

**City of Fraser
Macomb County, Michigan**

FINANCIAL STATEMENTS

June 30, 2013

City of Fraser

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Fraser, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fraser, Michigan (the City), as of and for the year ended June 30, 2013, 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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, each major fund, and the aggregate remaining fund information of the City of Fraser, Michigan, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note P, during fiscal year 2013, the City implemented GASB Statement No. 61, *The Financial Reporting Omnibus*. As a result, the criteria for reporting component units has been modified. Our opinions are not modified with respect to this matter.

As discussed in Note P, during fiscal year 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of this implementation, the format and reporting of the financial statements has changed to reflect the new presentation as required by GASB Statements No. 63 and 65, as applicable. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension funding progress and employer contributions, as identified 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 nonmajor fund financial statements, individual nonmajor special revenue fund budgetary comparison schedules, and combining fiduciary financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, nonmajor special revenue fund budgetary comparison schedules, and combining fiduciary financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 nonmajor fund financial statements, nonmajor special revenue fund budgetary comparison schedules, and combining fiduciary financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

As management of the City of Fraser, we offer readers of the financial statements a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the City of Fraser exceeded its liabilities at the close of the recent fiscal year by \$15,082,497. The City had a deficit in unrestricted net position of \$12,639,639 at the end of the fiscal year.
- As of the close of the current fiscal year, the City of Fraser's governmental funds reported combined ending fund balances of \$3,909,201, a decrease of \$776,514 in comparison with the prior year.
- The City of Fraser's total debt increased by \$441,190 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Fraser's basic financial statements. The basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

The Statement of Net Position presents information on all of the City of Fraser's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these items 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 of Fraser is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the 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. This includes uncollected taxes and earned but unused leave time.

The Government-wide Financial Statements distinguish functions of the City of Fraser that are mainly supported by taxes and 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 of Fraser include general government, public safety, public works, and recreation and culture. The business-type activities of the City of Fraser include the water and sewer system and senior citizen housing.

The Government-wide Financial Statements include not only the City of Fraser, but also a legally separate Downtown Development Authority and Economic Development Authority for which the City is financially accountable. Financial information for these entities are reported separately from the financial information presented for the primary government and due to their immateriality are included with the fiduciary funds.

The Government-wide Financial Statements can be found on pages 1-2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fraser, 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 of Fraser can be divided into three categories: governmental, proprietary, and fiduciary.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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. This information may be useful in evaluating a government's near-term financing requirements.

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 Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the general fund, major street fund, and gambling forfeiture fund. These funds are considered to be major. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of Combining Statements elsewhere in this report.

A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual appropriated budget.

Proprietary Funds

The City of Fraser 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 of Fraser used enterprise funds to account for its water and sewer system and senior citizen housing. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Fraser's various functions. The City of Fraser uses an internal service fund to account for its fleet of vehicles.

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 of Fraser's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Other information

The notes provide additional information that is essential to fully understand the data provided in the Government-wide and Fund Financial Statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fraser's progress in funding its obligation to provide pension benefits to its employees. This information can be found on pages 40-41.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fraser, assets exceeded liabilities by \$15,082,497 at the close of the recent fiscal year.

City of Fraser

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Government-wide Financial Analysis - continued

By far the largest portion of the City of Fraser's net position reflects its investment in capital assets (for example, land, buildings, vehicles, office equipment, furniture, and other equipment); less any related debt used to acquire those assets that are still outstanding. The City of Fraser used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fraser'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.

TABLE 1 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current Assets	\$ 4,751	\$ 6,614	\$ 2,843	\$ 1,521	\$ 7,594	\$ 8,135
Capital Assets, net	<u>17,170</u>	<u>16,979</u>	<u>30,633</u>	<u>30,015</u>	<u>47,803</u>	<u>46,994</u>
Total Assets	21,921	23,593	33,476	31,536	55,397	55,129
Liabilities						
Current Liabilities	1,831	2,400	2,311	1,155	4,142	3,555
Non-current Liabilities	<u>18,957</u>	<u>16,147</u>	<u>17,216</u>	<u>15,855</u>	<u>36,173</u>	<u>32,002</u>
Total Liabilities	<u>20,788</u>	<u>18,547</u>	<u>19,527</u>	<u>17,010</u>	<u>40,315</u>	<u>35,557</u>
Net Position						
Net investment in capital assets	11,826	11,419	13,949	14,471	25,775	25,890
Restricted	1,947	2,461	-	-	1,947	2,461
Unrestricted (Deficit)	<u>(12,640)</u>	<u>(8,834)</u>	<u>-</u>	<u>55</u>	<u>(12,640)</u>	<u>(8,779)</u>
Total Net Position	<u>\$ 1,133</u>	<u>\$ 5,046</u>	<u>\$ 13,949</u>	<u>\$ 14,526</u>	<u>\$ 15,082</u>	<u>\$ 19,572</u>

Governmental Activities' net position decreased by \$3,911,676 compared to the prior fiscal year. As the City complies with recent changes to the accounting standards, recognition of post-employment benefit obligations have found its way to our balance sheet. Post-employment benefit obligations for Governmental Activities have increased by \$3,457,043 over the past year. This number will continue to increase in concert with healthcare insurance premium annual rate hikes.

Reviewing the financial data within the Business-Type Activities, the City has been able to make significant progress in alleviating the unrestricted deficit from last fiscal year. The total net position has increased by \$92,861, while the unrestricted portion of net position has decreased by \$55,761. Within the Water and Sewer Fund, the City is constantly reviewing its rate structure to ensure the system is covering current expenses and as well as preparing for future projects.

