651,140	754,048	1,136,802	30,248
Business-type activities	(311,831)	(176,028)	(255,469)	(302,473)	(345,492)	(141,845)	(59,461)	(156,433)	87,710	(10,389)
Total primary government	\$ 1,476,019	\$ 1,708,038	\$ 446,541	\$ 176,133	\$ 273,435	\$ (297,586)	\$ 591,679	\$ 597,615	\$ 1,224,512	\$ 19,859

Concluded

Source: City of Grand Blanc Audit Reports

Table 3
Unaudited

CITY OF GRAND BLANC, MICHIGAN

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Designated	-	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, Undesignated	2,578,750	2,278,020	2,365,828	2,741,254	2,782,773	1,875,405	2,170,082	26,282	15,227	27,544
Nonspendable	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Employee retirement costs	-	-	-	-	-	-	-	10,000	10,000	10,000
Unassigned	-	-	-	-	-	-	-	2,553,231	2,616,256	2,767,670
Total general fund	\$ 2,578,750	\$ 2,278,020	\$ 2,365,828	\$ 2,741,254	\$ 2,782,773	\$ 1,875,405	\$ 2,170,082	\$ 2,589,513	\$ 2,641,483	\$ 2,805,214
All other governmental funds										
Reserved	\$ 3,115	\$ 72,232	\$ 61,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	-	-	-	-	-	-	-
Special revenue funds	861,344	526,809	558,458	327,244	206,558	237,221	825,147	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Highway and streets	-	-	-	-	-	-	-	17,451	86,026	481,017
Committed	-	-	-	-	-	-	-	201,672	208,299	-
Highway and streets	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 864,459	\$ 599,041	\$ 620,181	\$ 327,244	\$ 206,558	\$ 237,221	\$ 825,147	\$ 219,123	\$ 294,325	\$ 481,017

The City implemented GASB 54 in 2012.

CITY OF GRAND BLANC, MICHIGAN

Table 4
Unaudited

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 3,113,741	\$ 3,225,268	\$ 3,086,640	\$ 3,147,772	\$ 3,110,862	\$ 2,879,403	\$ 2,571,906	\$ 2,355,284	\$ 2,243,837	\$ 2,186,099
Licenses and permits	128,667	158,926	144,081	140,030	144,298	154,354	155,209	168,132	190,908	212,799
Intergovernmental										
State	2,355,519	2,253,898	1,263,121	1,194,080	1,235,296	1,084,688	1,078,774	1,114,199	1,152,545	1,209,516
Federal							532,929	626,381	1,121,993	
Charges for services	441,518	478,915	466,444	473,508	452,665	498,174	540,027	525,021	544,428	556,211
Fines and forfeits	31,256	30,591	11,188	13,541	16,776	20,013	18,902	22,799	22,637	26,971
Interest	55,028	122,373	127,885	196,819	65,392	21,356	11,890	7,852	12,907	9,532
Other revenue	43,616	77,187	67,251	82,734	37,655	114,443	64,548	67,408	208,216	398,723
Total revenues	6,169,345	6,347,158	5,166,610	5,248,484	5,062,944	4,772,431	4,974,185	4,887,076	5,497,471	4,599,851
Expenditures										
General government	956,602	1,207,713	815,797	726,538	801,309	638,353	597,364	631,618	712,553	708,101
Public safety	2,057,195	2,053,626	2,063,071	2,081,459	2,086,719	1,989,398	2,085,947	1,919,967	1,884,170	1,881,341
Public service	936,408	1,329,026	827,193	799,501	861,458	750,826	699,818	765,208	919,816	657,432
Public works	291,338	326,840	310,492	298,819	321,624	376,836	344,768	260,138	291,302	271,711
Highway and streets	2,054,752	1,645,872	769,021	471,492	867,473	491,610	1,072,149	1,315,343	1,386,265	560,576
Capital outlay				413,496		9,171	238,291			
Debt service										
Principal	200,000	265,000	175,302	235,303	145,000	247,237	123,587	148,057	145,000	145,000
Interest	84,004	85,229	59,900	68,462	58,528	44,488	38,875	34,509	31,193	25,267
Total expenditures	6,580,299	6,913,306	5,020,776	5,095,070	5,142,111	4,547,919	5,200,799	5,074,840	5,370,299	4,249,428
Revenues over (under) expenditures	(410,954)	(566,148)	145,834	153,414	(79,167)	224,512	(226,614)	(187,764)	127,172	350,423
Other financing sources (uses)										
Loan proceeds	310,000		30,607							
Debt proceeds						9,171				
Transfers in	262,535	326,800	325,475	249,092	340,266	217,488	181,950	559,509	154,353	190,163
Transfers out	(262,535)	(326,800)	(325,475)	(249,092)	(340,266)	(217,488)	(181,950)	(559,509)	(154,353)	(190,163)
Total other financing sources (uses)	310,000	30,607	30,607	9,171	9,171	9,171	9,171	9,171	9,171	9,171
Net change in fund balances	\$ (100,954)	\$ (566,148)	\$ 176,441	\$ 153,414	\$ (79,167)	\$ 233,683	\$ (226,614)	\$ (187,764)	\$ 127,172	\$ 350,423
Debt service as a percentage of noncapital expenditures	6.18%	7.61%	5.37%	6.50%	4.81%	6.88%	3.32%	3.73%	4.37%	4.15%

