

City of
Grand Blanc,
Michigan



Year Ended
May 31, 2016

Comprehensive
Annual Financial
Report

Prepared by: Finance Department

CITY OF GRAND BLANC, MICHIGAN

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INTRODUCTORY SECTION

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CITY OF GRAND BLANC, MICHIGAN

ELECTED AND APPOINTED OFFICERS

For the Year Ended May 31, 2016

Susan Soderstrom
Mayor

CITY COUNCIL

Lisa Blondell
John Creasey
Chris Douglas

Paula Nas
Julie Nielsen
Pamela Gillies

ADMINISTRATIVE OFFICIALS

Wendy Jean-Buhrer
City Manager

Dianne Waterworth
*Finance Director/
Treasurer*

Bethany J. Smith
*City Clerk/
Assistant City Manager*

Steve Hill
Code Enforcement

Tonya Lall
City Assessor

Brian Lipe
Police Chief

Ted Szczepanski
Building Inspector

Kae Eidson
Parks and Recreation Director

Robert Burdette
Fire Chief

Dan Harrett
Heritage Museum Director

Matthew S. Wurtz
Public Works Director

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City of Grand Blanc

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MAYOR
Susan J. Soderstrom

CITY COUNCIL
Paula L. Nas - Mayor Pro-Terr
Lisa A. Blondell
John W. Creasey
Chris Douglas
Julie M. Nielsen
Pamela K. Gillies

CITY MANAGER
Wendy L. Jean-Buhrer

**CITY CLERK-
ASST. CITY MANAGER**
Bethany J. Smith

**FINANCE DIRECTOR-
TREASURER**
Dianne M. Waterworth

CITY ASSESSOR
Tonya Lall

CITY ATTORNEY
Walter P. Griffin

September 21, 2016

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, 2016, 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, 2016, 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, 2016, 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. 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. 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 parks, recreation, and 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, building protection and inspection, 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 including: 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 negotiated with the City prior to the purchase of the gas station to develop the property as a Brownfield Redevelopment project and brought over \$2.5 million in real property investments into the Central Business District with Aubree's, Firehouse Subs and Art Van Sleep retail store. The City entered into a Brownfield Reimbursement Agreement and Act 381 Plan with the owner, Arkan Jonna Properties. The City also collaborated with property owners and developers for the K-Mart location. Demolition of an obsolete building was replaced with a newly constructed three (3) suite retail development by the Laith Jonna Properties for an investment of \$915,000 in the downtown area. The City sold property for a retail location holding two (2) suites at the corner of Saginaw Street and Reid Road. The Planning Commission approved three (3) site plans, Medilodge, Rangel Properties and Al Serra Honda Grand Blanc, which will be constructed in FY 2017.

The City's Brownfield Redevelopment Authority sold bonds of \$570,000 to pay Arkan Jonna Properties for the remediation eligible expenses at the Aubree's/Firehouse retail location construction completed in FY 2015. These bonds will be paid back over a twenty-five (25) years.

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 fourth and final payment of \$100,000 was paid with interest in the current fiscal year. Design planning has begun for an investment of over \$880,000 in local streets construction to be completed in the next fiscal year. This will be funded by a loan from the General Fund. Payments will begin in FY 2018.

The City also completed site improvements at the intersection of Saginaw Street and Grand Blanc Road, which will continue into the next fiscal year. Construction planning began for the Bella Vista reconstruction and the Grand Blanc traffic safety intersection project at Grand Blanc High School entrance to be completed in FY 2017. The Grand Blanc Community Arches were constructed with donations of over \$180,000 from the community and business leaders.

The City funded the annual required contribution for other postemployment benefits in the General and Sewer 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 continued 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 contract for the City of Fenton automatically renews every year unless either party decides differently. It is the goal of the Assessing department to present fair and accurate property assessments. Annual, 20% of the City's real property is evaluated to determine property values.

The City continues to update 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 the current fiscal year, ACH payments were accepted by the City through the BS&A utility billing software. A/R lockbox payments are also used for electronic checks. Utility billing also went online for EFT and 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 was implemented in the current fiscal year. The Payroll module also integrates directly to the general ledger enabling better tracking of wages for budgetary purposes. The City invested in the Building and Code Enforcement software from BS&A.

The City will complete the project plan for the Drinking Water Revolving Fund (DWRF) water project that includes 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 2017 with \$809,000 as a forgivable loan and grant proceeds. The City began planning for the Stormwater Asset Water (SAW) grant. The City is updating the sanitary and storm sewer asset GIS maps. This grant covers 90% of all eligible costs. This project will be completed in FY 2017. The City completed the rehab of water well #8.

Two DPW vehicles were replaced in the current fiscal year. DPW received a mower and asphalt hopper. The Fire Hall roof was replaced in this fiscal year. The City Hall front door was replaced with ADA accessible sliding glass doors. Next year, the Sewer department will invest in a new vacuor jet for an investment of over \$350,000. The City will also be replacing the DPW parking lot, HVAC system at City Hall, two (2) Police vehicles and two (2) DPW vehicles.

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 for the next fiscal year.

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 technology for the purposes of utilization of scarce resources.
- Continuing improvements to sanitary and 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 prior fiscal year 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. Economic development projects in the DDA district are estimated and should produce revenue for the DDA in fiscal year 2019.

The DDA focuses on redeveloping the downtown area and promoting economic development. The City had already developed comprehensive downtown design guidelines. 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 for continued improvements and 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 Chamber of Commerce's Firework presentation at the Grand Blanc Family Fun Fest, Grand Blanc City Concerts in the Park and the Grand Blanc City Farmers Market Flint Banjo Club performance. The DDA is working on promoting several events in the upcoming FY 2017.

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 completed 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 declined in past fiscal years. The current fiscal year brought increasing residential sale values in the City, resulting in uncapping and higher assessments. The current fiscal year experienced tax revenue growth, the second time in eight years, which brought upwards of 30% tax decline in the each of the first two of the eight years.

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 over the last eight years. This is the first year of rising tax revenues due to small taxpayer exemption repayment from FY 2014 and 2015. The City's 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. The City did not complete numerous projects planned and, therefore, resulted in a healthy General Fund balance addition, with over half of the addition from the repayment of the 2012 Local Street projects, which will cease in FY 2017.

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 decreased. Employment rates increased in durable manufacturing and in the wholesale sectors of the economy, as well as 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 and automotive related facilities has decreased significantly in recent years, but has made steady improvements with plant improvements.

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, 2015. This was the twenty-first 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.

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,



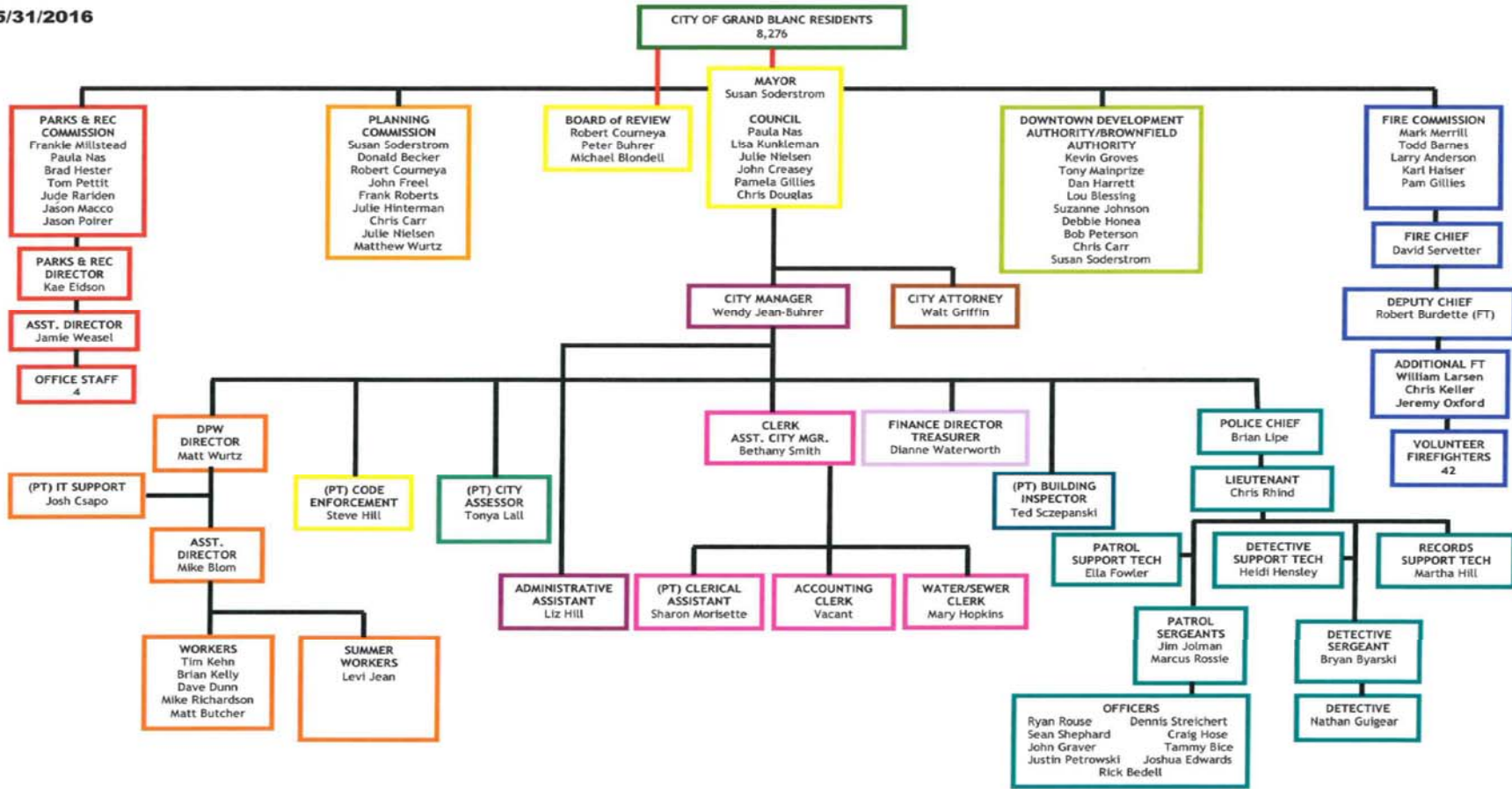
Bethany J. Smith
City Clerk/Treasurer



Wendy Jean-Buhrer
Finance Director/Assistant City Manager

TABLE OF ORGANIZATION

05/31/2016



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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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive style.

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

September 21, 2016

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 units, 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, 2016, 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 units, each major fund, and the aggregate remaining fund information of the City of Grand Blanc, Michigan, as of May 31, 2016, 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.

Implementation of GASB Statement No. 68

As described in Note 15, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Accordingly, beginning net position of governmental activities, business-type activities, and each enterprise fund were restated. Our opinion is not modified with respect to this matter.

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 for the pension and other postemployment benefits plans, as 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 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 21, 2016, 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 Loborn 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, 2016. 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 \$18,958,672. Of this amount, \$189,644 is unrestricted and available for any City activity. The net position decreased \$132,936 from fiscal year 2015.
- Combined program and general revenue for the primary government activities amounted to \$7,551,092. Expenses of \$7,684,029 were over revenues by \$132,936.
- The combined fund balance at May 31, 2016 for the City's governmental funds was \$3,816,645. This was an increase of \$241,695 from fiscal year 2015.
- General Fund revenues exceeded expenditures and net other financing uses by \$14,517.

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.

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

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.

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, and debt service fund focus on the financing of these areas in the short-term and what remains for future spending.

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. The City's fiduciary fund statements provide information regarding the Tax Collection Agency Fund.

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 pension and other postemployment benefits plans.

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities by \$18,958,672 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 5,213,724	\$ 5,072,553	\$ 1,521,206	\$ 1,718,539	\$ 6,734,930	\$ 6,791,092
Capital assets, net	11,544,296	11,652,915	9,880,252	9,780,177	21,424,548	21,433,092
	<u>16,758,020</u>	<u>16,725,468</u>	<u>11,401,458</u>	<u>11,498,716</u>	<u>28,159,478</u>	<u>28,224,184</u>
Deferred outflows of resources	1,231,069	-	252,145	-	1,483,214	-
Liabilities						
Long-term liabilities	311,391	535,518	3,219,318	3,058,562	3,530,709	3,594,080
Other liabilities	5,824,925	624,060	1,328,386	516,676	7,153,311	1,140,736
	<u>6,136,316</u>	<u>1,159,578</u>	<u>4,547,704</u>	<u>3,575,238</u>	<u>10,684,020</u>	<u>4,734,816</u>
Net position						
Net investment in capital assets	11,292,643	11,190,796	6,692,359	6,755,724	17,985,002	17,946,520
Restricted	784,026	556,848	-	-	784,026	556,848
Unrestricted (deficit)	(223,896)	3,818,246	413,540	1,167,754	189,644	4,986,000
Total net position	<u>\$11,852,773</u>	<u>\$15,565,890</u>	<u>\$ 7,105,899</u>	<u>\$ 7,923,478</u>	<u>\$18,958,672</u>	<u>\$23,489,368</u>

A substantial portion of the City's net position, \$17,985,002 (94.9 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 \$784,026 (4.1 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 \$189,644 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 business-type activities. Governmental activities does have negative unrestricted balance.