City of Fraser

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Government-wide Financial Analysis - continued

TABLE 2 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program Revenue:						
Charges for Service	\$ 3,125	\$ 3,167	\$ 6,627	\$ 5,857	\$ 9,752	\$ 9,024
Operating Grants and Contribution	921	1,125	415	-	1,336	1,125
General Revenue:						
Property Taxes	8,707	9,276	-	-	8,707	9,276
State-shared Revenue	1,238	1,256	-	-	1,238	1,256
Unrestricted Investment Earnings	35	18	3	-	38	18
Transfers and Other Revenue	692	844	(138)	(553)	554	291
Total Revenue	14,718	15,686	6,907	5,304	21,625	20,990
Program Expenses						
General Government	3,316	3,191	-	-	3,316	3,191
Public Safety	10,329	10,596	-	-	10,329	10,596
Public Works	2,632	3,094	-	-	2,632	3,094
Health and Welfare	810	617	-	-	810	617
Recreation	23	955	-	-	23	955
Community and Economic Development	1,294	32	-	-	1,294	32
Interest on Long-term Debt	226	275	-	-	226	275
Water and Sewer	-	-	6,405	5,198	6,405	5,198
Senior Housing	-	-	409	375	409	375
Total Program Expenses	18,630	18,760	6,814	5,573	25,444	24,333
Change in Net Position	\$ (3,912)	\$ (3,074)	\$ 93	\$ (269)	\$ (3,819)	\$ (3,343)

Business-type Activities

Capital assets for business-type activities increased by \$1,171,111 compared to the prior year. The increase relates to continued work completed by the Oakland Macomb Drainage District and the water main replacement taking place on Groesbeck Avenue between 13 and 14 Mile Roads.

The senior citizen housing complex continues to maintain a healthy fund balance. The facility has had several updates, and the fund is able to make its annual debt payments.

For the second consecutive year, the Water and Sewer Fund ended the fiscal year with a positive cash balance. This has been the result of ensuring the utility rates reflect the true cost of the water and sewer system. The ultimate goal is to maintain a fund balance that will cover at least two months' of expenses along with an adequate amount to maintain the City's aging system through annual capital improvement projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Financial Analysis of the City of Fraser's Funds

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

Governmental funds

As of the end of the current fiscal year, the City of Fraser's governmental funds reported combined ending fund balances of \$3,909,201. The unassigned general fund balance of \$2,051,228 computes to 16.9% of the 2013-14 general fund budget. The Government Finance Officers Association recommends, at a minimum, that general purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund expenditures.

Proprietary funds

The City of Fraser's proprietary funds provide the same type of information found in the Government-wide Financial Statements, but in more detail. Total net position of the Water and Sewer Fund as of June 30, 2013, amount to \$12,348,653, while the unrestricted portion of the net position at the end of the year amounted to a deficit of \$80,823. Last year's deficit within that particular fund was \$13,262. The senior citizen housing complex ended with unrestricted net position totaling \$80,741.

General Fund Budgetary Highlights

City Council, City Administration, and Department Heads continue to work hard to stay on budget. Even as budgetary expenditures have been decreased over the past two years, the same level of service continues to be provided by the City. During the course of 2012-13, the general fund revenues came in \$29,549 better than expected. In a twelve million dollar budget, expenditures were off \$517,836. The net between budgetary revenue and expenditures for 2012-13 was \$493,287.

Capital Assets

The City of Fraser's net investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$47,500,865 (net of accumulated depreciation). The net investment in capital assets includes land, buildings and system improvements, vehicles, equipment, park facilities, intangible assets, and streets. A majority of the capital asset activity is associated with the gravity flow sewer project.

Economic Factors and Next Year's Budgets

The economy continues to be a prominent factor in the City of Fraser's financial condition and upcoming budgets. Property values sharply declined over the past few years, and the City's revenue garnered by property taxes has grown considerably smaller. The good news is that property values are starting to stabilize. The City is still projecting a slight increase in property values for the upcoming 2013-14 budget cycle.

Along with the issue of declining property values, there has been movement by the State of Michigan to eliminate personal property tax. Personal property tax accounts for approximately \$1.1 million (roughly ten percent) of General Fund's budget. Any sort of elimination of the personal property tax without an adequate replacement would cause budgetary issues for the City.

Requests for Information

This financial report is intended to provide the City's citizens, taxpayers, customers, and investor with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we invite you to contact the administration offices at city hall.

BASIC FINANCIAL STATEMENTS

City of Fraser

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,778,477	\$ 960,667	\$ 2,739,144
Restricted cash and cash equivalents	8,097	86,363	94,460
Investments	2,138,733	-	2,138,733
Receivables	216,736	1,383,057	1,599,793
Due from other governmental units	554,801	396,242	951,043
Internal balances	(14,635)	14,635	-0-
Prepays	68,797	1,916	70,713
Total current assets	4,751,006	2,842,880	7,593,886
Noncurrent assets			
Net pension asset	302,611	-	302,611
Capital assets not being depreciated	5,343,730	1,555,317	6,899,047
Capital assets, net	11,523,991	29,077,827	40,601,818
Total noncurrent assets	17,170,332	30,633,144	47,803,476
TOTAL ASSETS	21,921,338	33,476,024	55,397,362
LIABILITIES			
Current liabilities			
Accounts payable	219,543	1,438,924	1,658,467
Accrued liabilities	347,046	7,674	354,720
Due to other governmental units	1	-	1
Unearned revenue	8,097	-	8,097
Accrued interest payable	33,020	91,319	124,339
Current portion of compensated absences	577,815	2,433	580,248
Current portion of long-term debt	644,939	770,655	1,415,594
Total current liabilities	1,830,461	2,311,005	4,141,466
Noncurrent liabilities			
Net other post-employment benefits obligation	14,058,906	1,302,612	15,361,518
Noncurrent portion of compensated absences	501,681	-	501,681
Noncurrent portion of long-term debt	4,396,622	15,913,578	20,310,200
Total noncurrent liabilities	18,957,209	17,216,190	36,173,399
TOTAL LIABILITIES	20,787,670	19,527,195	40,314,865
NET POSITION			
Net investment in capital assets	11,826,160	13,948,911	25,775,071
Restricted			
Streets and highways	509,084	-	509,084
Infrastructure improvements	605	-	605
Ambulance	150,868	-	150,868
Public safety	1,286,508	-	1,286,508
Unrestricted	(12,639,557)	(82)	(12,639,639)
TOTAL NET POSITION	\$ 1,133,668	\$ 13,948,829	\$ 15,082,497

See accompanying notes to financial statements.