Includes general, special revenue, debt service and capital projects fund.
Source: City of Grand Blanc audit reports

CITY OF GRAND BLANC, MICHIGAN

Table 5
Unaudited

Assessed Value and Taxable Value of Property Last Ten Fiscal Years

Fiscal Year Ended May 31,	State Equalized Assessed Value	Taxable Value	Ratio of State Equalized Value to Taxable Value	Total Direct Tax Rate
2005	\$ 284,806,385	\$ 250,696,105	88.0%	12.1500
2006	291,796,745	259,043,885	88.8%	12.1500
2007	301,309,300	267,121,150	88.7%	12.1500
2008	322,229,430	287,265,110	89.1%	12.1500
2009	302,542,160	278,215,961	92.0%	12.1500
2010	279,957,681	276,761,888	98.9%	11.8500
2011	247,167,300	237,370,156	96.0%	11.8500
2012	220,883,060	216,351,677	97.9%	11.8500
2013	213,403,276	207,996,095	97.5%	11.8500
2014	210,206,150	205,764,048	97.9%	11.8500

Source: City of Grand Blanc, Michigan Equalization Department

Note: Property in the City is assessed annually

CITY OF GRAND BLANC, MICHIGAN

Property Tax Rates

Direct and Overlapping Governments
Last Ten Fiscal Years

Table 6
Unaudited

Fiscal Year (1)	City of Grand Blanc, Michigan										Overlapping Rates					Direct & Overlapping Rates
	Operating Millage	Streets Millage	Water Imp Millage	Total City Millage	Genesee County Operating	Parks	SET (1) Schools	School Operating	School Debt	School Building and Site	Inter-mediate Schools	Grand Blanc Fire	Bishop Airport	MTA	Mott Community College	
2005	9.9500	1.0000	1.2000	12.1500	7.2356	0.9852	6.0000	17.3275	4.5000	0.9768	3.5361	0.0000	0.4849	0.7949	2.6807	56.6717
2006	9.9500	1.0000	1.2000	12.1500	7.2356	0.9852	6.0000	17.3275	4.5015	1.0000	3.5361	0.0000	0.4849	0.7949	2.6807	56.6964
2007	9.9500	1.0000	1.2000	12.1500	8.9247	0.0000	6.0000	18.0000	4.4700	1.0000	3.5341	0.0000	0.4847	0.7998	2.6796	58.0429
2008	9.9500	1.0000	1.2000	12.1500	8.9247	0.0000	6.0000	18.0000	4.3600	1.0000	3.5341	0.0000	0.4847	0.7998	2.6796	57.9329
2009	9.9500	1.2000	1.0000	12.1500	8.9247	0.0000	6.0000	18.0000	4.3600	1.0000	3.5341	0.0000	0.4847	0.7998	2.6796	57.9329
2010	9.9500	0.9000	1.0000	11.8500	8.9247	0.0000	6.0000	18.0000	4.8000	1.0000	3.5341	0.0000	0.4847	0.8000	2.6796	57.6331
2011	9.9500	0.9000	1.0000	11.8500	8.9247	0.0000	6.0000	18.0000	4.8000	1.0000	3.5341	0.5000	0.4847	0.7998	2.6796	58.5729
2012	9.9500	0.9000	1.0000	11.8500	9.1747	0.0000	6.0000	18.0000	5.2350	1.0000	3.5341	0.5000	0.4847	0.8000	2.8596	59.4381
2013	9.9500	0.9000	1.0000	11.8500	9.2747	0.0000	6.0000	18.0000	5.5200	1.0000	3.5341	0.5000	0.4847	0.8000	2.8596	59.8231
2014	9.9500	0.9000	1.0000	11.8500	9.2747	0.0000	6.0000	18.0000	5.1000	1.0000	3.5341	0.5000	0.4847	0.8000	2.8596	59.4031

Source: City of Grand Blanc, Michigan Equalization Department

(1) Proposal A voted in on March 15, 1994 implemented a 6 mill state education tax (SET) with the exception of 2003 which was reduced to 5 mills.