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	\$ 932,367	\$ 1,033,578	\$ 2,691,552	\$ 2,629,774	\$ 3,623,919	\$ 3,663,352
Operating grants	649,855	562,789	189	-	650,044	562,789
Capital grants	-	280,404	25,300	836,403	25,300	1,116,807
General revenues:						
Property taxes	2,379,405	2,178,581	210,804	201,046	2,590,209	2,379,627
Grants and contributions	669,029	676,756	-	-	669,029	676,756
Unrestricted investment earnings (loss)	(8,315)	43,799	907	586	(7,408)	44,385
Transfers - internal activities	2,237	-	(2,237)	-	-	-
Total revenues	4,624,578	4,775,907	2,926,515	3,667,809	7,551,093	8,443,716
Expenses						
General government	989,485	744,033	-	-	989,485	744,033
Public safety	2,005,799	1,949,821	-	-	2,005,799	1,949,821
Public service	702,004	744,284	-	-	702,004	744,284
Public works	308,391	284,218	-	-	308,391	284,218
Highway and streets	666,960	761,847	-	-	666,960	761,847
Interest on long-term debt	14,915	19,427	-	-	14,915	19,427
Water	-	-	1,529,156	1,556,342	1,529,156	1,556,342
Sewer	-	-	1,467,319	1,371,530	1,467,319	1,371,530
Total expenses	4,687,554	4,503,630	2,996,475	2,927,872	7,684,029	7,431,502
Change in net position	(62,976)	272,277	(69,960)	739,937	(132,936)	1,012,214
Net position:						
Beginning of year	15,565,890	15,293,613	7,923,478	7,183,541	23,489,368	22,477,154
Restatement	(3,650,141)	-	(747,619)	-	(4,397,760)	-
	<u>11,915,749</u>	<u>15,293,613</u>	<u>7,175,859</u>	<u>7,183,541</u>	<u>19,091,608</u>	<u>22,477,154</u>
End of year	\$11,852,773	\$15,565,890	\$ 7,105,899	\$ 7,923,478	\$18,958,672	\$23,489,368

There was a decrease of \$3,713,117 in net position reported in connection with the City's governmental activities, which is a result of the restatement of \$3,650,141 related to the implementation of GASB 68 plus a negative change in net position of \$62,976. The negative change in net position can be attributed to numerous financial factors including: decrease in charges for services related to building permit revenue, police fines and penalties and interest along with an increase in employee union expenditures and investment in vehicles and buildings netted with increases in Act 51 revenues and essential services assessment revenues.

There was a decrease of \$817,579 in net position reported in connection with the City's business-type activities, which is a result of the restatement of \$747,619 related to the implementation of GASB 68 plus a negative change in net position of \$69,960. The negative change in net position can be attributed to numerous financial factors including: reduction in substantial Federal grant revenues through the DWRF grant/loan, increase in pension expense related to GASB 68 netted with increases in tap-in fees.

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities decreased the City's net position by \$3,713,117. Key elements of this decrease are as follows:

- Implementation of GASB 68
- Reduction of cash and cash equivalents
- Increase in accounts receivable due to after year collections
- Increase in internal balances due to decrease in transfers at year end
- Increase in Fire Commission investment
- Decrease in parks and recreation investment
- Increase in vehicle and building investment
- Decrease in long term debt liabilities due in more than one year attributed to 2001 Major Transportation bond

Business-type Activities. Business-type activities decreased the City's net position by \$817,579. The key element of this decrease was due to the implementation of GASB 68.

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 \$3,816,645, an increase of \$241,695 in comparison with the prior year. This increase was due to addition of fund balance in preparation for major and local street projects and addition of due from other business activities funds and increase in prepaid items netted with decreases in cash and cash equivalents and accounts receivables. \$3,016,455 of the governmental fund balance 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 \$16,164, while total fund balance is \$3,032,619. 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 80 percent of total general fund expenditures.

The fund balance of the City's General Fund increased by \$14,517 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 and street projects.
- Non-completion of the Master Plan and Personnel Handbook review.

The Major Streets Fund had an increase in fund balance from the prior year of \$204,178 to the current year ending total of \$540,370. The fund balance was increased due to Act 51 revenues and planning for FY 2017 street projects.

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

The nonmajor funds include the Local Streets Special Revenue Fund and 2001 Transportation Bond Debt Service Fund and with fund balances of \$243,656 and \$0, respectively. The fund balance was increased due to Act 51 revenues and planning for FY 2017 street projects.

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 \$44,439 to \$5,294,437. Unrestricted deficit is \$162,977. This decrease in the Water Fund is due to increase of pension expense related to the implementation of GASB 68 and increase in operating supplies for the water plants. The Sewer Fund's net position was decreased by \$55,026, to \$1,970,840. Unrestricted net position is \$735,895. The decrease in the Sewer Fund is due to increase in pension expense related to the implementation of GASB 68 and increased treatment charges issued by Genesee County.

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. 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 \$14,517 was seen, mostly due to general government, public works, and public safety expenditure realignments. All other departments reduced expenditures in response to increasing health insurance and operational costs.

The General Fund's final budget was balanced with revenues equal to expenditures and the actual increase in fund balance was \$14,517. Significant changes in budgetary variances are as follows:

- Tax revenues of \$50,939 reflected a positive budgetary variance existed due to the essential services assessment repayments.
- Bond proceeds revenues of \$42,200 reflected a negative budgetary variance existed due to reclassification of Brownfield bond expenditures payment.
- Building permit revenues of \$34,943 reflected a negative budgetary variance due to proposed developments not filing building permits timely within the fiscal year.
- Local and Major Street expenditures of \$40,707 reflected a negative budgetary variance due to a mild winter and repair and reduced maintenance schedule preparing for next fiscal year's street projects.
- Intergovernmental revenue had a negative budgetary variance of \$15,971. The majority of this relates to the State of Michigan Revenue Sharing grant revenue increase.
- Penalties and interest of \$8,717 had a negative budgetary variance. Taxpayers are paying their summer bills on time, rather than absorb the penalties and interest of late payments.
- Expenditures had an overall positive budgetary variance of \$188,142 of which the greatest portions related to public safety (\$48,065), general government (\$42,254), public service (\$23,291), and public works (\$11,396). General government budgeted expenditures decreased for all departments with the largest decreases relating to wages, employee benefits and buildings and grounds. Public safety expenditures decreased due to planned systems repair expenditure not completed. General government expenditures decreased due to Brownfield employee benefit reductions reclassification.

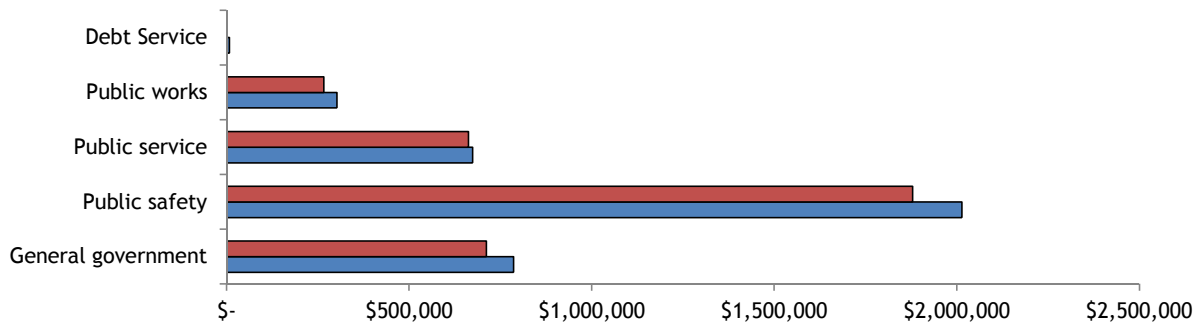
CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

During the year, there was a \$14,517 decrease in appropriations between the original and final amended budget. Following are the main components of the change:

- \$50,939 increase in essential services assessment revenue
- \$15,900 decrease in intergovernmental State revenue
- \$40,000 decrease in Local and Major Street wages and equipment rental revenue
- \$34,900 increase in building permit revenue
- \$12,000 increase in garbage collection revenue
- \$42,000 decrease in Brownfield expenditures
- \$13,000 decrease in legal services
- \$12,500 decrease in Finance/Treasury wages
- \$16,000 decrease in street lighting due to LED lights
- \$23,000 increase in police sworn wages
- \$33,400 decrease in systems repair

General Fund Expenditures



	General government	Public safety	Public service	Public works	Debt Service
2015	\$711,493	\$1,878,663	\$662,355	\$266,607	\$368
2016	\$786,603	\$2,014,115	\$674,129	\$302,421	\$8,550

Capital Asset and Debt Administration

At May 31, 2016, the City of Grand Blanc's net investment in capital assets for the governmental and business-type activities amounted to \$17,985,002. 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 increased \$38,482 due to DWRP project, Grand Blanc Road/Saginaw Street intersection project and SAW grant activities.

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

- Grand Blanc Road/Saginaw Street Intersection Update
- Water automatic read system, water main looping, water main construction and water tower painting
- Stormwater and Sanitary sewer GIS assessment

CITY OF GRAND BLANC, MICHIGAN

Management's Discussion and Analysis

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

At May 31, 2016, the City had \$311,391 in outstanding bonds, notes, capital leases, and compensated absences for governmental activities and \$3,219,318 in outstanding bonds and compensated absences for business-type activities. Governmental activities long-term debt decreased from prior year due to payments made to reduce debt. Business-type activities long-term debt increased from prior year due to DWRP and SAW loans initiated in the current fiscal year.

Additional information on the City's long-term debt can be found in the notes to financial statements.

Economic Factors and Next Year's Budget and Rates

- The average annual unemployment rate for the City for May 2016 was 5.00%, which is a decrease from 5.40% a year ago. This is above the State's average annual unemployment rate of 4.90%, the Nation's same rate.
- Property values have experienced sales closer to SEV, which allows for increased revenue when the property is sold. Properties have been selling fast in the City.
- Inflationary trends in the region compare favorably to national indices.

The City considered these factors in preparing the City's budget for the 2017 fiscal year.

During the current fiscal year, unassigned fund balance in the General Fund was \$3,016,455. The City has appropriated \$4,041,080 in the 2017 fiscal year budget. The 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 2016 fiscal year.

Requests for Information

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors an 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/City Manager's or Clerks' Office, 203 E. Grand Blanc Road, Grand Blanc, Michigan, 48439, 810-694-1118.

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BASIC FINANCIAL STATEMENTS

CITY OF GRAND BLANC, MICHIGAN

Statement of Net Position

May 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 816,188	\$ 970,097	\$ 1,786,285	\$ 131,596
Investments	2,614,921	500,000	3,114,921	-
Receivables	481,036	500,226	981,262	2,088
Internal balances	493,143	(493,143)	-	-
Other assets	16,164	1,944	18,108	-
Investment in joint ventures:				
Fire commission	586,132	-	586,132	-
Parks and recreation commission	206,140	-	206,140	-
Net other postemployment benefits asset	-	42,082	42,082	-
Capital assets not being depreciated	3,618,680	2,012,859	5,631,539	-
Capital assets being depreciated, net	7,925,616	7,867,393	15,793,009	-
Total assets	16,758,020	11,401,458	28,159,478	133,684
Deferred outflows of resources				
Deferred pension amounts	1,231,069	252,145	1,483,214	-
Liabilities				
Accounts payable and accrued liabilities	303,490	259,798	563,288	56,697
Unearned revenue	5,137	159	5,296	-
Long-term liabilities:				
Due within one year	265,063	323,455	588,518	-
Due in more than one year	46,328	2,895,863	2,942,191	570,000
Net pension liability	5,216,447	1,068,429	6,284,876	-
Net other postemployment benefits obligation	299,851	-	299,851	-
Total liabilities	6,136,316	4,547,704	10,684,020	626,697
Net position				
Net investment in capital assets	11,292,643	6,692,359	17,985,002	-
Restricted for highways and streets	784,026	-	784,026	-
Unrestricted (deficit)	(223,896)	413,540	189,644	(493,013)
Total net position	\$ 11,852,773	\$ 7,105,899	\$ 18,958,672	\$ (493,013)

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, 2016

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	\$ 989,485	\$ 322,778	\$ -	\$ -	\$ (666,707)
Public safety	2,005,799	212,450	-	-	(1,793,349)
Public service	702,004	315,306	-	-	(386,698)
Public works	308,391	81,833	-	-	(226,558)
Highways and streets	666,960	-	649,855	-	(17,105)
Interest on long-term debt	14,915	-	-	-	(14,915)
Total governmental activities	4,687,554	932,367	649,855	-	(3,105,332)
Business-type activities:					
Water	1,529,156	1,268,265	-	25,300	(235,591)
Sewer	1,467,319	1,423,287	189	-	(43,843)
Total business-type activities	2,996,475	2,691,552	189	25,300	(279,434)
Total primary government	\$ 7,684,029	\$ 3,623,919	\$ 650,044	\$ 25,300	\$ (3,384,766)
Component units					
Brownfield Redevelopment Authority	\$ 583,437	\$ -	\$ -	\$ -	\$ (583,437)
Downtown Development Authority	4,756	-	-	-	(4,756)
Total component units	\$ 588,193	\$ -	\$ -	\$ -	\$ (588,193)

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CITY OF GRAND BLANC, MICHIGAN

Statement of Activities

For the Year Ended May 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (3,105,332)	\$ (279,434)	\$ (3,384,766)	\$ (588,193)
General revenues:				
Property taxes	2,379,405	210,804	2,590,209	26,767
Grants and contributions not restricted to specific programs	669,029	-	669,029	-
Unrestricted investment earnings (loss)	(8,315)	907	(7,408)	99
Transfers - internal activities	2,237	(2,237)	-	-
Total general revenues	3,042,356	209,474	3,251,830	26,866
Change in net position	(62,976)	(69,960)	(132,936)	(561,327)
Net position, beginning of year, as restated	11,915,749	7,175,859	19,091,608	68,314
Net position, end of year	\$ 11,852,773	\$ 7,105,899	\$ 18,958,672	\$ (493,013)

concluded.