City of Fraser

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
General government	\$ 3,316,226	\$ 1,876,512	\$ 55,569	\$ (1,384,145)	\$ -	\$ (1,384,145)
Public safety	10,329,010	589,006	8,036	(9,731,968)	-	(9,731,968)
Public works	2,632,365	140,723	781,719	(1,709,923)	-	(1,709,923)
Health and welfare	809,795	369,686	-	(440,109)	-	(440,109)
Community and economic development	23,269	-	69,176	45,907	-	45,907
Recreation and culture	1,294,126	149,553	6,857	(1,137,716)	-	(1,137,716)
Interest on long-term debt	225,995	-	-	(225,995)	-	(225,995)
Total governmental activities	18,630,786	3,125,480	921,357	(14,583,949)	-0-	(14,583,949)
Business-type activities						
Water and Sewer	6,409,861	6,122,585	415,142	-	127,866	127,866
Senior Citizen Housing Complex	408,966	504,498	-	-	95,532	95,532
Total business-type activities	6,818,827	6,627,083	415,142	-0-	223,398	223,398
Total primary government	<u>\$ 25,449,613</u>	<u>\$ 9,752,563</u>	<u>\$ 1,336,499</u>	(14,583,949)	223,398	(14,360,551)
General revenues and transfers						
Property taxes				8,706,976	-	8,706,976
State shared revenues				1,237,693	-	1,237,693
Investment earnings				35,461	3,315	38,776
Miscellaneous				553,779	-	553,779
Transfers				138,364	(138,364)	-0-
Total general revenues and transfers				10,672,273	(135,049)	10,537,224
Change in net position				(3,911,676)	88,349	(3,823,327)
Restated net position, beginning of the year				5,045,344	13,860,480	18,905,824
Net position, end of the year				<u>\$ 1,133,668</u>	<u>\$ 13,948,829</u>	<u>\$ 15,082,497</u>

See accompanying notes to financial statements.

City of Fraser
Governmental Funds
BALANCE SHEET
June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 243,757	\$ 1,276,602	\$ 1,520,359
Restricted cash and cash equivalents	8,097	-	8,097
Investments	1,688,273	450,460	2,138,733
Receivables			
Accounts	49,102	-	49,102
Taxes	157,489	-	157,489
Special assessments	10,145	-	10,145
Due from other governmental units	412,795	142,006	554,801
Due from other funds	74,510	28,695	103,205
Prepays	64,564	4,133	68,697
	<u>\$ 2,708,732</u>	<u>\$ 1,901,896</u>	<u>\$ 4,610,628</u>
LIABILITIES			
Accounts payable	\$ 187,687	\$ 26,741	\$ 214,428
Accrued liabilities	341,415	5,100	346,515
Due to other funds	43,695	76,645	120,340
Due to other governmental units	-	1	1
Unearned revenue	8,097	-	8,097
	<u>580,894</u>	<u>108,487</u>	<u>689,381</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	12,046	-0-	12,046
FUND BALANCES			
Nonspendable			
Prepays	64,564	4,133	68,697
Restricted			
Streets and highways	-	506,970	506,970
Infrastructure improvements	-	605	605
Ambulance	-	150,429	150,429
Public safety	-	1,284,928	1,284,928
Unassigned	2,051,228	(153,656)	1,897,572
	<u>2,115,792</u>	<u>1,793,409</u>	<u>3,909,201</u>
	<u>\$ 2,708,732</u>	<u>\$ 1,901,896</u>	<u>\$ 4,610,628</u>

See accompanying notes to financial statements.

City of Fraser

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2013

Total fund balances - governmental funds \$ 3,909,201

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

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

The cost of capital assets is	\$ 88,973,969	
Accumulated depreciation is	<u>(72,341,116)</u>	
Capital assets, net		16,632,853

Net pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.	302,611
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Long-term receivables are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.	12,046
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An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the government-wide statement of net position.	439,110
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.
Long-term liabilities at year-end consist of:

Compensated absences	(1,077,443)	
Accrued interest payable	(33,020)	
Long-term obligations	(4,992,784)	
Other post-employment benefits obligation	<u>(14,058,906)</u>	
		<u>(20,162,153)</u>

Net position of governmental activities \$ 1,133,668

City of Fraser

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 8,022,649	\$ 865,284	\$ 8,887,933
Licenses and permits	303,110	-	303,110
Intergovernmental			
Federal	77,212	-	77,212
State	1,319,521	745,497	2,065,018
District Court and Violations Bureau	869,470	-	869,470
Charges for services	185,114	305,349	490,463
Fines and forfeitures	96,386	359,941	456,327
Interest and rents	154,078	7,267	161,345
Other	1,098,447	97,164	1,195,611
TOTAL REVENUES	12,125,987	2,380,502	14,506,489
EXPENDITURES			
Current			
General government	2,052,081	-	2,052,081
Public safety	6,144,690	369,190	6,513,880
Public works	1,350,901	765,925	2,116,826
Health and welfare	-	687,596	687,596
Community and economic development	19,758	-	19,758
Recreation and culture	686,369	-	686,369
Other	2,146,234	-	2,146,234
Capital outlay	129,049	479,366	608,415
Debt service	-	738,123	738,123
TOTAL EXPENDITURES	12,529,082	3,040,200	15,569,282
EXCESS OF REVENUES (UNDER) EXPENDITURES	(403,095)	(659,698)	(1,062,793)
OTHER FINANCING SOURCES (USES)			
Transfers in	575,583	835,251	1,410,834
Transfers out	(623,284)	(630,320)	(1,253,604)
Installment purchase agreement	129,049	-	129,049
TOTAL OTHER FINANCING SOURCES (USES)	81,348	204,931	286,279
NET CHANGE IN FUND BALANCES	(321,747)	(454,767)	(776,514)
Fund balances, beginning of year	2,437,539	2,248,176	4,685,715
Fund balances, end of year	<u>\$ 2,115,792</u>	<u>\$ 1,793,409</u>	<u>\$ 3,909,201</u>

See accompanying notes to financial statements.