CITY OF GRAND BLANC, MICHIGAN

Table 7
Unaudited

Principal Property Taxpayers
May 31, 2014 and Nine Years Ago

Taxpayer	2014			2015		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Bridgewood Common Shopping Center	\$ 4,681,728	1	1.63%	\$ 1,679,570	2	0.59%
Perry Place Apartments LLC	3,757,980	2	1.31%	4,612,360	1	1.62%
Consumer's Energy	2,956,100	3	1.03%	2,295,390	3	0.81%
Grand Blanc Center LLC	2,136,948	4	0.74%	1,945,740	6	0.68%
ABE Briarwood	1,948,180	5	0.68%	2,952,490	4	1.04%
Northwestern Bank	1,843,622	6	0.64%			
American House - Grand Blanc LLC	1,829,104	7	0.64%	1,689,230	9	0.59%
General Motors	1,826,600	8	0.64%	1,766,080	8	0.62%
Grand Oak LLC	1,516,075	9	0.53%	-	7	0.00%
Sunset Apartments	1,472,756	10	0.00%	1,686,360	10	0.59%
The Jewel of Grand Blanc	-	N/A	0.00%	3,608,980	5	1.27%
Grand Blanc Mall, Inc.	-	N/A	0.00%	3,912,340	N/A	1.36%
Totals	\$ 23,969,093		7.83%	\$ 26,148,540		9.17%

Source: City of Grand Blanc, Michigan Equalization Department

CITY OF GRAND BLANC, MICHIGAN

Table 8
Unaudited

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended May 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Taxes Collected	Total Collections to Date (1)	
		Amount	Percentage of Levy		Amount	Percentage of Levy (2)
2005	\$ 3,402,594	\$ 3,249,620	95.50%	\$ 121,416	\$ 3,371,036	99.07%
2006	3,539,270	3,415,033	96.49%	124,237	3,539,270	100.00%
2007	3,490,271	3,400,164	97.42%	71,196	3,471,360	99.46%
2008	3,470,457	3,284,467	94.64%	185,989	3,470,457	100.00%
2009	3,389,877	3,242,310	95.65%	147,567	3,389,877	100.00%
2010	3,139,220	2,967,497	94.53%	147,567	3,115,064	99.23%
2011	2,810,946	2,679,099	95.31%	131,848	2,810,946	100.00%
2012	2,160,051	2,041,268	94.50%	118,783	2,160,051	100.00%
2013	2,476,659	2,383,886	96.25%	37,552	2,421,438	97.77%
2014	2,418,834	2,332,698	96.44%	37,552	2,366,009	97.82%

Source: City of Grand Blanc, Michigan Treasurer

(1) Total collections to date are less than total tax levy due to county chargebacks for previous tax years due to Michigan Tax Tribunal decisions.

(2) Total collections, including delinquent taxes, are shown as a percent of total tax levy for the fiscal year.

CITY OF GRAND BLANC, MICHIGAN

Table 9
Unaudited

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended May 31,	Governmental Activities					Business-Type Activities	Total	Debt as a Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Installment Purchase Contracts	Capital Leases						
2005	\$ 2,105,000	\$ 135,000	\$ 41,270			\$ 4,097,931	\$ 6,379,201	3.16%	\$ 774
2006	1,580,000	-	19,240			3,993,336	5,592,576	2.64%	679
2007	1,680,000	-	30,606			3,801,328	5,511,934	2.47%	669
2008	1,230,000	230,000	15,303			3,578,680	5,053,983	2.38%	613
2009	1,115,000	200,000	-			3,270,010	4,585,010	2.06%	556
2010	975,000	100,000	6,114			3,070,010	4,151,124	1.44%	504
2011	875,000	151,375	3,057			3,349,263	4,378,695	1.85%	531
2012	750,000	110,173	-			3,242,226	4,102,399	1.69%	498
2013	625,000	-	-			3,002,226	3,627,226	1.48%	438
2014	520,000	-	-			2,757,226	3,277,226	1.28%	396