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

CITY OF GRAND BLANC, MICHIGAN

Balance Sheet

Governmental Funds

May 31, 2016

	General Fund	Major Streets Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 341,542	\$ 133,592	\$ 341,054	\$ 816,188
Investments	2,314,921	200,000	100,000	2,614,921
Receivables:				
Accounts	187,767	25,542	195	213,504
Taxes	103,666	4,520	1,292	109,478
Due from other funds	616,084	182,247	-	798,331
Advance from other funds	-	112,445	-	112,445
Due from other governmental units	-	56,707	24,565	81,272
Inventories	10,361	-	-	10,361
Prepays	5,803	-	-	5,803
Total assets	\$ 3,580,144	\$ 715,053	\$ 467,106	\$ 4,762,303
Liabilities				
Accounts payable	\$ 97,572	\$ 21,551	\$ 2,750	\$ 121,873
Accrued liabilities	157,008	-	-	157,008
Advance to other funds	112,445	-	-	112,445
Due to other governments	8,917	-	-	8,917
Due to other funds	166,446	153,132	220,700	540,278
Unearned revenue	5,137	-	-	5,137
Total liabilities	547,525	174,683	223,450	945,658
Fund balances				
Nonspendable:				
Inventories	10,361	-	-	10,361
Prepays	5,803	-	-	5,803
Restricted for highways and streets	-	540,370	243,656	784,026
Unassigned	3,016,455	-	-	3,016,455
Total fund balances	3,032,619	540,370	243,656	3,816,645
Total liabilities and fund balances	\$ 3,580,144	\$ 715,053	\$ 467,106	\$ 4,762,303

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, 2016

Fund balances - total governmental funds	\$ 3,816,645
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 funds.	
Capital assets not being depreciated	3,618,680
Capital assets being depreciated, net	7,587,049
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	74,856
Other long-term assets are not available to pay for current year expenditures and therefore, not recorded in the funds.	
Investments in joint ventures	792,272
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(5,216,447)
Deferred outflows related to the net pension liability	1,231,069
Internal service funds are used by management to charge the costs of certain activities, such as equipment costs, to individual funds. Assets and liabilities of the internal service fund are included in governmental activities.	
Net position of governmental activities accounted for in the internal service fund	331,846
Net position allocated to business-type activities from governmental activities internal service fund	159,378
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds, notes and capital leases payable	(180,503)
Accrued interest on long-term debt	(2,483)
Other postemployment benefits obligation	(299,851)
Compensated absences	(59,738)
Net position of governmental activities	<u>\$ 11,852,773</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, 2016

	General Fund	Major Streets Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,192,442	\$ 146,085	\$ 41,738	\$ 2,380,265
Licenses and permits	257,670	-	-	257,670
Intergovernmental - State	669,029	486,427	163,428	1,318,884
Charges for services	566,134	-	-	566,134
Fines and forfeitures	11,964	-	-	11,964
Interest and rentals	10,109	346	96	10,551
Other revenue	96,599	-	-	96,599
Total revenues	3,803,947	632,858	205,262	4,642,067
Expenditures				
Current:				
General government	786,603	-	-	786,603
Public safety	2,014,115	-	-	2,014,115
Public service	674,129	-	-	674,129
Public works	302,421	-	-	302,421
Highways and streets	-	354,669	82,262	436,931
Debt service:				
Principal	8,550	-	175,000	183,550
Interest and fiscal charges	-	-	11,456	11,456
Total expenditures	3,785,818	354,669	268,718	4,409,205
Revenues over (under) expenditures	18,129	278,189	(63,456)	232,862
Other financing sources (uses)				
Transfers in	102,237	112,445	186,456	401,138
Transfers out	(112,445)	(186,456)	(100,000)	(398,901)
Loan issuance	6,596	-	-	6,596
Total other financing sources (uses)	(3,612)	(74,011)	86,456	8,833
Net change in fund balances	14,517	204,178	23,000	241,695
Fund balances, beginning of year	3,018,102	336,192	220,656	3,574,950
Fund balances, end of year	\$ 3,032,619	\$ 540,370	\$ 243,656	\$ 3,816,645

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, 2016

Net change in fund balances - total governmental funds	\$ 241,695
Amounts reported for <i>governmental activities</i> 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	427,219
Depreciation expense	(539,618)
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	(18,866)
Net change in delinquent property taxes receivable	(860)
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, notes and capital lease payable	183,550
Loan issuance	(6,596)
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	2,475
Change in the accrual for compensated absences	13,661
Change in obligation for other postemployment benefits	(43,196)
Change in net pension liability and related deferred amounts	(335,237)
An internal service fund is used by management to charge the costs of certain services to individual funds. The net revenue (expense) attributable to those funds is reported with governmental activities.	
Change in net position from governmental activities in internal service funds	42,302
Change in net position from governmental activities accounted for in internal service fund charged to business-type activities	(29,505)
Change in net position of governmental activities	<u>\$ (62,976)</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 Balance

Budget and Actual - General Fund

For the Year Ended May 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 2,081,300	\$ 2,150,085	\$ 2,192,442	\$ 42,357
Licenses and permits	225,500	287,500	257,670	(29,830)
Intergovernmental - State	650,300	685,000	669,029	(15,971)
Charges for services	538,600	583,050	566,134	(16,916)
Fines and forfeitures	22,000	20,000	11,964	(8,036)
Interest and rentals	12,500	9,700	10,109	409
Other revenue	105,700	99,700	96,599	(3,101)
Total revenues	3,635,900	3,835,035	3,803,947	(31,088)
Expenditures				
Current:				
General government:				
Administration	144,568	188,543	146,289	(42,254)
City manager	157,450	151,905	139,298	(12,607)
Elections	4,475	5,570	5,315	(255)
Finance director	108,845	135,700	115,710	(19,990)
Assessor	58,275	58,275	57,989	(286)
City clerk	-	46,300	40,843	(5,457)
City treasurer	41,360	-	-	-
City hall	64,500	74,600	66,522	(8,078)
City property	18,100	51,000	46,047	(4,953)
Retirement benefits	160,000	180,100	168,590	(11,510)
Total general government	757,573	891,993	786,603	(105,390)
Public safety:				
Police department	1,904,120	1,960,760	1,921,572	(39,188)
Building inspection	60,270	101,420	92,543	(8,877)
Total public safety	1,964,390	2,062,180	2,014,115	(48,065)
Public service	697,470	697,420	674,129	(23,291)
Public works	295,010	313,817	302,421	(11,396)
Debt service:				
Principal	7,457	8,550	8,550	-

continued...

CITY OF GRAND BLANC, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended May 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Total expenditures	\$ 3,721,900	\$ 3,973,960	\$ 3,785,818	\$ (188,142)
Revenues over (under) expenditures	(86,000)	(138,925)	18,129	157,054
Other financing sources (uses)				
Transfers in	100,000	100,000	102,237	2,237
Transfers out	-	(112,445)	(112,445)	-
Loan issuance	-	42,400	6,596	(35,804)
Total other financing sources (uses)	100,000	29,955	(3,612)	(33,567)
Net change in fund balance	14,000	(108,970)	14,517	123,487
Fund balance, beginning of year	3,018,102	3,018,102	3,018,102	-
Fund balance, end of year	\$ 3,032,102	\$ 2,909,132	\$ 3,032,619	\$ 123,487

concluded.

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 Balance
 Budget and Actual - Major Streets Special Revenue Fund
 For the Year Ended May 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 143,500	\$ 143,000	\$ 146,085	\$ 3,085
Intergovernmental - State	378,500	430,340	486,427	56,087
Interest	5	-	346	346
Total revenues	522,005	573,340	632,858	59,518
Expenditures				
Current -				
Highways and streets	195,000	371,745	354,669	(17,076)
Revenues over expenditures	327,005	201,595	278,189	76,594
Other financing sources (uses)				
Transfers in	-	112,445	112,445	-
Transfers out	(186,000)	(225,900)	(186,456)	(39,444)
Total other financing sources (uses)	(186,000)	(113,455)	(74,011)	(39,444)
Net change in fund balances	141,005	88,140	204,178	116,038
Fund balance, beginning of year	336,192	336,192	336,192	-
Fund balance, end of year	\$ 477,197	\$ 424,332	\$ 540,370	\$ 116,038

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, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 816,040	\$ 154,057	\$ 970,097	\$ -
Investments	100,000	400,000	500,000	-
Accounts receivables	498,748	1,478	500,226	1,926
Prepays	1,296	648	1,944	-
Due from other funds	9,840	766,008	775,848	75,712
Total current assets	1,425,924	1,322,191	2,748,115	77,638
Noncurrent assets:				
Net other postemployment benefits asset	37,564	4,518	42,082	-
Capital assets not being depreciated	1,826,462	186,397	2,012,859	-
Capital assets being depreciated, net	6,331,629	1,535,764	7,867,393	338,567
Total noncurrent assets	8,195,655	1,726,679	9,922,334	338,567
Total assets	9,621,579	3,048,870	12,670,449	416,205
Deferred outflows of resources				
Deferred pension amounts	133,489	118,656	252,145	-
Liabilities				
Current liabilities:				
Accounts payable	61,915	153,447	215,362	12,733
Accrued liabilities	17,535	12,951	30,486	-
Accrued interest on long-term debt	11,920	2,030	13,950	476
Unearned revenue	-	159	159	-
Due to other funds	1,083,908	25,705	1,109,613	-
Compensated absences, current portion	12,218	6,237	18,455	-
Capital lease payable, current portion	-	-	-	34,869
Bonds payable, current portion	280,000	25,000	305,000	-
Total current liabilities	1,467,496	225,529	1,693,025	48,078

continued...

CITY OF GRAND BLANC, MICHIGAN

Statement of Net Position
 Proprietary Funds
 May 31, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Noncurrent liabilities:				
Compensated absences, net of current portion	\$ 6,819	\$ 6,151	\$ 12,970	\$ -
Capital lease payable, net of current portion	-	-	-	36,281
Bonds payable, net of current portion	2,420,677	462,216	2,882,893	-
Net pension liability	565,639	502,790	1,068,429	-
Total noncurrent liabilities	<u>2,993,135</u>	<u>971,157</u>	<u>3,964,292</u>	<u>36,281</u>
Total liabilities	<u>4,460,631</u>	<u>1,196,686</u>	<u>5,657,317</u>	<u>84,359</u>
Net position				
Net investment in capital assets	5,457,414	1,234,945	6,692,359	267,417
Unrestricted (deficit)	<u>(162,977)</u>	<u>735,895</u>	<u>572,918</u>	<u>64,429</u>
Total net position	<u>\$ 5,294,437</u>	<u>\$ 1,970,840</u>	<u>7,265,277</u>	<u>\$ 331,846</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (159,378)

Net position of business-type activities \$ 7,105,899

concluded.

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, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating revenues				
Charges for services	\$ 1,066,241	\$ 1,377,077	\$ 2,443,318	\$ 273,944
State grants	-	189	189	-
Rentals	161,825	-	161,825	1,200
Parts and service	21,361	25,300	46,661	-
Penalties	18,838	20,910	39,748	-
Total operating revenues	1,268,265	1,423,476	2,691,741	275,144
Operating expenses				
Salaries and fringe benefits	478,945	376,262	855,207	-
Operating supplies	340,387	26,169	366,556	-
Maintenance and repairs	16,026	11,115	27,141	92,370
Utilities	201,925	17,275	219,200	-
Sewage disposal service	-	786,153	786,153	-
Depreciation	275,763	140,952	416,715	99,894
Insurance	58,355	41,076	99,431	37,036
Miscellaneous	11,587	18,351	29,938	83
Equipment rental	98,875	60,875	159,750	-
Sewer back up	-	335	335	-
Total operating expenses	1,481,863	1,478,563	2,960,426	229,383
Operating income (loss)	(213,598)	(55,087)	(268,685)	45,761
Nonoperating revenues (expenses)				
Taxes	210,804	-	210,804	-
Interest income	100	807	907	-
Interest expense	(65,554)	-	(65,554)	(3,459)
Total nonoperating revenues (expenses)	145,350	807	146,157	(3,459)

continued...