City of Fraser

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (776,514)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 767,953	
Loss on disposal of assets	(5,802)	
Depreciation expense	<u>(762,472)</u>	
Excess of depreciation expense and loss on disposal over capital outlay		(321)

An internal service fund is used by management to charge the costs of certain activities to individual funds. The net position of the internal service fund decreased in the current period. (132,926)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current period, these amounts consist of:

Debt principal retirement	633,247	
Installment purchase agreement	<u>(129,049)</u>	
		504,198

Some items 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. These activities consist of:

(Decrease) in net pension asset	(73,667)	
Decrease in accrued interest payable	7,930	
Decrease in compensated absences	65,728	
(Increase) in other post-employment benefits obligation	<u>(3,457,043)</u>	
		<u>(3,457,052)</u>

Change in net position of governmental activities \$ (3,911,676)

City of Fraser

Proprietary Funds

STATEMENT OF NET POSITION

Year Ended June 30, 2013

	Business-type Activities			Governmental
	Nonmajor		Total Enterprise Funds	Internal Service Fund
	Water and Sewer Fund	Senior Citizen Housing Complex Fund		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 845,113	\$ 115,554	\$ 960,667	\$ 258,118
Restricted cash and cash equivalents	86,363	-	86,363	-
Customer receivables	1,383,057	-	1,383,057	-
Due from other funds	-	15,000	15,000	2,500
Due from other governmental units	396,242	-	396,242	-
Prepaid expenses	1,916	-	1,916	100
Total current assets	2,712,691	130,554	2,843,245	260,718
Noncurrent assets				
Capital assets not being depreciated	730,317	825,000	1,555,317	-
Capital assets, net	26,858,392	2,219,435	29,077,827	234,868
Total noncurrent assets	27,588,709	3,044,435	30,633,144	234,868
TOTAL ASSETS	30,301,400	3,174,989	33,476,389	495,586
LIABILITIES				
Current liabilities				
Accounts payable	1,393,705	45,219	1,438,924	5,115
Accrued liabilities	7,130	544	7,674	531
Due to other funds	-	365	365	-
Accrued interest payable	87,634	3,685	91,319	-
Current portion of compensated absences	2,433	-	2,433	2,053
Current portion of long-term debt	545,655	225,000	770,655	15,504
Total current liabilities	2,036,557	274,813	2,311,370	23,203
Noncurrent liabilities				
Net other post-employment benefits obligation	1,302,612	-	1,302,612	-
Noncurrent portion of long-term debt	14,613,578	1,300,000	15,913,578	33,273
Total noncurrent liabilities	15,916,190	1,300,000	17,216,190	33,273
TOTAL LIABILITIES	17,952,747	1,574,813	19,527,560	56,476
NET POSITION				
Net investment in capital assets	12,429,476	1,519,435	13,948,911	186,091
Unrestricted	(80,823)	80,741	(82)	253,019
TOTAL NET POSITION	\$ 12,348,653	\$ 1,600,176	\$ 13,948,829	\$ 439,110

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2013

	Business-type Activities			Governmental
	Nonmajor		Total Enterprise Funds	Internal Service Fund
	Water and Sewer Fund	Senior Citizen Housing Complex Fund		
OPERATING REVENUES				
Intergovernmental - State	\$ 415,142	\$ -	\$ 415,142	\$ -
Charges for services	6,033,928	8,100	6,042,028	-
Interest and penalties	61,789	22,421	84,210	-
Rentals	-	473,977	473,977	627,833
Other	17,615	-	17,615	10,318
TOTAL OPERATING REVENUES	6,528,474	504,498	7,032,972	638,151
OPERATING EXPENSES				
Salaries	410,403	32,229	442,632	44,173
Fringe benefits	562,658	-	562,658	29,962
Materials and supplies	110,793	16,348	127,141	-
Equipment rental	280,000	-	280,000	-
Repairs and maintenance	513,165	106,730	619,895	597,980
Cost of water	977,303	-	977,303	-
Cost of sewage disposal	1,884,956	-	1,884,956	-
Utilities	22,588	46,009	68,597	-
Postage	20,041	-	20,041	-
Miscellaneous	77,992	16,718	94,710	1,470
Depreciation	1,224,319	90,729	1,315,048	63,329
TOTAL OPERATING EXPENSES	6,084,218	308,763	6,392,981	736,914
OPERATING INCOME (LOSS)	444,256	195,735	639,991	(98,763)
NONOPERATING REVENUES (EXPENSES)				
Bond issuance costs	-	(45,000)	(45,000)	-
Tap-in fees	9,253	-	9,253	-
Interest and other revenue	2,941	374	3,315	32,643
Interest expense	(325,643)	(55,203)	(380,846)	-
Loss on disposal of capital assets	-	-	-0-	(47,940)
TOTAL NONOPERATING REVENUES (EXPENSES)	(313,449)	(99,829)	(413,278)	(15,297)
NET INCOME (LOSS) BEFORE TRANSFERS	130,807	95,906	226,713	(114,060)
Transfers out	(123,664)	(14,700)	(138,364)	(18,866)
CHANGE IN NET POSITION	7,143	81,206	88,349	(132,926)
Restated net position, beginning of year	12,341,510	1,518,970	13,860,480	572,036
Net position, end of year	\$ 12,348,653	\$ 1,600,176	\$ 13,948,829	\$ 439,110