Source: City of Grand Blanc audit reports

(1) See statistical schedule number 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF GRAND BLANC, MICHIGAN

Table 10
Unaudited

Ratios of Net General Bonded Debt

To State Equalized Value and Net Bonded Debt per Capita - Unaudited
Last Ten Fiscal Years

Fiscal Year	Population	State Equalized Valuation (In Thousands)	(2) Gross Bonded Debt (In Thousands)	Amounts Available in Debt Service Fund	Net Bonded Debt (In Thousands)	Ratio of Net Bonded Debt to State Equalized Value of Property	Net Debt Per Capita (2)
2005	8,242	\$ 284,806	\$ 2,281	\$ 64	\$ 2,217	0.78%	\$ 269
2006	8,242	291,796	1,599	64	1,535	0.53%	186
2007	8,242	301,309	1,711	58	1,653	0.55%	201
2008	8,242	322,229	1,475	-	1,475	0.46%	179
2009	8,242	302,542	1,315	-	1,315	0.43%	160
2010	8,242	279,958	1,081	-	1,081	0.39%	131
2011	8,276	236,879	1,029	-	1,029	0.43%	124
2012	8,276	220,883	860	-	860	0.39%	104
2013	8,276	213,403	625	-	625	0.29%	76
2014	8,276	211,098	520	-	520	0.25%	63

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) 2000 U.S. Census

(2) Includes all general obligation notes and bonds

(3) 2010 U.S. Census

CITY OF GRAND BLANC, MICHIGAN

Table 11
Unaudited

Direct and Overlapping Debt

As of May 31, 2014

	Governmental Unit	Debt Outstanding	Percentage Applicable to the City (1)	Share of Overlapping Debt
Direct				
	City of Grand Blanc	\$ 520,000	100.00%	\$ 520,000
Overlapping				
	Mott Community College	46,050,000	1.94%	1,045,335
	Bishop Airport Authority	10,605,000	1.94%	254,520
	Genesee County	74,124,040	1.94%	1,778,977
	Grand Blanc School District	74,365,000	23.81%	10,782,925
	Subtotal	<u>205,144,040</u>		<u>13,861,757</u>
TOTAL		<u>\$ 205,664,040</u>		<u>\$ 14,381,757</u>

Source: Municipal Advisory Council of Michigan
Definitions

Direct Debt: General obligation debt incurred by the City of Grand Blanc

Overlapping Debt: Debt incurred by the City of Grand Blanc and a local government body in partly or fully financed programs or projects located within the taxing jurisdiction of other such bodies.

Source: Businessdictionary.com

(1) The percentage of overlapping debt applicable is estimated using taxable property value. Applicable percentages were estimated by determining the portion of another government unit's taxable value that is within the City's boundaries and dividing it by each unit's taxable value.

Note: Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all property owners.

CITY OF GRAND BLANC, MICHIGAN

Table 12
Unaudited

Legal Debt Margin Information
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Legal debt limit	\$ 28,480,639	\$ 29,179,675	\$ 26,785,089	\$ 28,726,511	\$ 27,821,596	\$ 27,676,189	\$ 23,737,016	\$ 21,635,168	\$ 20,799,610	\$ 20,576,405
Total net debt applicable to limit	<u>4,277,931</u>	<u>3,993,336</u>	<u>3,715,072</u>	<u>3,578,680</u>	<u>4,545,010</u>	<u>4,372,581</u>	<u>4,347,747</u>	<u>4,347,747</u>	<u>4,347,747</u>	<u>3,277,226</u>
Legal debt margin	\$ <u>24,202,708</u>	\$ <u>25,186,339</u>	\$ <u>23,070,017</u>	\$ <u>25,147,831</u>	\$ <u>23,276,586</u>	\$ <u>23,303,608</u>	\$ <u>19,389,269</u>	\$ <u>17,287,421</u>	\$ <u>16,451,863</u>	\$ <u>17,299,179</u>
Total net debt applicable to the limit as a percentage of debt limit	15.02%	13.69%	13.87%	12.46%	16.34%	15.80%	18.32%	20.10%	20.90%	15.93%
Legal Debt Margin Calculation for Fiscal Year 2014										
Taxable value										
Debt limit (10% of total state equalized value)										
Debt applicable to limit										
Legal debt margin										
										\$ 205,764,048
										20,576,405
										<u>3,277,226</u>
										<u>\$ 17,299,179</u>