CITY OF GRAND BLANC, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended May 31, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Income (loss) before capital contributions and transfers out	\$ (68,248)	\$ (54,280)	\$ (122,528)	\$ 42,302
Capital contribution	25,300	-	25,300	-
Transfers out	(1,491)	(746)	(2,237)	-
Change in net position	(44,439)	(55,026)	(99,465)	42,302
Net position, beginning of year, as restated	5,338,876	2,025,866		289,544
Net position, end of year	<u>\$ 5,294,437</u>	<u>\$ 1,970,840</u>		<u>\$ 331,846</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>29,505</u>	
Change in net position of business-type activities			<u>\$ (69,960)</u>	

concluded.

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, 2016

	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	\$ 2,273,515	\$ 952,881	\$ 3,226,396	\$ 259,028
Payments to employees	(439,988)	(339,155)	(779,143)	-
Payments to suppliers	(1,009,395)	(959,109)	(1,968,504)	(118,163)
Net cash provided by (used in) operating activities	824,132	(345,383)	478,749	140,865
Cash flows from noncapital financing activities				
Taxes	210,804	-	210,804	-
Cash flows from capital and related financing activities				
Capital contribution	25,300	-	25,300	-
Principal paid on bonds and notes payable	(270,872)	(25,000)	(295,872)	(33,512)
Transfers out	(1,491)	(746)	(2,237)	-
Proceeds from issuance of long-term debt	459,312	-	459,312	-
Interest paid on bonds and notes payable	(63,000)	(104)	(63,104)	(3,681)
Acquisition and construction of capital assets	(516,290)	(500)	(516,790)	(103,672)
Net cash used in capital and related financing activities	(367,041)	(26,350)	(393,391)	(140,865)
Cash flows from investing activities				
Interest received on investments	104	807	911	-
Net increase (decrease) in cash and cash equivalents	667,999	(370,926)	297,073	-
Cash and cash equivalents, beginning of year	148,041	524,983	673,024	-
Cash and cash equivalents, end of year	\$ 816,040	\$ 154,057	\$ 970,097	\$ -

continued...

CITY OF GRAND BLANC, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended May 31, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (213,598)	\$ (55,087)	\$ (268,685)	\$ 45,761
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	275,763	140,952	416,715	99,894
Change in operating assets and liabilities that provided (used) cash:				
Accounts receivables	248,271	(997)	247,274	396
Due from other funds	(9,771)	(495,319)	(505,090)	(16,512)
Prepaid items	1,906	953	2,859	-
Net other postemployment asset	(13,623)	-	(13,623)	-
Accounts payable	(270,523)	1,287	(269,236)	11,326
Accrued liabilities	5,573	4,335	9,908	-
Unearned revenue	(32)	16	(16)	-
Due to other funds	766,782	25,705	792,487	-
Compensated absences	(2,968)	459	(2,509)	-
Net pension liability and deferred amounts	36,352	32,313	68,665	-
Net cash provided by (used in) operating activities	\$ 824,132	\$ (345,383)	\$ 478,749	\$ 140,865

concluded.

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

CITY OF GRAND BLANC, MICHIGAN

Statement of Fiduciary Assets and Liabilities Tax Collection Agency Fund May 31, 2016

Assets	
Taxes receivable	<u>\$ 78,085</u>
Liabilities	
Due to other governmental units	<u>\$ 78,085</u>

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

CITY OF GRAND BLANC, MICHIGAN

Combining Statement of Net Position
 Discretely Presented Component Units
 May 31, 2016

	Brownfield Redevelopment Authority	Downtown Development Authority	Total
Assets			
Cash	\$ 69,832	\$ 61,764	131,596
Loan receivable	-	2,088	2,088
	<u>69,832</u>	<u>63,852</u>	<u>133,684</u>
Liabilities			
Accounts payable	51,982	202	52,184
Accrued liabilities	4,513	-	4,513
Long-term liabilities - Due in more than one year	570,000	-	570,000
	<u>626,495</u>	<u>202</u>	<u>626,697</u>
Total liabilities			
	<u>626,495</u>	<u>202</u>	<u>626,697</u>
Net position			
Unrestricted (deficit)	<u>\$ (556,663)</u>	<u>\$ 63,650</u>	<u>\$ (493,013)</u>

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

CITY OF GRAND BLANC, MICHIGAN

Combining Statement of Activities Discretely Presented Component Units For the Year Ended May 31, 2016

	Brownfield Redevelopment Authority	Downtown Development Authority	Total
Expenses			
Brownfield redevelopment	\$ 583,437	\$ -	\$ 583,437
Downtown development	-	4,756	4,756
Total expenses	583,437	4,756	588,193
General revenues			
Taxes	26,767	-	26,767
Unrestricted investment earnings	7	92	99
Total general revenues	26,774	92	26,866
Change in net assets	(556,663)	(4,664)	(561,327)
Net position, beginning of year	-	68,314	68,314
Net position, end of year	\$ (556,663)	\$ 63,650	\$ (493,013)

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

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 presented as a fund in the City's financial statements.

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. 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.

Brownfield Redevelopment Authority - The members of the governing Board of the Brownfield Redevelopment Authority are appointed by the City Council. The budgets and expenditures of the Brownfield Redevelopment Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Brownfield Redevelopment Authority. Financial statements of the Brownfield Redevelopment 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 Grand Blanc Charter Township and the City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$104,935 for its operations. The City's equity interest of \$586,132 is recorded in the governmental activities column of the statement of net position. Complete financial statements for the Grand Blanc Community Fire Commission can be obtained from its administrative office.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

The City is a member of the Grand Blanc Parks and Recreation Commission, which provides recreational services to the residents of Grand Blanc Charter Township and the City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$112,875 for its operations. The City's equity interest of \$206,140 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 its administrative office.

The City is a member of the Grand Blanc District Library Commission, which provides library services to the residents of Grand Blanc Charter Township and the City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$34,417 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 its administrative office.

Administrative Offices

Grand Blanc Community 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.

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.

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.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

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, 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.

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.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

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 receivables are reported at their gross value.

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.

Other assets

Inventories recorded in the General Fund are accounted for at cost. All inventories are valued at cost using the first-in/first-out method.

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.

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.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

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 represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources related to its pension plan for the difference between expected and actual investment returns, changes in assumptions, and changes in benefits provided to pension plan participants.

Unearned revenue

Unearned revenue consists of amounts received prior to the delivery of goods/service or expenditure on allowable costs.

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 33 percent for police and 25 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.

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.

The City Council has adopted a minimum fund balance policy in which the General Fund's budget 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 expenditures, except in the case of emergency or financial distress.

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, assigned, and finally unassigned fund balance.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Property taxes

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 2015 levy had a taxable value of \$209,869,982. The City's charter allows a levy of up to 20 mills. The City levied for 2015 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 street millage is recorded in the Major Streets Fund.

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.

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.

CITY OF GRAND BLANC, MICHIGAN

Notes to 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. DEPOSITS AND INVESTMENTS

Following is a reconciliation of cash, cash equivalents and investment balances as of May 31, 2016:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 1,786,285	\$ 131,596	\$ 1,917,881
Investments	3,114,921	-	3,114,921
Total	\$ 4,901,206	\$ 131,596	\$ 5,032,802
Deposits and investments			
Bank deposits -			
Checking and savings accounts			\$ 1,917,206
Investments - pooled certificates of deposit due within one year			3,114,921
Cash on hand			675
Total			\$ 5,032,802

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, \$1,669,786 of the City's bank balance of \$5,034,714 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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. The City does not have any investments that would be subject to credit risk at year end.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

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. The City does not have any investments that would be subject to interest rate risk at year end.

4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 215,430	\$ 500,226	\$ -
Loan	-	-	2,088
Taxes (current)	109,478	-	-
Taxes (delinquent)	74,856	-	-
Intergovernmental	81,272	-	-
	<u>\$ 481,036</u>	<u>\$ 500,226</u>	<u>\$ 2,088</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 134,606	\$ 215,362	\$ 50,783
Accrued liabilities	157,008	30,486	4,513
Intergovernmental	8,917	-	1,401
Accrued interest on long-term debt	2,959	13,950	-
	<u>\$ 303,490</u>	<u>\$ 259,798</u>	<u>\$ 56,697</u>

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of May 31, 2016, was as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 616,084	\$ 166,446
Major Streets Fund	182,247	153,132
Nonmajor governmental funds	-	220,700
Water Fund	9,840	1,083,908
Sewer Fund	766,008	25,705
Internal service fund	75,712	-
	<u>\$ 1,649,891</u>	<u>\$ 1,649,891</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.

For the year ended May 31, 2016, interfund transfers consisted of the following:

Transfers Out	Transfers In			
	General Fund	Major Streets	Nonmajor Governmental Funds	Totals
General Fund	\$ -	\$ 112,445	\$ -	\$ 112,445
Major Streets	-	-	186,456	186,456
Nonmajor governmental funds	100,000	-	-	100,000
Water Fund	1,491	-	-	1,491
Sewer Fund	746	-	-	746
	<u>\$ 102,237</u>	<u>\$ 112,445</u>	<u>\$ 186,456</u>	<u>\$ 398,901</u>

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

Transfers of \$186,456 were used to move receipts restricted for debt service from the Major Streets Fund, which collected the receipts to the 2001 transportation bond debt service fund as debt service payments became due.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended May 31, 2016, 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	49,997	55,944	-	(35,346)	70,595
	<u>3,598,082</u>	<u>55,944</u>	<u>-</u>	<u>(35,346)</u>	<u>3,618,680</u>
Capital assets, being depreciated:					
Infrastructure	9,296,708	135,921	-	35,346	9,467,975
Improvements other than buildings	541,569	-	-	-	541,569
Buildings and improvement	3,273,615	-	-	-	3,273,615
Machinery and equipment	2,053,281	339,026	(113,992)	-	2,278,315
	<u>15,165,173</u>	<u>474,947</u>	<u>(113,992)</u>	<u>35,346</u>	<u>15,561,474</u>
Less accumulated depreciation for:					
Infrastructure	(2,675,247)	(421,894)	-	-	(3,097,141)
Improvements other than buildings	(479,651)	(7,467)	-	-	(487,118)
Buildings and improvement	(2,297,065)	(92,360)	-	-	(2,389,425)
Machinery and equipment	(1,658,375)	(117,791)	113,992	-	(1,662,174)
	<u>(7,110,338)</u>	<u>(639,512)</u>	<u>113,992</u>	<u>-</u>	<u>(7,635,858)</u>
Total capital assets being depreciated, net	<u>8,054,835</u>	<u>(164,565)</u>	<u>-</u>	<u>35,346</u>	<u>7,925,616</u>
Governmental activities capital assets, net	<u>\$ 11,652,917</u>	<u>\$ (108,621)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,544,296</u>

At May 31, 2016, the City's governmental activities had outstanding commitments through construction contracts of \$490,003.

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	\$ 1,345,688	\$ 472,051	\$ -	\$ -	\$ 1,817,739
Land	11,400	-	-	-	11,400
Land improvements	183,720	-	-	-	183,720
	<u>1,540,808</u>	<u>472,051</u>	<u>-</u>	<u>-</u>	<u>2,012,859</u>
Capital assets, being depreciated:					
Improvements other than buildings	7,280,737	-	-	-	7,280,737
Buildings and improvements	4,730,866	-	-	-	4,730,866
Machinery and equipment	7,437,511	44,739	-	-	7,482,250
	<u>19,449,114</u>	<u>44,739</u>	<u>-</u>	<u>-</u>	<u>19,493,853</u>
Less accumulated depreciation for:					
Improvements other than buildings	(5,844,390)	(165,419)	-	-	(6,009,809)
Buildings and improvements	(1,887,839)	(94,713)	-	-	(1,982,552)
Machinery and equipment	(3,477,516)	(156,583)	-	-	(3,634,099)
	<u>(11,209,745)</u>	<u>(416,715)</u>	<u>-</u>	<u>-</u>	<u>(11,626,460)</u>
Total capital assets being depreciated, net	<u>8,239,369</u>	<u>(371,976)</u>	<u>-</u>	<u>-</u>	<u>7,867,393</u>
Business-type activities capital assets, net	<u>\$ 9,780,177</u>	<u>\$ 100,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,880,252</u>

At May 31, 2016, the City's business-type activities had outstanding commitments through construction contracts of \$427,823.