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

	Business-type Activities			Governmental
	Nonmajor			Activities
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 5,878,303	\$ 489,498	\$ 6,367,801	\$ 635,651
Cash receipts from other governmental units	18,900	-	18,900	-
Cash paid to suppliers	(3,051,182)	(182,909)	(3,234,091)	(632,034)
Cash paid to employees	(415,333)	(32,229)	(447,562)	(44,043)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,430,688	274,360	2,705,048	(40,426)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(123,664)	(14,335)	(137,999)	(18,866)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital acquisitions	(2,486,159)	-	(2,486,159)	-
Tap-in fees	9,253	-	9,253	-
Payments on long-term borrowing	(525,742)	(200,000)	(725,742)	(14,795)
Proceeds from debt issuance	1,712,878	1,525,000	3,237,878	-
Transfer to escrow agent	-	(1,514,949)	(1,514,949)	-
Interest and fees paid	(326,096)	(63,247)	(389,343)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,615,866)	(253,196)	(1,869,062)	(14,795)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	2,941	374	3,315	32,643
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	694,099	7,203	701,302	(41,444)
Cash and cash equivalents, beginning of year	237,377	108,351	345,728	299,562
Cash and cash equivalents, end of year	<u>\$ 931,476</u>	<u>\$ 115,554</u>	<u>\$ 1,047,030</u>	<u>\$ 258,118</u>

City of Fraser

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2013

	Business-type Activities			Governmental
	Nonmajor			Activities
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 444,256	\$ 195,735	\$ 639,991	\$ (98,763)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	1,224,319	90,729	1,315,048	63,329
Decrease (increase) in:				
Receivables	(230,100)	-	(230,100)	-
Due from other funds	-	(15,000)	(15,000)	(2,500)
Due from other governmental units	(396,242)	-	(396,242)	-
Prepays	4,002	114	4,116	1,613
Increase (decrease) in:				
Accounts payable	1,074,004	2,782	1,076,786	(4,235)
Accrued liabilities	1,728	-	1,728	(303)
Unearned revenue	(4,929)	-	(4,929)	-
Compensated absences	(6,658)	-	(6,658)	433
Other post-employment benefits obligation	320,308	-	320,308	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,430,688	\$ 274,360	\$ 2,705,048	\$ (40,426)

See accompanying notes to financial statements.

City of Fraser

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Pension and Retiree Healthcare Trust Funds	Economic Development Corporation	Downtown Development Authority	Agency Fund
ASSETS				
Cash and cash equivalents	\$ 868,142	\$ 1,564	\$ 999	\$ 752,848
Investments				
U.S. government bonds	969,728	-	-	-
U.S. government securities	762,495	-	-	-
Equity securities	10,111,971	-	-	-
Corporate bonds	3,146,322	-	-	-
Commercial mortgage obligations	389,860	-	-	-
Municipal bonds	317,084	-	-	-
Real estate partnerships	1,016,129	-	-	-
Mutual funds	7,212,814	-	-	-
Prepaid expenses	-	-	-	500
TOTAL ASSETS	24,794,545	1,564	999	<u>\$ 753,348</u>
LIABILITIES				
Accrued and other liabilities	-	-	-	<u>\$ 753,348</u>
NET POSITION				
Held in trust for pension and other post-employment benefits	24,794,545	-	-	
Unrestricted	-	1,564	999	
TOTAL NET POSITION	<u>\$ 24,794,545</u>	<u>\$ 1,564</u>	<u>\$ 999</u>	

See accompanying notes to financial statements.

City of Fraser

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2013

	Pension and Retiree Healthcare Trust Funds	Economic Development Corporation	Downtown Development Authority
ADDITIONS			
Investment income			
Interest and dividends	\$ 533,182	\$ -	\$ -
Net appreciation in fair value of investments	2,438,321	-	-
Investment related expenses	<u>(91,581)</u>	<u>-</u>	<u>-</u>
Net investment income	2,879,922	-0-	-0-
Contributions			
Employer	1,610,852	-	-
Employee	<u>268,250</u>	<u>-</u>	<u>-</u>
Total contributions	<u>1,879,102</u>	<u>-0-</u>	<u>-0-</u>
TOTAL ADDITIONS	4,759,024	-0-	-0-
DEDUCTIONS			
Benefit payments	3,087,435	-	-
Administrative expenses	<u>435,741</u>	<u>-</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>3,523,176</u>	<u>-0-</u>	<u>-0-</u>
CHANGE IN NET POSITION	1,235,848	-0-	-0-
Restated net position, beginning of year	<u>23,558,697</u>	<u>1,564</u>	<u>999</u>
Net position, end of year	<u>\$ 24,794,545</u>	<u>\$ 1,564</u>	<u>\$ 999</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fraser, Michigan, (the City) is located in Macomb County, Michigan and has a population of approximately 14,480. The City operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, and utilities services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below:

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statements No. 39 and 61); and Michigan Committee on Governmental Accounting and Auditing Statement No. 4, these financial statements present the financial activities of the City of Fraser (primary government) and its component units, entities for which the government is considered to be financially accountable. The component units are legally separate from the City, however, they are not discretely presented because they are immaterial to the financial statements as a whole. Therefore, the component units are included in the fiduciary funds financial statements.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the City of Fraser contain all the funds controlled by the City Council.

2. Blended Component Units

The City of Fraser Building Authority is governed by a board that is appointed by the City's governing body. Although it is legally separate from the City, it is reported as part of the Senior Citizen Housing Complex Fund because its primary purpose is to finance and construct the City's senior citizen housing.

The City's employee retirement system has also been blended into the City's financial statements. The system is governed by an eleven (11) member pension board that includes the plan trustee chosen by the City Council. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the retirement system.

3. Fiduciary Component Units

The component units are reported in the fiduciary funds financial statements since they are not material to the City's financial statements as a whole. However, the City remains financially accountable for these entities, even though they are legally separate. The fiduciary funds financial statements contain the following component units:

Downtown Development Authority - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 10 individuals, is selected by the City Council. The Authority does not have separate issued financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Fiduciary Component Units - continued

Economic Development Corporation - The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine individuals, is selected by the City Council. The Corporation does not have separately issued financial statements.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of 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.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. 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 the major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for the operations required to provide water distribution, water treatment, sewage disposal, and sewage treatment systems for the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the City reports an internal service fund to account for the management of motor pool services provided to other departments on a cost reimbursement basis.