Note: Under state finance law, City of Grand Blanc's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds

CITY OF GRAND BLANC, MICHIGAN

Table 13
Unaudited

Ratio of Annual Debt Service Expenditures

for General Bonded Debt to Total General Expenditures - Unaudited
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2005	\$ 200,000	\$ 84,004	\$ 284,004	\$ 6,594,887	4.31%
2006	265,000	85,229	350,229	6,913,306	5.07%
2007	160,000	75,202	235,202	5,020,776	4.68%
2008	235,303	68,462	303,765	5,095,070	5.96%
2009	145,000	58,528	203,528	5,142,111	3.96%
2010	243,057	48,668	291,725	4,547,919	6.41%
2011	125,000	43,150	168,150	3,735,759	4.50%
2012	145,000	38,009	183,009	3,548,620	5.16%
2013	125,000	29,353	154,353	3,597,238	4.29%
2014	125,000	24,163	149,163	3,539,689	4.21%

Source: City of Grand Blanc Audit Reports

- (1) Does not include general bonded debt issued for water and sewer utility purposes, which is paid from the water and sewer fund revenues.
- (2) Includes general, special revenue, debt service and capital project funds

CITY OF GRAND BLANC, MICHIGAN

Table 14
Unaudited

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2005	8,242	\$ 201,820,164	\$ 24,487	7,624	8.90%
2006	8,242	212,112,992	25,736	7,940	7.70%
2007	8,242	222,930,755	27,048	8,232	7.80%
2008	8,242	289,178,812	35,086	8,481	8.50%
2009	8,242	236,545,400	28,700	8,474	7.20%
2010	8,242	242,710,416	29,448	8,573	8.10%
2011	8,276	244,357,176	29,526	8,689	11.60%
2012	8,276	256,133,924	30,949	8,740	8.90%
2013	8,276	257,027,732	31,057	8,751	9.10%
2014	8,276	268,316,196	32,421	8,552	8.30%

(5)

Data Sources:

- (1) Population Division, U.S. Census Bureau
- (2) Bureau of Economic Analysis - Per Capita Income Levels and Ranks
- (3) Grand Blanc School District - Adopted Budget June 30, 2014
- (4) Michigan Department of Labor and Economic Growth
- (5) Flint Metropolitan Statistical Area; U.S. Bureau of Labor Statistics

CITY OF GRAND BLANC, MICHIGAN

Table 15
Unaudited

Principal Employers

2014 and 2008

Employer	2014			2008		
	Employees	Rank	Percent of Total	Employees	Rank	Percent of Total
Grand Blanc Schools	477	1	22%	200	2	0
Grand Blanc Rehab and Nursing Center	283	2	13%	325	1	0
Kroger	170	3	8%	140	3	0
McDonalds	73	4	3%	60	4	0
Kmart	52	6	2%	55	5	0
Big Boy	42	5	2%	N/A	N/A	N/A
City of Grand Blanc	41	7	2%	36	8	0
Luca's Chophouse	30	8	1%	50	7	0
Wendy's	25	9	1%	N/A	N/A	N/A
Burder King	21	10	1%	30	10	0
General Motors	N/A	N/A	N/A	29	9	0
Totals	1,214		55%	925		42%

Source: Listed Businesses and U.S. Census
 Source: U.S. Census Bureau, 2007 Economic Census
 Total Employment within the City: 2195

CITY OF GRAND BLANC, MICHIGAN

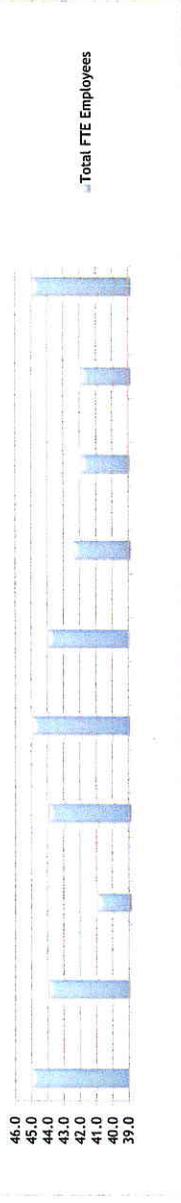
Table 16
Unaudited

Full-time Equivalent Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of March 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General service administration	19.0	18.0	17.0	19.0	20.0	20.0	19.5	19.5	18.5	19.0
Legislative	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Law enforcement	18.0	18.0	17.0	18.0	18.0	17.0	16.0	15.5	16.5	18.0
Planning and development	1.0	1.0	-	-	-	-	-	-	-	1.0
Total FTE Employees	45.0	44.0	41.0	44.0	45.0	44.0	42.5	42.0	42.0	45.0