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

Depreciation of governmental activities by function	
General government	\$ 57,415
Public service	57,908
Public works	2,401
Highways and streets	421,894
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets	99,894
	<u>\$ 639,512</u>
Depreciation of business-type activities by function	
Water	\$ 275,763
Sewer	140,952
	<u>\$ 416,715</u>

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

8. LONG-TERM DEBT

Long-term debt activity for the year ended May 31, 2016, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
2001 Michigan Transportation Bonds, \$1,500,000, final annual installment of \$175,000 is due August 1, 2016, interest at 2.00%	\$ 350,000	\$ -	\$ (175,000)	\$ 175,000	\$ 175,000
Capital lease - 2015 International Dump Truck, due in quarterly installments of \$8,254 to \$9,114 through April 1, 2018, interest at 3.99%	104,662	-	(33,512)	71,150	34,869
2015 BS&A Payroll Software, payable in annual installments of \$3,728 through May 31, 2017	7,457	-	(7,457)	-	-
2016 Copier capital lease payable in monthly installments of \$124 through June 1, 2021	-	6,596	(1,093)	5,503	1,249
Total installment debt	462,119	6,596	(217,062)	251,653	211,118
Compensated absences	73,399	119,446	(133,107)	59,738	53,945
Total governmental activities	\$ 535,518	\$ 126,042	\$ (350,169)	\$ 311,391	\$ 265,063

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	\$ 1,725,000	\$ -	\$ (195,000)	\$ 1,530,000	\$ 200,000
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	275,010	-	(35,000)	240,010	35,000
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	232,082	-	(10,000)	222,082	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	280,134	-	(15,000)	265,134	15,000
Drinking Water Revolving Fund Loans, due in annual installments of \$40,872 to \$70,000 through April 1, 2035, interest at 2.50%, payable semi-annually	512,227	459,312	(40,872)	930,667	45,000
Total installment debt	3,024,453	459,312	(295,872)	3,187,893	305,000
Compensated absences	33,934	60,014	(62,523)	31,425	18,455
Total business-type activities	\$ 3,058,387	\$ 519,326	\$ (358,395)	\$ 3,219,318	\$ 323,455

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Component Unit 2015 Brownfield Redevelopment Authority bonds payable in annual installments beginning October 1, 2020 of \$5,000 to \$65,000 through May 31, 2040	\$ -	\$ 570,000	\$ -	\$ 570,000	\$ -

Annual debt service requirements to maturity for long-term debt, excluding compensated absences, are as follows:

Year Ended May 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 211,118	\$ 6,280	\$ 305,000	\$ 76,345
2018	37,592	1,087	310,000	68,626
2019	1,376	112	330,000	59,562
2020	1,444	44	340,000	53,498
2021	123	1	350,000	43,812
2022-2026	-	-	950,010	118,682
2027-2031	-	-	457,216	48,568
2032-2035	-	-	265,000	4,762
	<u>251,653</u>	<u>7,524</u>	<u>3,307,226</u>	<u>473,855</u>
Remaining available to draw	-	-	(119,333)	-
	<u>\$ 251,653</u>	<u>\$ 7,524</u>	<u>\$ 3,187,893</u>	<u>\$ 473,855</u>

Year Ended May 31,	Component Unit	
	Principal	Interest
2017	\$ -	\$ 27,076
2018	-	27,076
2019	-	27,076
2020	-	27,076
2021	5,000	26,957
2022-2026	45,000	130,031
2027-2031	105,000	112,220
2032-2036	185,000	78,257
2037-2040	230,000	23,039
	<u>\$ 570,000</u>	<u>\$ 478,808</u>

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

9. 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.

10. PENSION 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.

During the year, contributions totaling \$14,497 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. Currently there are two participants in the plan. Plan assets do not consist of any employer or related party investments.

Defined Benefit Pension Plan - Michigan Municipal Employees' Retirement System

Plan Description. 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. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

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.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Benefits provided. 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.

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.

Employees Covered by Benefit Terms. As December 31, 2015, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>29</u>
 Total membership	 <u><u>50</u></u>

Contributions. For the fiscal year ended May 31, 2016, the DPW group employees were required to contribute 9.74% of wages, the police command group employees were required to contribute 14.78% of wages, the police employees were required to contribute 6.02% of wages and the administration group employees were required to contribute 11.47% of wages. The employer contributions for these groups ranged from 11.50% to 12.52% of wages.

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Merit and longevity of 0% - 11% and wage inflation of 3.75%
Investment rate of return	8.25%, net of investment expense and including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.75 percent long-term wage inflation assumption would be consistent with a price inflation of 3 - 4 percent.

Mortality rates used were based on a blend of 50% Male and 50% Female of the following tables: the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; the RP-2014 Employee Mortality Tables; and the RP-2014 Juvenile Mortality Tables. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the 2009-2013 five-year experience study. It is anticipated that these assumptions will be updated after every five-year experience study.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.50%	5.02%	2.89%
Global fixed income	20.00%	2.18%	0.44%
Real Assets	12.50%	4.23%	0.53%
Diversifying strategies	10.00%	6.56%	0.64%
	100%		
Inflation			3.50%
Administrative expenses netted above			0.25%
Investment rate of return			8.25%

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2015. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014	\$ 12,436,096	\$ 7,925,760	\$ 4,510,336
Changes for the year:			
Service cost	215,880	-	215,880
Interest	1,002,469	-	1,002,469
Changes in benefits	(52,648)	-	(52,648)
Difference between expected and actual experience	339,272	-	339,272
Changes in assumptions	581,812	-	581,812
Employer contributions	-	284,655	(284,655)
Employee contributions	-	160,444	(160,444)
Net investment income (loss)	-	(115,761)	115,761
Benefit payments, including refunds of employee contributions	(785,797)	(785,797)	-
Administrative expense	-	(17,093)	17,093
Net changes	<u>1,300,988</u>	<u>(473,552)</u>	<u>1,774,540</u>
Balances at December 31, 2015	<u>\$ 13,737,084</u>	<u>\$ 7,452,208</u>	<u>\$ 6,284,876</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's net pension liability	\$ 7,891,390	\$ 6,284,876	\$ 4,937,877

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended May 31, 2016, the City recognized pension expense of \$687,723. The City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 282,727
Changes in assumptions	484,843
Net difference between projected and actual earnings on pension plan investments	<u>603,902</u>
	1,371,472
Contributions subsequent to the measurement date	<u>111,742</u>
Total	<u>\$ 1,483,214</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total pension liability for the year ending May 31, 2017. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year Ended May 31,	Amount
2017	\$ 304,489
2018	304,489
2019	304,489
2020	304,489
2021	<u>153,516</u>
Total	<u>\$ 1,371,472</u>

Payable to the Pension Plan. At May 31, 2016, the City reported a payable of \$20,656 for the outstanding amount of contributions to the pension plan required for the year ended May 31, 2016.

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The City of Grand Blanc offers a defined benefit healthcare plan, established by the City Council, to its employees. 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. 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.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

Membership of the Plan consisted of the following at May 31, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	16
Active plan members	<u>29</u>
 Total	 <u><u>45</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, 2016, the City contributed \$219,620 to fund the current year premiums for retirees, and an additional \$40,729 that was 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	\$ 289,922
Interest on net OPEB obligation	16,100
Adjustment to annual required contribution	<u>(16,100)</u>
 Net OPEB cost (expense)	 289,922
Contributions made	<u>(260,349)</u>
 Increase in net OPEB obligation	 29,573
Net OPEB obligation, beginning of year	<u>228,196</u>
 Net OPEB obligation, end of year	 <u><u>\$ 257,769</u></u>
 Net OPEB obligation (asset) reconciliation	
Governmental activities	\$ 299,851
Business-type activities	<u>(42,082)</u>
 Net OPEB obligation, end of year	 <u><u>\$ 257,769</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 2016 and the two preceding years were as follows:

Three-Year Trend Information			
Year Ended May 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 236,836	94.9%	\$ 167,484
2015	273,511	77.8%	228,196
2016	289,922	89.8%	257,769

Funded Status and Funding Progress. As of May 31, 2015, the actuarial accrued liability for benefits was \$3,652,291, the actuarial value of assets was \$512,738, and the unfunded actuarial accrued liability was \$3,139,553. The funded ratio was 14.0%. The covered payroll (annual payroll of active employees covered by the plan) was \$2,033,909, and the ratio of unfunded actuarial accrued liability to the covered payroll was 154.4%.

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.

In the May 31, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.0% investment rate of return (net of administrative expenses), which includes a 8.0% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at May 31, 2015, was 30 years.

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 4.90% was used.

Health insurance premiums. Fiscal year 2015 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 4.0%.

Medical care inflation rate. The medical care inflation rate was assumed to be 7.5%.

Investment rate of return. The expected rate of return on investments was assumed to be 6.0%.

12. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

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, 2016 is as follows:

Beginning deficit		\$ (387,200)
Construction permit revenue	80,057	
Expenditures -		
Professional services	<u>(92,542)</u>	
Revenues over expenditures		<u>(12,485)</u>
Ending deficit		<u><u>\$ (399,685)</u></u>

14. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of May 31, 2016, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,618,680	\$ 2,012,859
Capital assets being depreciated, net	<u>7,925,616</u>	<u>7,867,393</u>
	11,544,296	9,880,252
Related debt -		
Total bonds, notes and capital lease payable	<u>(251,653)</u>	<u>(3,187,893)</u>
Net investment in capital assets	<u><u>\$ 11,292,643</u></u>	<u><u>\$ 6,692,359</u></u>

15. RESTATEMENTS

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental, water fund and sewer fund decreased by \$3,650,141, \$395,798, and \$351,821, respectively. The net decrease in beginning net position of the business-type activities was \$747,619.

CITY OF GRAND BLANC, MICHIGAN

Notes to Financial Statements

16. SUBSEQUENT EVENTS

The City is scheduled to close on pension bonds in a total amount of \$5,651,042, plus issuance costs, on September 22, 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND BLANC, MICHIGAN

Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in City's Net Pension Liability and Related Ratios

	Year Ended May 31, 2016
Total pension liability	
Service cost	\$ 215,880
Interest	1,002,469
Changes in benefits	(52,648)
Difference between expected and actual experience	339,272
Changes in assumptions	581,812
Benefit payments, including refunds of employee contributions	(785,797)
Net change in total pension liability	<u>1,300,988</u>
Total pension liability, beginning of year	<u>12,436,096</u>
Total pension liability, end of year	<u>13,737,084</u>
Plan fiduciary net position	
Employer contributions	284,655
Employee contributions	160,444
Net investment income (loss)	(115,761)
Benefit payments, including refunds of employee contributions	(785,797)
Administrative expense	(17,093)
Net change in plan fiduciary net position	<u>(473,552)</u>
Plan fiduciary net position, beginning of year	<u>7,925,760</u>
Plan fiduciary net position, end of year	<u>7,452,208</u>
City's net pension liability	<u>\$ 6,284,876</u>
Plan fiduciary net position as a percentage of total pension liability	54.2%
Covered-employee payroll	<u>\$ 1,856,583</u>
City's net pension liability as a percentage of covered-employee payroll	339%

Notes:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF GRAND BLANC, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the Net Pension Liability

Fiscal Year Ended May 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2016	\$ 13,737,084	\$ 7,452,208	\$ 6,284,876	54.2%	\$ 1,856,583	339%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF GRAND BLANC, MICHIGAN

Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions

Fiscal Year Ended May 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2016	\$ 282,996	\$ 282,996	\$ -	\$ 1,887,087	15.0%

Note: GASB 68 was implemented in fiscal year 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of December 31, which is 5 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll
Remaining amortization period	24 years
Asset valuation method	Open; 10-year smooth market
Inflation	3.0% to 4.0%
Salary increases	4.5% in the long-term (2% and 3% for calendar years, 2015, and 2016, respectively) Merit and Longevity of 0% - 13%
Investment rate of return	8.0%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2011 valuation. The next study is scheduled for 2016.
Mortality	50% Male - 50% Female blend of the 1994 Group Annuity Mortality Table. For disabled retirees, the regular mortality table is used with a 10-year set forward rate.

CITY OF GRAND BLANC, MICHIGAN

Required Supplementary Information

Postemployment Healthcare Plan - Retiree Health

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)
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%
5/31/2015	512,738	3,652,291	3,139,553	14.0%	2,033,909	154.4%

Schedule of Employer Contributions

Year Ended May 31,	Annual Required Contributions	Percentage Contributed
2014	\$ 252,438	89.0%
2015	273,511	77.8%
2016	289,922	89.8%

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

CITY OF GRAND BLANC, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Fund

Local Streets - 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.

Debt Service Fund

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, 2016

	Special Revenue Fund	Debt Service Fund	
	Local Streets	2001 Transportation Bond Debt Service	Total
Assets			
Cash and cash equivalents	\$ 341,054	\$ -	\$ 341,054
Investments	100,000	-	100,000
Receivables:			
Accounts	195	-	195
Taxes	1,292	-	1,292
Due from other governmental units	24,565	-	24,565
Total assets	\$ 467,106	\$ -	\$ 467,106
Liabilities			
Accounts payable	\$ 2,750	\$ -	\$ 2,750
Due to other funds	220,700	-	220,700
Total liabilities	223,450	-	223,450
Fund balances			
Restricted for streets	243,656	-	243,656
Total liabilities and fund balances	\$ 467,106	\$ -	\$ 467,106

CITY OF GRAND BLANC, MICHIGAN

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended May 31, 2016**

	Special Revenue Fund	Debt Service Fund	
	Local Streets	2001 Transportation Bond Debt Service	Total
Revenues			
Taxes	\$ 41,738	\$ -	\$ 41,738
Intergovernmental - State	163,428	-	163,428
Interest	96	-	96
Total revenues	<u>205,262</u>	<u>-</u>	<u>205,262</u>
Expenditures			
Current -			
Highways and streets	82,262	-	82,262
Debt service:			
Principal	-	175,000	175,000
Interest and fiscal charges	-	11,456	11,456
Total expenditures	<u>82,262</u>	<u>186,456</u>	<u>268,718</u>
Revenues over (under) expenditures	<u>123,000</u>	<u>(186,456)</u>	<u>(63,456)</u>
Other financing sources (uses)			
Transfers in	-	186,456	186,456
Transfers out	(100,000)	-	(100,000)
Total other financing sources (uses)	<u>(100,000)</u>	<u>186,456</u>	<u>86,456</u>
Net change in fund balances	23,000	-	23,000
Fund balances, beginning of year	<u>220,656</u>	<u>-</u>	<u>220,656</u>
Fund balances, end of year	<u>\$ 243,656</u>	<u>\$ -</u>	<u>\$ 243,656</u>

CITY OF GRAND BLANC, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Local Streets Special Revenue Fund
 For the Year Ended May 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 41,000	\$ 42,000	\$ 41,738	\$ (262)
Intergovernmental - State	141,000	180,000	163,428	(16,572)
Interest	50	50	96	46
Total revenues	182,050	222,050	205,262	(16,788)
Expenditures				
Current -				
Highways and streets	71,900	115,400	82,262	(33,138)
Revenues over expenditures	110,150	106,650	123,000	16,350
Other financing sources (uses)				
Transfers in	-	35,900	-	(35,900)
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	(100,000)	(64,100)	(100,000)	(35,900)
Net change in fund balance	10,150	42,550	23,000	(19,550)
Fund balance, beginning of year	220,656	220,656	220,656	-
Fund balance, end of year	\$ 230,806	\$ 263,206	\$ 243,656	\$ (19,550)

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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.