The City also reports fiduciary trust funds to account for the activities of employee benefit plans, which accumulate resources for pension and other post-employment benefit payments to qualified employees and fiduciary funds for the Economic Development Corporation and Downtown Development Authority, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

Agency funds are used to account for assets held by the City in trustee capacity. Agency funds are custodial in nature and do not involve the results of operations.

5. Measurement Focus

The government-wide, proprietary, and non-agency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as receivables and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown as required and other supplementary information were prepared on the modified accrual basis. The City prepares separate budgets for the General Fund and the Garbage Collection Fund. For financial statement purposes and in accordance with accounting principles generally accepted in the United States of America, the two funds are combined. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. The City requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year on or before April 15 of each year. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Council approval is required for any budgetary changes that result in an increase to net appropriations.
- b. A Public Hearing is conducted to obtain taxpayers' comments in May.
- c. At the May Council meeting, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

8. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash consists of checking, savings, and money market accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of ninety (90) days or less.

Investments include U.S. Government Securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. Investments are recorded at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Restricted Cash and Cash Equivalents

The City's restricted cash and cash equivalents are for debt service repayment and capital purchases.

10. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan or other governments for various payments and grants.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Receivables

Receivables consist of amounts due related from individuals and businesses related to charges for services, interest receivable, special assessments receivable, taxes levied that have not been collected, and other amounts owed to the City at year-end.

12. Property Tax

The City of Fraser bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Fraser on July 1 on the taxable valuation of property located in the City as of the preceding December 31 and are due without penalty on August 31. The July 1 levy is composed of the City's millage, County's millage assessments, and school taxes. All real property taxes not paid to the City by March 1 are turned over to the Macomb County Treasurer for collection. The Macomb County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to \$20 per \$1,000 of assessed valuation for general governmental services and additional amounts specifically designated for debt repayment, ambulance services, and city hall debt repayment. For the year ended June 30, 2013, the City levied 16.4962 mills per \$1,000 of assessed valuation for general governmental services, 0.3884 mills for debt repayment, 0.9818 mills for ambulance services, 0.9495 mills for city hall debt repayment. The total taxable value for the 2012 levy for property within the City was \$439,590,129.

13. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in fund balance. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of fund balance.

14. Unearned Revenue

The City defers revenue recognition in connection with resources that have been received but not yet earned.

15. Compensated Absences

Certain city employees are granted vacation and sick leave in varying amounts and are permitted to accumulate these benefits. In the event of termination, an employee is paid for accumulated vacation and sick time. All employees with accumulated unused vacation and sick time pay at June 30, 2013, along with related payroll taxes, are recorded in the government-wide and proprietary fund financial statements.

16. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, 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 funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and improvements	20 - 50 years
Vehicles	5 - 20 years
Machinery and equipment	5 - 20 years
County road improvements	5 - 20 years
Roads and sidewalks	20 - 30 years
Water and sewer distribution systems	25 - 30 years
Furniture and fixtures	5 - 15 years

18. Deferred Outflows/Inflows of Resources

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

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

19. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

20. Restrictions of Net Position

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding sources or some other outside source which precludes their use for unrestricted purpose.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

21. 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those expected.

22. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: POOLING OF CASH AND INVESTMENTS

The City utilizes pooled depository accounts for approximately thirteen (13) funds. The City's pooled depository accounts consist of a common checking, savings, certificates of deposit, and money market accounts. The City's balance sheet reflects cash and investments with negative balances in certain funds. These amounts do not represent actual bank overdrafts; rather, they merely reflect that specific funds have disbursed amounts from the City's common cash accounts in excess of the amount recorded as an asset. In total, the bank accounts have positive balances.

Cash disbursed in excess of amounts recorded as assets as of June 30, 2013, are as follows:

<u>Fund</u>	<u>Negative Pooled Cash</u>
PRIMARY GOVERNMENT	
Governmental Funds	
Debt Service Funds	
General Obligation Fund	<u>\$ (182,714)</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

As of June 30, 2013, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 2,831,054	\$ 3,091,875
Certificates of deposit	<u>1,405,964</u>	<u>1,406,822</u>
TOTAL PRIMARY GOVERNMENT	4,237,018	4,498,697
FIDUCIARY FUNDS		
Checking and savings	1,425,162	1,262,040
Certificates of deposit	<u>198,391</u>	<u>198,391</u>
TOTAL FIDUCIARY FUNDS	<u>1,623,553</u>	<u>1,460,431</u>
TOTAL REPORTING ENTITY	<u><u>\$ 5,860,571</u></u>	<u><u>\$ 5,959,128</u></u>

The primary government cash and cash equivalents caption on the basic financial statements included \$2,550 of imprest cash.

Deposits

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2013, the City accounts were insured by the FDIC for \$1,942,663 and the amount of \$4,016,465 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of June 30, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT			
Governmental agencies	\$ 610,857	AA+ to BBB	7.98 years
Corporate bonds	<u>121,912</u>	AAA	.13 years
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 732,769</u></u>		

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investments - continued

<u>Investment Type</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
FIDUCIARY FUNDS			
U.S. government bonds	\$ 969,728	AAA	4.75 years
U.S. government securities	762,495	N/A	4.01 years
Equity securities	10,111,971	N/A	N/A
Corporate bonds	3,146,322	BBB to AAA	8.24 years
Commercial mortgage obligations	389,860	A to AAA	2.34 years
Municipal bonds	317,084	AA2 to AAA	.80 years
Real estate partnerships	1,016,129	N/A	N/A
Mutual funds	7,212,814	N/A	N/A
TOTAL FIDUCIARY FUNDS	\$ 23,926,403		

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Rating information on the City's investments as of June 30, 2013, is presented above.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

Structuring the investment portfolio with the objective of attaining a rate of return, throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

Diversifying investments of the City's funds. The City shall diversity its investments by security type and by financial institution. With the exception of United States Treasury securities and authorized investment pools, no more than 50% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

The City's Pension Trust and Retiree Health Care Funds limit investments in Baa-rated bonds to no greater than 15% of the fixed-income section of the portfolio. No more than 5% of the total asset portfolio may be invested in a single fixed-income security and no more than 10% of the total portfolio may be invested in securities of a governmental agency that are not fully backed by the United States government. The funds' target investment in equity securities are between 40% and 60% of the portfolio and no more than 2% of the total portfolio shall be invested in a single equity security.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

Requiring that deposits and investments held by a third-party custodian be evidenced by a safekeeping receipt. The City's Pension Trust and Retiree Health Care Funds do not have an investment policy for custodial credit risk.