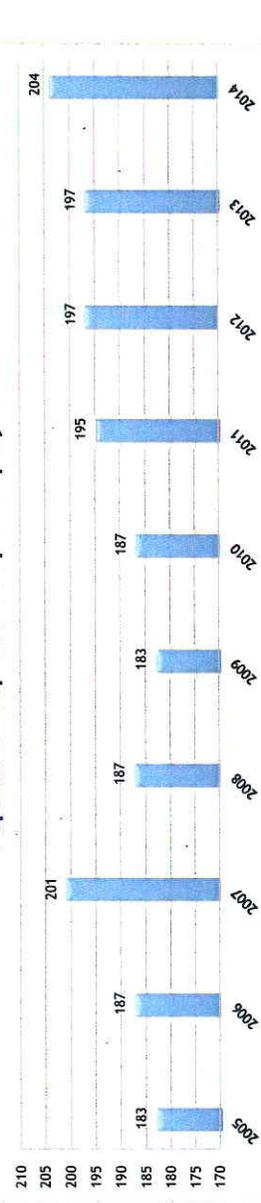
Source: Grand Blanc City Personnel Office

Full Time Equivalent Employees



Total Employment in the City

Population Represented per Employee



Source: Listed Businesses and U.S. Census
Source: U.S. Census Bureau, 2010 Economic Census

CITY OF GRAND BLANC, MICHIGAN

Table 17
Unaudited

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police										
Physical arrests	500	399	344	354	188	142	93	101	65	487
Parking violations	105	35	30	115	206	16	48	40	117	85
Traffic Violations	718	540	487	429	697	938	845	721	726	6,287
Fire										
Fire Runs	92	80	71	69	78	89	67	69	75	173
General government										
Building permits										
Building permits issued	3	6	57	67	50	107	80	105	136	124
Building inspections conducted	220	274	174	140	10	220	187	256	189	172
Elections										
Number of registered voters	6,233	6,128	6,088	6,117	6,056	5,557	6,057	6,211	6,041	6,059
Voters (at the polls or absentee)	4,457	307	3,554	1,682	4,577	454	495	1,574	4,447	837
Percent Voting	71.51%	5.01%	58.38%	27.50%	75.58%	8.17%	8.17%	25.34%	73.61%	13.81%
Library										
Circulation (books borrowed)	1,951,419	2,358,035	2,434,035	2,580,077	2,734,882	3,008,370	3,309,207	3,640,128	4,004,141	4,404,555
Collection volume	705,797	678,165	665,165	645,235	632,330	695,563	765,119	841,631	925,794	1,018,374
Sewer										
Average daily sewage treatment -gallons per day	N/A	N/A	N/A	488,933	678,371	641,090	659,689	642,085	637,196	588,711
Water										
New connections	4	11	15	15	0	1	-	-	-	46
Water main breaks	14	10	14	11	11	8	11	-	-	10
Total consumption (gallons)	430,700,000	445,300,000	467,565,000	271,028,915	285,864,162	262,826,428	276,380,299	256,574,450	282,265,235	241,602,265
Number of customers	2,533	2,520	2,530	2,501	2,426	2,676	2,565	2,676	2,671	2,631

Source: Applicable City Departments

CITY OF GRAND BLANC, MICHIGAN

Table 18
Unaudited

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Station	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	12	12	12	12	12	11	11	11	11	12
Water										
Water mains (miles)	48	48	48	49	49	49	49	49	49	48
Fire hydrants	348	352	352	419	419	419	419	419	419	348
Storage Capacity (gallons)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Wastewater										
Sanitary sewage miles	48	48	48	49	49	49	49	49	49	48
Storm sewage miles	48	48	48	49	49	49	49	49	49	48
Treatment capacity (millions of gallons/day)	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96
Area										
City major streets	7.21	7.21	7.21	7.21	7.21	7.21	7.21	7.21	7.21	7.21
City local streets	23.29	23.29	23.29	23.29	23.29	23.29	23.29	23.29	23.29	23.29

Source: City of Grand Blanc

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