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CITY OF GRAND BLANC, MICHIGAN

Statement of Changes in Assets and Liabilities

Tax Collection Agency Fund
For the Year Ended May 31, 2016

	Balance June 1, 2015	Additions	Deletions	Balance May 31, 2016
Assets				
Cash and cash equivalents	\$ 6,018	\$ 10,215,069	\$ 10,221,087	\$ -
Taxes receivable	78,830	13,826	14,571	78,085
Total assets	<u>\$ 84,848</u>	<u>\$ 10,228,895</u>	<u>\$ 10,235,658</u>	<u>\$ 78,085</u>
Liabilities				
Due to other governmental units	<u>\$ 84,848</u>	<u>\$ 10,236,266</u>	<u>\$ 10,243,029</u>	<u>\$ 78,085</u>

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CITY OF GRAND BLANC, MICHIGAN

Component Units

Brownfield Redevelopment Authority- contains one key piece of property in the downtown area, 11501 S. Saginaw Street. The Brownfield Redevelopment Authority sold bonds to pay the developer's expense to clean up the existing site. Once the site was clean, the bond proceeds transferred to the developer. The City then captures over the base amount and pays the bond debt service.

CITY OF GRAND BLANC, MICHIGAN

Statement of Net Position and Governmental Fund Balance Sheet
 Brownfield Redevelopment Authority Component Unit
 May 31, 2016

	Brownfield Redevelopment Authority	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 69,832	\$ -	\$ 69,832
Liabilities			
Accounts payable	\$ 51,982	\$ -	\$ 51,982
Accrued liabilities	4,513	-	4,513
Long-term liabilities - Due in more than one year	-	570,000	570,000
Total liabilities	56,495	570,000	626,495
Fund balances			
Unassigned	13,337	(13,337)	-
Total liabilities and fund balances	<u>\$ 69,832</u>		
Net position			
Unrestricted (deficit)		<u>\$ (556,663)</u>	<u>\$ (556,663)</u>

CITY OF GRAND BLANC, MICHIGAN

Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances
 Brownfield Redevelopment Authority Component Unit
 For the Year Ended May 31, 2016

	Brownfield Redevelopment Authority	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 26,767	\$ -	\$ 26,767
Unrestricted investment earnings	7	-	7
Total revenues	26,774	-	26,774
Expenditures			
Brownfield redevelopment	583,437	-	583,437
Revenues over (under) expenditures	(556,663)	-	(556,663)
Other financing sources (uses)			
Issuance of long-term debt	570,000	(570,000)	-
Net change in fund balances	13,337	(570,000)	(556,663)
Fund balances / net position, beginning of year	-	-	-
Fund balances / net position (deficit), end of year	\$ 13,337	\$ (570,000)	\$ (556,663)

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STATISTICAL SECTION

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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.	88-97
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.	98-104
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.	105-112
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.	113-114
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.	115-120

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

CITY OF GRAND BLANC, MICHIGAN

Net Position By Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 7,974,525	\$ 8,317,006	\$ 8,984,675	\$ 8,919,664
Restricted	546,141	327,244	206,558	237,221
Unrestricted	<u>3,329,842</u>	<u>3,613,939</u>	<u>3,685,883</u>	<u>3,564,490</u>
Total governmental activities net position	<u>11,850,508</u>	<u>12,258,189</u>	<u>12,877,116</u>	<u>12,721,375</u>
Business-type activities				
Net investment in capital assets	7,222,077	7,097,616	7,005,885	6,799,485
Unrestricted	<u>832,191</u>	<u>711,836</u>	<u>458,074</u>	<u>522,629</u>
Total business-type activities net position	<u>8,054,268</u>	<u>7,809,452</u>	<u>7,463,959</u>	<u>7,322,114</u>
Primary government				
Net investment in capital assets	15,196,602	15,414,622	15,990,560	15,719,149
Restricted	546,141	327,244	206,558	237,221
Unrestricted	<u>4,162,033</u>	<u>4,325,775</u>	<u>4,143,957</u>	<u>4,087,119</u>
Total primary government net position	<u>\$ 19,904,776</u>	<u>\$ 20,067,641</u>	<u>\$ 20,341,075</u>	<u>\$ 20,043,489</u>

Source: City of Grand Blanc Audit Reports

Table 1
Unaudited

2011	2012	2013	2014	2015	2016
\$ 9,573,149	\$ 10,418,781	\$ 11,393,620	\$ 11,087,890	\$ 11,190,796	\$ 11,292,643
10,452	17,541	86,026	481,017	556,848	784,026
3,788,914	3,690,241	3,783,719	3,724,706	3,818,246	(223,896)
<u>13,372,515</u>	<u>14,126,563</u>	<u>15,263,365</u>	<u>15,293,613</u>	<u>15,565,890</u>	<u>11,852,773</u>
6,594,683	6,440,967	6,292,802	6,227,424	6,755,724	6,692,359
667,970	665,253	901,128	956,117	1,167,754	413,540
<u>7,262,653</u>	<u>7,106,220</u>	<u>7,193,930</u>	<u>7,183,541</u>	<u>7,923,478</u>	<u>7,105,899</u>
16,167,832	16,859,748	17,686,422	17,315,314	17,946,520	17,985,002
10,452	17,541	86,026	481,017	556,848	784,026
4,456,884	4,355,494	4,684,847	4,680,823	4,986,000	189,644
<u>\$ 20,635,168</u>	<u>\$ 21,232,783</u>	<u>\$ 22,457,295</u>	<u>\$ 22,477,154</u>	<u>\$ 23,489,368</u>	<u>\$ 18,958,672</u>

CITY OF GRAND BLANC, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 859,923	\$ 752,777	\$ 865,901	\$ 819,410
Public safety	2,070,892	2,140,998	2,153,651	2,276,460
Public service	778,733	898,822	932,449	805,292
Public works	320,549	308,465	333,909	426,327
Highway and streets	312,299	635,385	160,111	421,899
Interest on long-term debt	74,496	67,403	42,179	34,380
Total governmental activities expenses	4,416,892	4,803,850	4,488,200	4,783,768
Business-type activities:				
Water	1,426,733	1,549,328	1,578,691	1,699,525
Sewer	907,423	985,091	1,111,016	1,273,924
Total business-type activities expenses	2,334,156	2,534,419	2,689,707	2,973,449
Total primary government expenses	6,751,048	7,338,269	7,177,907	7,757,217
Program revenues				
Governmental activities:				
Charges for services:				
General government	174,289	226,676	187,811	194,580
Public safety	329,367	174,989	176,118	172,785
Public service	185,308	292,845	287,465	296,144
Public works	-	15,303	-	63,475
Operating grants and contributions	549,913	494,068	477,400	480,225
Capital grants and contributions	16,797	13,461	87,309	18,130
Total governmental activities program revenues	1,255,674	1,217,342	1,216,103	1,225,339
Business-type activities:				
Charges for services:				
Water	944,778	1,116,111	1,110,563	1,278,293
Sewer	710,050	735,175	945,163	1,290,733
Operating grants and contributions	-	-	-	-
Capital grants and contributions	42,238	2,300	-	-
Total business-type activities program revenues	1,697,066	1,853,586	2,055,726	2,569,026
Total primary government program revenues	2,952,740	3,070,928	3,271,829	3,794,365

Table 2
Unaudited

	2011	2012	2013	2014	2015	2016
\$	654,454	\$ 679,168	\$ 738,087	\$ 757,156	\$ 744,033	\$ 989,485
	1,970,931	1,979,775	1,879,852	1,932,701	1,949,821	2,005,799
	768,763	848,058	770,562	732,845	744,284	702,004
	326,194	265,870	260,255	270,101	284,218	308,391
	555,225	461,783	727,216	832,603	761,847	666,960
	55,518	33,303	34,115	25,267	19,427	14,915
	<u>4,331,085</u>	<u>4,267,957</u>	<u>4,410,087</u>	<u>4,550,673</u>	<u>4,503,630</u>	<u>4,687,554</u>
	1,528,476	1,549,342	1,502,514	1,532,990	1,556,342	1,529,156
	1,219,232	1,317,383	1,305,754	1,275,089	1,371,530	1,467,319
	<u>2,747,708</u>	<u>2,866,725</u>	<u>2,808,268</u>	<u>2,808,079</u>	<u>2,927,872</u>	<u>2,996,475</u>
	<u>7,078,793</u>	<u>7,134,682</u>	<u>7,218,355</u>	<u>7,358,752</u>	<u>7,431,502</u>	<u>7,684,029</u>
	248,331	249,160	382,501	383,547	379,293	322,778
	160,669	162,060	171,349	195,046	234,180	212,450
	302,277	311,780	316,264	295,919	306,169	315,306
	67,409	44,301	64,431	152,595	113,936	81,833
	477,852	563,976	509,582	549,756	562,789	649,855
	548,379	576,156	1,153,637	167,597	280,404	-
	<u>1,804,917</u>	<u>1,907,433</u>	<u>2,597,764</u>	<u>1,744,460</u>	<u>1,876,771</u>	<u>1,582,222</u>
	1,168,849	1,233,615	1,351,834	1,256,631	1,213,215	1,268,265
	1,281,902	1,253,821	1,338,578	1,317,602	1,416,559	1,423,287
	-	-	-	-	-	189
	-	6,000	-	22,500	836,403	25,300
	<u>2,450,751</u>	<u>2,493,436</u>	<u>2,690,412</u>	<u>2,596,733</u>	<u>3,466,177</u>	<u>2,717,041</u>
	<u>4,255,668</u>	<u>4,400,869</u>	<u>5,288,176</u>	<u>4,341,193</u>	<u>5,342,948</u>	<u>4,299,263</u>

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CITY OF GRAND BLANC, MICHIGA

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010
Net (expense)/revenue				
Governmental activities	\$ (3,161,218)	\$ (3,586,508)	\$ (3,272,097)	\$ (3,558,429)
Business-type activities	(637,090)	(680,833)	(633,981)	(404,423)
Total primary government net expense	<u>(3,798,308)</u>	<u>(4,267,341)</u>	<u>(3,906,078)</u>	<u>(3,962,852)</u>
General revenues				
Governmental activities:				
Property taxes	3,038,932	3,179,576	3,148,545	2,791,397
State shared revenue	696,411	686,551	670,587	586,333
Unrestricted investment earnings (loss)	127,885	196,819	65,392	21,356
Transfers - internal activities	-	-	-	-
Other revenue	-	2,168	6,500	3,602
Total governmental activities	<u>3,863,228</u>	<u>4,065,114</u>	<u>3,891,024</u>	<u>3,402,688</u>
Business-type activities:				
Property taxes	330,697	341,021	279,015	261,773
Unrestricted investment earnings	50,924	37,339	9,474	805
Transfers - internal activities	-	-	-	-
Other revenue	-	-	-	-
Total business-type activities	<u>381,621</u>	<u>378,360</u>	<u>288,489</u>	<u>262,578</u>
Total primary government	<u>4,244,849</u>	<u>4,443,474</u>	<u>4,179,513</u>	<u>3,665,266</u>
Change in net position				
Governmental activities	702,010	478,606	618,927	(155,741)
Business-type activities	(255,469)	(302,473)	(345,492)	(141,845)
Total primary government	<u>\$ 446,541</u>	<u>\$ 176,133</u>	<u>\$ 273,435</u>	<u>\$ (297,586)</u>

Source: City of Grand Blanc Audit Reports

Table 2
Unaudited

2011	2012	2013	2014	2015	2016
\$ (2,526,168)	\$ (2,360,524)	\$ (1,812,323)	\$ (2,806,213)	\$ (2,626,859)	\$ (3,105,332)
(296,957)	(373,289)	(117,856)	(210,346)	538,305	(279,434)
<u>(2,823,125)</u>	<u>(2,733,813)</u>	<u>(1,930,179)</u>	<u>(3,016,559)</u>	<u>(2,088,554)</u>	<u>(3,384,766)</u>
2,579,946	2,366,658	2,241,742	2,200,131	2,178,581	2,379,405
585,472	616,507	642,963	659,760	676,756	669,029
-	131,407	64,420	(23,430)	43,799	(8,315)
-	-	-	-	-	2,237
11,890	-	-	-	-	-
<u>3,177,308</u>	<u>3,114,572</u>	<u>2,949,125</u>	<u>2,836,461</u>	<u>2,899,136</u>	<u>3,042,356</u>
236,456	216,226	205,296	199,702	201,046	210,804
-	630	270	255	586	907
-	-	-	-	-	(2,237)
1,040	-	-	-	-	-
<u>237,496</u>	<u>216,856</u>	<u>205,566</u>	<u>199,957</u>	<u>201,632</u>	<u>209,474</u>
<u>3,414,804</u>	<u>3,331,428</u>	<u>3,154,691</u>	<u>3,036,418</u>	<u>3,100,768</u>	<u>3,251,830</u>
651,140	754,048	1,136,802	30,248	272,277	(62,976)
(59,461)	(156,433)	87,710	(10,389)	739,937	(69,960)
<u>\$ 591,679</u>	<u>\$ 597,615</u>	<u>\$ 1,224,512</u>	<u>\$ 19,859</u>	<u>\$ 1,012,214</u>	<u>\$ (132,936)</u>

concluded

CITY OF GRAND BLANC, MICHIGAN

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009	2010
General Fund				
Unreserved, Undesignated	\$ 2,365,828	\$ 2,741,254	\$ 2,782,773	\$ 1,875,405
Nonspendable	-	-	-	-
Committed:				
Employee retirement costs	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 2,365,828</u>	<u>\$ 2,741,254</u>	<u>\$ 2,782,773</u>	<u>\$ 1,875,405</u>
All other governmental funds				
Reserved	\$ 61,723	\$ -	\$ -	\$ -
Unrestricted:				
Special revenue funds	558,458	327,244	206,558	237,221
Restricted:				
Highway and streets	-	-	-	-
Committed:				
Highway and streets	-	-	-	-
Total all other governmental funds	<u>\$ 620,181</u>	<u>\$ 327,244</u>	<u>\$ 206,558</u>	<u>\$ 237,221</u>

The City implemented GASB 54 in 2012.

Table 3
Unaudited

2011	2012	2013	2014	2015	2016
\$ 2,170,082	\$ -	\$ -	\$ -	\$ -	\$ -
-	26,282	15,227	27,544	82,280	16,164
-	10,000	10,000	10,000	10,000	-
-	2,553,231	2,616,256	2,767,670	2,925,822	3,016,455
<u>\$ 2,170,082</u>	<u>\$ 2,589,513</u>	<u>\$ 2,641,483</u>	<u>\$ 2,805,214</u>	<u>\$ 3,018,102</u>	<u>\$ 3,032,619</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
825,147	-	-	-	-	-
-	17,451	86,026	481,017	556,848	784,026
-	201,672	208,299	-	-	-
<u>\$ 825,147</u>	<u>\$ 219,123</u>	<u>\$ 294,325</u>	<u>\$ 481,017</u>	<u>\$ 556,848</u>	<u>\$ 784,026</u>

CITY OF GRAND BLANC, MICHIGAN

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2007	2008	2009	2010
Revenues				
Taxes	\$ 3,086,640	\$ 3,147,772	\$ 3,110,862	\$ 2,879,403
Licenses and permits	144,081	140,030	144,298	154,354
Intergovernmental:				
State	1,263,121	1,194,080	1,235,296	1,084,688
Federal	-	-	-	-
Charges for services	466,444	473,508	452,665	498,174
Fines and forfeits	11,188	13,541	16,776	20,013
Interest	127,885	196,819	65,392	21,356
Other revenue	67,251	82,734	37,655	114,443
Total revenues	5,166,610	5,248,484	5,062,944	4,772,431
Expenditures				
General government	815,797	726,538	801,309	638,353
Public safety	2,063,071	2,081,459	2,086,719	1,989,398
Public service	827,193	799,501	861,458	750,826
Public works	310,492	298,819	321,624	376,836
Highway and streets	769,021	471,492	867,473	491,610
Capital outlay	-	413,496	-	9,171
Debt service:				
Principal	175,302	235,303	145,000	247,237
Interest	59,900	68,462	58,528	44,488
Total expenditures	5,020,776	5,095,070	5,142,111	4,547,919
Revenues over (under) expenditures	145,834	153,414	(79,167)	224,512
Other financing sources (uses)				
Loan issuance	30,607	-	-	-
Transfers in	325,475	249,092	340,266	217,488
Transfers out	(325,475)	(249,092)	(340,266)	(217,488)
Total other financing sources (uses)	30,607	-	-	-
Net change in fund balances	\$ 176,441	\$ 153,414	\$ (79,167)	\$ 224,512
Debt service as a percentage of noncapital expenditures	5.37%	6.50%	4.81%	6.88%

Includes general, special revenue, debt service and capital projects funds

Source: City of Grand Blanc audit reports

Table 4
Unaudited

	2011	2012	2013	2014	2015	2016
\$	2,571,906	\$ 2,355,284	\$ 2,243,837	\$ 2,186,099	\$ 2,205,809	\$ 2,380,265
	155,209	168,132	190,908	212,799	270,813	257,670
	1,078,774	1,114,199	1,152,545	1,209,516	1,239,545	1,318,884
	532,929	626,381	1,121,993	-	280,404	-
	540,027	525,021	544,428	556,211	551,320	566,134
	18,902	22,799	22,637	26,971	16,163	11,964
	11,890	7,852	12,907	9,532	10,146	10,551
	64,548	67,408	208,216	398,723	195,282	96,599
	<u>4,974,185</u>	<u>4,887,076</u>	<u>5,497,471</u>	<u>4,599,851</u>	<u>4,769,482</u>	<u>4,642,067</u>
	597,364	631,618	712,553	708,101	711,493	786,603
	2,085,947	1,919,967	1,884,170	1,881,341	1,878,663	2,014,115
	699,818	765,208	919,816	657,432	662,355	674,129
	344,768	260,138	291,302	271,711	266,607	302,421
	1,072,149	1,315,343	1,386,265	560,576	780,371	436,931
	238,291	-	-	-	-	-
	123,587	148,057	145,000	145,000	173,728	183,550
	38,875	34,509	31,193	25,267	18,731	11,456
	<u>5,200,799</u>	<u>5,074,840</u>	<u>5,370,299</u>	<u>4,249,428</u>	<u>4,491,948</u>	<u>4,409,205</u>
	<u>(226,614)</u>	<u>(187,764)</u>	<u>127,172</u>	<u>350,423</u>	<u>277,534</u>	<u>232,862</u>
	-	-	-	-	11,185	6,596
	181,950	559,509	154,353	190,163	203,363	401,138
	<u>(181,950)</u>	<u>(559,509)</u>	<u>(154,353)</u>	<u>(190,163)</u>	<u>(203,363)</u>	<u>(398,901)</u>
	-	-	-	-	11,185	8,833
\$	<u>(226,614)</u>	<u>(187,764)</u>	<u>127,172</u>	<u>350,423</u>	<u>288,719</u>	<u>241,695</u>
	<u>3.32%</u>	<u>3.73%</u>	<u>4.37%</u>	<u>4.15%</u>	<u>4.77%</u>	<u>4.90%</u>

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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
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
2015	218,368,300	204,766,415	93.8%	11.8500
2016	237,079,250	209,869,982	88.5%	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

Fiscal Year (1)	City of Grand Blanc, Michigan				Overlapping Rates		
	Operating Millage	Streets Millage	Water Imp Millage	Total City Millage	Genesee County Operating	Parks	SET (1) Schools
2007	9.9500	1.0000	1.2000	12.1500	8.9247	0.0000	6.0000
2008	9.9500	1.0000	1.2000	12.1500	8.9247	0.0000	6.0000
2009	9.9500	1.2000	1.0000	12.1500	8.9247	0.0000	6.0000
2010	9.9500	0.9000	1.0000	11.8500	8.9247	0.0000	6.0000
2011	9.9500	0.9000	1.0000	11.8500	8.9247	0.0000	6.0000
2012	9.9500	0.9000	1.0000	11.8500	9.1747	0.0000	6.0000
2013	9.9500	0.9000	1.0000	11.8500	9.2747	0.0000	6.0000
2014	9.9500	0.9000	1.0000	11.8500	9.2747	0.0000	6.0000
2015	9.9500	0.9000	1.0000	11.8500	9.7800	0.0000	6.0000
2016	9.9500	0.9000	1.0000	11.8500	9.7800	0.0000	6.0000

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.

Table 6
Unaudited

Overlapping Rates								Direct & Overlapping Rates
School Operating	School Debt	School Building and Site	Inter-mediate Schools	Grand Blanc Fire	Bishop Airport	MTA	Mott Community College	
18.0000	4.4700	1.0000	3.5341	0.0000	0.4847	0.7998	2.6796	58.0429
18.0000	4.3600	1.0000	3.5341	0.0000	0.4847	0.7998	2.6796	57.9329
18.0000	4.3600	1.0000	3.5341	0.0000	0.4847	0.7998	2.6796	57.9329
18.0000	4.3600	1.0000	3.5341	0.0000	0.4847	0.8000	2.6796	57.6331
18.0000	4.8000	1.0000	3.5341	0.5000	0.4847	0.7998	2.6796	58.5729
18.0000	5.2350	1.0000	3.5341	0.5000	0.4847	0.8000	2.8596	59.4381
18.0000	5.5200	1.0000	3.5341	0.5000	0.4847	0.8000	2.8596	59.8231
18.0000	5.1000	1.0000	3.5341	0.5000	0.4847	0.8000	2.8596	59.4031
18.0000	5.1000	1.0000	3.5341	0.5000	0.4847	0.8000	2.8596	59.9084
18.0000	5.1000	1.0000	3.5341	0.5000	0.4847	1.2250	2.8596	60.3334

CITY OF GRAND BLANC, MICHIGAN

Principal Property Taxpayers

May 31, 2016 and Nine Years Ago

Taxpayer	2016		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Grand Mall	\$ 4,475,764	1	1.63%
Consumer's Energy	2,932,852	2	1.03%
Grand Blanc Acquisition Group - Rehab/Nursing Home	2,383,000	3	0.68%
Grand Blanc Center LLC	2,177,652	4	0.74%
American House - Grand Blanc LLC	1,863,944	5	0.64%
General Motors	1,828,970	6	0.64%
Perry Place Apartments LLC	1,583,778	7	1.31%
Hanover Grand Blanc Real Estate	1,394,671	8	
Grand Bend Apartments	1,272,136	9	
The Jewel of Grand Blanc	1,222,917	10	0.00%
Grand Oak LLC	N/A		0.53%
Northwestern Bank	N/A		0.64%
Sunset Apartments	N/A		0.51%
Totals	<u>\$ 21,135,684</u>		<u>8.34%</u>

Source: City of Grand Blanc, Michigan Equalization Department

Table 7
Unaudited



2007		
Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 4,539,680	2	1.70%
1,970,320	8	0.74%
2,683,740	6	1.00%
2,103,460	8	0.79%
2,215,250	7	0.83%
2,999,260	5	1.12%
4,986,620	1	1.87%
2,500,000	4	0.94%
N/A		
1,909,110	9	0.71%
3,828,980	3	1.43%
N/A		
1,826,140	10	0.68%
<u>\$ 31,562,560</u>		<u>11.82%</u>

CITY OF GRAND BLANC, MICHIGAN

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	
		Amount	Percentage of Levy
2007	\$ 3,490,271	\$ 3,400,164	97.42%
2008	3,470,457	3,284,467	94.64%
2009	3,389,877	3,242,310	95.65%
2010	3,139,220	2,967,497	94.53%
2011	2,810,946	2,679,099	95.31%
2012	2,160,051	2,041,268	94.50%
2013	2,476,659	2,383,886	96.25%
2014	2,418,834	2,332,698	96.44%
2015	2,407,365	2,322,386	96.47%
2016	2,476,301	2,398,936	96.88%

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. Additional Personal Property tax collection from Local Stabilization Funds caused the Percentage of Levy to exceed 100% in 2016.

Table 8
Unaudited



Delinquents Taxes Collected	Total Collections to Date (1)	
	Amount	Percentage of Levy (2)
\$ 71,196	\$ 3,471,360	99.46%
185,989	3,470,457	100.00%
147,567	3,389,877	100.00%
147,567	3,115,064	99.23%
131,848	2,810,946	100.00%
118,783	2,160,051	100.00%
37,552	2,421,438	97.77%
37,552	2,366,009	97.82%
61,722	2,366,009	98.28%
78,094	2,477,029	100.03%

CITY OF GRAND BLANC, MICHIGAN

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended May 31,	Governmental Activities			Business-Type Activities	
	General Obligation Bonds	Installment Purchase Contracts	Capital Leases	Bonds Payable	Loans Payable
2007	\$ 1,680,000	\$ -	\$ 30,606	\$ 3,801,328	\$ -
2008	1,230,000	230,000	15,303	3,578,680	-
2009	1,115,000	200,000	-	3,270,010	-
2010	975,000	100,000	6,114	3,070,010	-
2011	875,000	151,375	3,057	3,349,263	-
2012	750,000	110,173	-	3,242,226	-
2013	625,000	-	-	3,002,226	-
2014	520,000	-	-	2,757,226	-
2015	350,000	7,457	104,662	2,512,226	512,227
2016	175,000	-	76,653	2,257,226	930,667

Source: City of Grand Blanc audit reports

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

Table 9
Unaudited



Total	Debt as a Percentage of Personal Income	Debt Per Capita
\$ 5,511,934	2.47%	\$ 669
5,053,983	2.38%	613
4,585,010	2.06%	556
4,151,124	1.44%	504
4,378,695	1.85%	531
4,102,399	1.69%	498
3,627,226	1.48%	438
3,277,226	1.28%	396
3,486,572	1.35%	419
3,439,546	2.64%	679

CITY OF GRAND BLANC, MICHIGAN

Ratios of Net General Bonded Debt

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

Fiscal Year	Population		State Equalized Valuation (In Thousands)	(2) Gross Bonded Debt (In Thousands)	Amounts Available in Debt Service Fund
2007	8,242	(1)	\$ 301,309	\$ 1,711	\$ 58
2008	8,242	(1)	322,229	1,475	-
2009	8,242	(1)	302,542	1,315	-
2010	8,242	(1)	279,958	1,081	-
2011	8,276	(3)	247,167	1,029	-
2012	8,276	(3)	220,883	860	-
2013	8,276	(3)	213,403	625	-
2014	8,276	(3)	210,206	520	-
2015	8,276	(3)	218,368	462	-
2016	8,276	(3)	237,079	252	-

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, bonds, installment purchase contracts, and capital leases to be paid from general government resources

(3) 2010 U.S. Census

Table 10
Unaudited

Net Bonded Debt (In Thousands)	Ratio of Net Bonded Debt to State Taxable Value of Property	Net Debt Per Capita (2)
\$ 1,653	0.62%	\$ 201
1,475	0.51%	179
1,315	0.47%	160
1,081	0.39%	131
1,029	0.43%	124
860	0.40%	104
625	0.30%	76
520	0.25%	63
462	0.23%	56
252	0.11%	30

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Direct and Overlapping Debt
As of May 31, 2016

Governmental Unit	Debt Outstanding	Percentage Applicable to the City (1)	Share of Overlapping Debt
Direct			
City of Grand Blanc	\$ 251,653	100.00%	\$ 251,653
Overlapping			
Mott Community College	43,450,000	2.26%	981,970
Bishop Airport Authority	10,075,000	2.40%	241,800
Genesee County	64,954,380	2.40%	1,558,905
Genesee Intermediate School	8,000,000	2.26%	180,800
Grand Blanc School District	65,710,000	14.29%	9,389,959
Subtotal	<u>192,189,380</u>		<u>12,353,434</u>
TOTAL	<u>\$ 192,441,033</u>		<u>\$ 12,605,087</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

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Legal debt limit	\$ 26,785,089	\$ 28,726,511	\$ 27,821,596	\$ 27,676,189
Total net debt applicable to limit	<u>3,715,072</u>	<u>3,578,680</u>	<u>4,545,010</u>	<u>4,372,581</u>
Legal debt margin	<u>\$ 23,070,017</u>	<u>\$ 25,147,831</u>	<u>\$ 23,276,586</u>	<u>\$ 23,303,608</u>
Total net debt applicable to the limit as a percentage of debt limit	13.87%	12.46%	16.34%	15.80%

Note: Under state finance law, City of Grand Blanc's outstanding general obligation debt should not exceed 10 percent of state equalized value.

By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Table 12
Unaudited

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 23,737,016	\$ 21,635,168	\$ 20,799,610	\$ 20,576,405	\$ 20,476,642	\$ 20,986,998
<u>4,347,747</u>	<u>4,347,747</u>	<u>4,347,747</u>	<u>3,277,226</u>	<u>3,486,572</u>	<u>3,439,546</u>
<u>\$ 19,389,269</u>	<u>\$ 17,287,421</u>	<u>\$ 16,451,863</u>	<u>\$ 17,299,179</u>	<u>\$ 16,990,070</u>	<u>\$ 17,547,452</u>
18.32%	20.10%	20.90%	15.93%	17.03%	16.39%

Legal Debt Margin Calculation for Fiscal Year 2016

State equalized value	<u>\$ 209,869,982</u>
Debt limit (10% of total state equalized value)	20,986,998
Debt applicable to limit	<u>3,439,546</u>
Legal debt margin	<u>\$ 17,547,452</u>

Ratio of Annual Debt Service Expenditures
for General Bonded Debt to Total General Fund Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
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%
2015	150,000	18,363	168,363	3,543,214	4.75%
2016	183,550	11,456	195,006	3,785,818	5.15%

Source: City of Grand Blanc Audit Reports

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)
2007	8,242	\$ 198,203,616	\$ 24,048	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%
2015	8,276	273,132,828	33,003	8,505	5.40%
2016	8,276	288,650,328	34,878	8,229	5.00%

(5)

Data Sources:

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

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Principal Employers
2016 and 2007

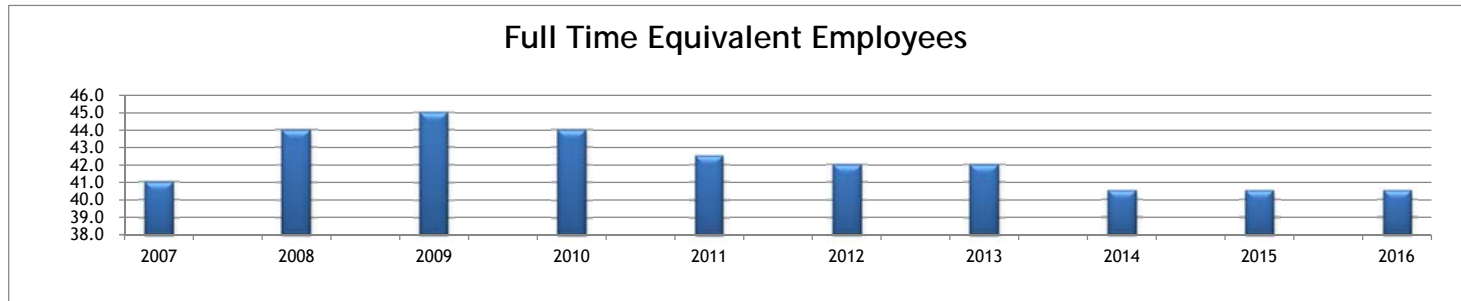
Employer	2016			2007		
	Employees	Rank	Percent of Total	Employees	Rank	Percent of Total
Grand Blanc Schools	448	1	9.33%	194	2	4.52%
Kroger	240	2	4.19%	134	3	3.13%
MediLodge	234	3	7.68%	250	1	5.83%
Advanced Physical Thera	60	4	7.68%	N/A	N/A	N/A
McDonalds	56	5	1.62%	59	4	1.38%
Aubree's	53	6	1.56%	N/A	N/A	N/A
City of Grand Blanc	38	7	1.20%	34	8	0.79%
Big Boy	32	8	1.15%	N/A	N/A	N/A
Wendy's	25	9	0.70%	N/A	N/A	N/A
Burger King	23	10	0.59%	N/A	N/A	N/A
Luca's Chophouse	N/A	N/A	N/A	35	7	0.82%
Kmart	N/A	N/A	N/A	57	5	1.33%
General Motors	N/A	N/A	N/A	30	9	0.70%
Totals	1,209		36%	793		18%

Source: Listed Businesses and U.S. Census
 Source: U.S. Census Bureau, 2007 Economic Census
 Total Employment within the City: 2985

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

Function	Full-time Equivalent Employees as of May 31,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General service administration	17.0	19.0	20.0	20.0	19.5	19.5	18.5	18.5	18.5	18.5
Legislative	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Law enforcement	17.0	18.0	18.0	17.0	16.0	15.5	16.5	15.0	15.0	15.0
Total FTE Employees	41.0	44.0	45.0	44.0	42.5	42.0	42.0	40.5	40.5	40.5

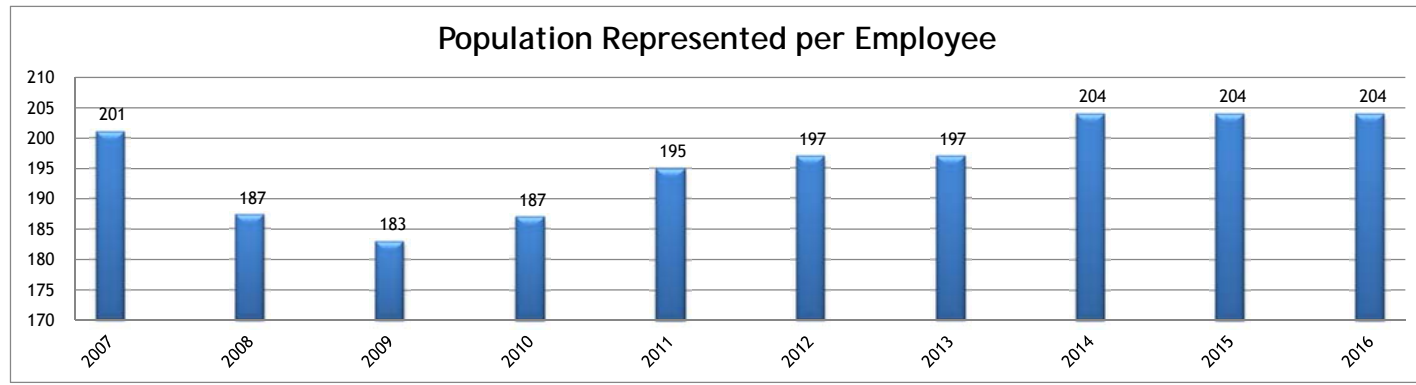
Source: Grand Blanc City Personnel Office



continued...

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population Represented per Employee	201	187	183	187	195	197	197	204	204	204



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

concluded.

CITY OF GRAND BLANC, MICHIGAN

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year			
	2007	2008	2009	2010
Public safety				
Police				
Physical arrests	344	354	188	142
Parking violations	30	115	206	16
Traffic Violations	487	429	697	938
Fire				
Fire Runs	71	69	78	89
General government				
Building permits				
Building permits issued	57	67	50	107
Building inspections conducted	174	140	10	220
Elections				
Number of registered voters	6,088	6,117	6,056	5,557
Voters (at the polls or absentee)	3,554	1,682	4,577	454
Percent Voting	58.38%	27.50%	75.58%	8.17%
Library				
Circulation (books borrowed)	2,434,035	2,580,077	2,734,882	3,008,370
Collection volume	665,165	645,235	632,330	695,563
Sewer				
Average daily sewage treatment -gallons per day	N/A	488,933	678,371	641,090
Water				
New connections	15	15	0	1
Water main breaks	14	11	11	8
Total consumption (gallons)	467,565,000	271,028,915	285,864,162	262,826,428
Number of customers	2,530	2,501	2,426	2,676

(1) Traffic violations - In 2014, amount increased due to traffic violations definition change by the Police Department.

(2) Library Circulation - In 2015, significant decrease due to Grand Blanc McFarlen's definition of books borrowed.

(3) In 2015, significant decrease due to Grand Blanc McFarlen's definition of collection volume.

Source: Applicable City Departments

Source: U.S. Census Bureau

Table 17
Unaudited

Fiscal Year						
2011	2012	2013	2014	2015	2016	
93	101	65	487	489	415	
48	40	117	85	52	34	
845	721	726	6,287	6,349	6,882 (1)	
67	69	75	173	148	107	
80	105	136	124	97	122	
187	256	189	172	156	244	
6,057	6,211	6,041	6,059	5,813	5,954	
495	1,574	4,447	837	1,494	1,167	
8.17%	25.34%	73.61%	13.81%	25.70%	19.60%	
3,309,207	3,640,128	4,004,141	4,404,555	267,964	252,500 (2)	
765,119	841,631	925,794	1,018,374	95,713	96,000 (3)	
659,689	642,085	637,196	588,711	586,840	448,747	
-	-	-	46	35	17	
11	-	-	10	7	7	
276,380,299	256,574,450	282,265,235	241,602,265	234,825,646	189,345,092	
2,565	2,676	2,671	2,631	2,576	2,577	

CITY OF GRAND BLANC, MICHIGAN

Capital Asset Statistics by Function

Last Ten Fiscal Years

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

Source: City of Grand Blanc

Table 18
Unaudited

Fiscal Year					
2011	2012	2013	2014	2015	2016
1	1	1	1	1	1
11	11	11	12	11	11
49	49	49	48	49	50
419	419	419	419	419	419
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
49	49	49	48	49	49
49	49	49	48	49	49
3.96	3.96	3.96	3.96	3.96	3.96
7.21	7.21	7.21	7.21	7.21	7.21
23.29	23.29	23.29	23.29	23.29	23.29

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Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

September 21, 2016

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Grand Blanc, Michigan* (the "City"), as of and for the year ended May 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

CITY OF GRAND BLANC, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended May 31, 2016

Finding 2015-01 - Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements (repeat)

The City relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls. This matter was resolved in 2016.