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents or investments captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2013:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,739,144	\$ 1,623,553	\$ 4,362,697
Restricted cash and cash equivalents	94,460	-	94,460
Investments	<u>2,138,733</u>	<u>23,926,403</u>	<u>26,065,136</u>
	<u>\$ 4,972,337</u>	<u>\$ 25,549,956</u>	<u>\$ 30,522,293</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2013, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ 74,145
Nonmajor enterprise fund	<u>365</u>
	<u>\$ 74,510</u>
Due to nonmajor governmental funds from:	
General Fund	<u>\$ 28,695</u>
Due to nonmajor enterprise fund from:	
General Fund	<u>\$ 15,000</u>
Due to internal service fund from:	
Nonmajor governmental funds	<u>\$ 2,500</u>

Amounts appearing as interfund payables and receivables arise from three types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. A second type of transaction is where one fund provides a good or service to another fund. The third type of transaction is where one fund borrows cash from another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from:	
Water and Sewer Fund	\$ 123,664
Nonmajor enterprise fund	14,700
Nonmajor governmental funds	418,353
Internal service fund	18,866
	<u>575,583</u>
	<u>\$ 575,583</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 623,284
Other nonmajor governmental funds	211,967
	<u>835,251</u>
	<u>\$ 835,251</u>

Transfers from the Water and Sewer Fund, nonmajor enterprise fund, nonmajor governmental funds, and the internal service fund to the General Fund were to fund current year operations and capital outlay. Transfers to nonmajor governmental funds from the General Fund and other nonmajor governmental funds were to fund current year operations and to fund debt service payments.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

Primary Government

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,938,136	\$ -	\$ -	\$ 4,938,136
Construction in progress	-	405,594	-	405,594
	<u>4,938,136</u>	<u>405,594</u>	<u>-0-</u>	<u>5,343,730</u>
Capital assets not being depreciated	4,938,136	405,594	-0-	5,343,730
Capital assets being depreciated				
Land improvements	162,706	-	-	162,706
Roads and sidewalks	73,227,666	-	-	73,227,666
County road improvements	553,414	-	-	553,414
Buildings and improvements	6,514,985	-	-	6,514,985
Vehicles	3,868,249	149,859	(307,414)	3,710,694
Machinery and equipment	1,395,951	212,500	(37,329)	1,571,122
Furniture and fixtures	274,291	-	-	274,291
	<u>85,997,262</u>	<u>362,359</u>	<u>(344,743)</u>	<u>86,014,878</u>
Subtotal	85,997,262	362,359	(344,743)	86,014,878

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities - continued				
Less accumulated depreciation for:				
Land improvements	\$ (96,687)	\$ (6,148)	\$ -	\$ (102,835)
Roads and sidewalks	(67,695,540)	(407,767)	-	(68,103,307)
County road improvements	(159,002)	(18,447)	-	(177,449)
Buildings and improvements	(1,975,087)	(142,229)	-	(2,117,316)
Vehicles	(2,739,280)	(149,847)	253,672	(2,635,455)
Machinery and equipment	(1,045,396)	(86,766)	37,329	(1,094,833)
Furniture and fixtures	(245,095)	(14,597)	-	(259,692)
Subtotal	<u>(73,956,087)</u>	<u>(825,801)</u>	<u>291,001</u>	<u>(74,490,887)</u>
Net capital assets being depreciated	<u>12,041,175</u>	<u>(463,442)</u>	<u>(53,742)</u>	<u>11,523,991</u>
Capital assets, net	<u>\$ 16,979,311</u>	<u>\$ (57,848)</u>	<u>\$ (53,742)</u>	<u>\$ 16,867,721</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 249,820
Public safety	113,216
Public works	312,072
Recreation and culture	87,364
Internal Service Fund	63,329
	<u>\$ 825,801</u>

	Restated Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 837,043	\$ -	\$ -	\$ 837,043
Construction in progress	-	718,274	-	718,274
Capital assets not being depreciated	837,043	718,274	-0-	1,555,317
Capital assets being depreciated				
Water and sewer distribution systems	35,834,088	1,767,885	-	37,601,973
Buildings and building improvements	3,895,652	-	-	3,895,652
Subtotal	39,729,740	1,767,885	-0-	41,497,625

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Restated Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Business-type Activities - continued				
Less accumulated depreciation for:				
Water and sewer distribution systems	\$ (9,519,262)	\$ (1,224,319)	\$ -	\$(10,743,581)
Buildings and building improvements	(1,585,488)	(90,729)	-	(1,676,217)
Subtotal	(11,104,750)	(1,315,048)	-0-	(12,419,798)
Net capital assets being depreciated	28,624,990	452,837	-0-	29,077,827
Capital assets, net	<u>\$ 29,462,033</u>	<u>\$ 1,171,111</u>	<u>\$ -0-</u>	<u>\$ 30,633,144</u>

Depreciation expense was charged to the following business-type activities:

Water and Sewer	\$ 1,224,319
Senior Citizen Housing Complex	90,729
	<u>\$ 1,315,048</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amount Due in One Year
Governmental Activities					
2002 Capital Improvement Bonds	\$ 100,000	\$ -	\$ (100,000)	\$ -0-	\$ -
2003 Capital Improvement Bonds	60,000	-	(60,000)	-0-	-
2010 Refunding Bonds	3,620,000	-	(335,000)	3,285,000	425,000
2012A Refunding Bonds	1,340,000	-	-	1,340,000	110,000
Lease purchase agreement - Aerial Platform Fire Truck	314,991	-	(62,998)	251,993	62,998
Lease purchase agreement - Dump Truck	63,572	-	(14,795)	48,777	15,504
Installment purchase agreement - Copier	61,991	-	(14,000)	47,991	16,000
Installment purchase agreement - E911 phones	-	129,049	(61,249)	67,800	15,437
Compensated absences	1,144,791	675,390	(740,685)	1,079,496	577,815
	6,705,345	804,439	(1,388,727)	6,121,057	1,222,754

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE G: LONG-TERM DEBT - CONTINUED

	Restated Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amount Due in One Year
Business-type Activities					
1999 Building Authority Bonds	\$ 1,680,000	\$ -	\$ (1,680,000)	\$ -0-	\$ -
2012B Refunding Bonds	-	1,525,000	-	1,525,000	225,000
2008 North Gratiot Interceptor Drainage District	348,943	-	(8,574)	340,369	12,860
2010B OMID Drainage District	146,057	-	(5,345)	140,712	5,577
2010A MID Drainage District	3,648,870	-	(118,760)	3,530,110	120,139
2010 North Gratiot Drainage District	33,844	-	(1,092)	32,752	1,113
2010A OMID Drainage District	582,379	-	(24,285)	558,094	24,866
2009 Clean Water Revolving Loan Fund	6,762,800	47,200	(305,000)	6,505,000	310,000
2011 OMID Drainage District	728,420	-	-	728,420	-
2011 MID Drainage District	1,389,850	-	(31,588)	1,358,262	36,100
2013 OMID Drainage District	-	1,589,514	-	1,589,514	-
Installment purchase agreement - Sewer vacuum equipment	330,934	-	(20,934)	310,000	25,000
Installment purchase agreement - Backhoe	-	76,164	(10,164)	66,000	10,000
Compensated absences	9,091	1,945	(8,603)	2,433	2,433
	<u>15,661,188</u>	<u>3,239,823</u>	<u>(2,214,345)</u>	<u>16,686,666</u>	<u>773,088</u>
	<u>\$ 22,366,533</u>	<u>\$ 4,044,262</u>	<u>\$ (3,603,072)</u>	<u>\$ 22,807,723</u>	<u>\$ 1,995,842</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Governmental Activities

General Obligation Bonds

\$3,960,000 2010 General Obligation Unlimited Tax Refunding Bonds dated August 25, 2010, due in annual installments ranging from \$410,000 to \$530,000 through October 1, 2019, with interest ranging from 2.00 to 4.00 percent.	\$ 3,285,000
\$1,340,000 2012A General Obligation Limited Tax Refunding Bonds dated June 12, 2012, due in annual installments ranging from \$110,000 to \$165,000 through October 1, 2022, with interest of 2.0 percent.	<u>1,340,000</u>
	<u>\$ 4,625,000</u>

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE G: LONG-TERM DEBT - CONTINUED

Governmental Activities - continued

Installment and Lease Purchase Agreements

\$699,980 Lease Purchase Agreement for an aerial platform fire truck dated October 17, 2006, due in annual installments of \$62,998 through October 1, 2016, with interest of 4.43 percent.	\$ 251,993
\$109,005 Installment Purchase Agreement for a dump truck dated December 22, 2009, due in annual installments ranging from \$15,504 to \$17,027 through April 1, 2016, with interest of 4.79 percent.	48,777
\$61,991 Installment Purchase Agreement for a copier dated June 9, 2011, due in an annual installments ranging from \$15,991 to \$16,000 through October 1, 2015, with interest of 2.745 percent.	47,991
\$129,049 Installment Purchase Agreement for Emergency 911 Telephone System dated September 20, 2012, due in a down payment of \$50,000 and monthly installments of \$1,453, including interest of 3.287 percent through 2018.	67,800
	<u>\$ 416,561</u>

Business-type Activities

General Obligation Bonds

\$1,525,000 2012B General Obligation Building Authority Refunding Bonds dated September 20, 2012, due in annual installments ranging from \$225,000 to \$270,000 through November 1, 2018, with interest ranging from 3.85 to 4.80 percent.	<u>\$ 1,525,000</u>
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Macomb County Water Disposal District

\$383,067 2008 North Gratiot Interceptor Drainage District Bonds dated June 1, 2008, due in annual installments ranging from \$12,860 to \$20,577 through May 1, 2033, with interest ranging from 4.00 to 5.00 percent.	\$ 340,369
\$155,701 2010B Oakland-Macomb Interceptor Drainage District Bonds dated April 1, 2010, due in annual installments ranging from \$5,577 to \$12,084 through April 1, 2030, with interest ranging from 2.45 to 5.90 percent.	140,712
\$3,766,448 2010A Macomb Interceptor Drainage District Bonds dated August 30, 2010, due in annual installments ranging from \$120,139 to \$221,764 through April 1, 2035, with interest ranging from 2.05 to 5.50 percent.	3,530,110
\$35,618 2010 North Gratiot Drainage District Bonds dated May 11, 2010, due in annual installments ranging from \$1,113 to \$2,047 through April 1, 2035, with interest ranging from 2.75 to 6.35 percent.	32,752

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE G: LONG-TERM DEBT - CONTINUED

Business-type Activities - continued

Macomb County Water Disposal District - continued

\$605,990 2010A Oakland-Macomb Interceptor Drainage District Bonds dated February 1, 2010, due in annual installments ranging from \$24,285 to \$37,996 through April 1, 2031, with interest of 2.50 percent.	\$ 558,094
\$728,420 2011 Oakland-Macomb Interceptor Drainage District Bonds dated January 1, 2012, due in annual installments ranging from \$28,532 to \$45,508 through October 1, 2033, with interest of 2.50 percent.	728,420
\$1,389,850 2011 Macomb Interceptor Drainage District Bonds dated October 18, 2011, due in annual installments ranging from \$36,100 to \$112,813 through October 1, 2031, with interest of 5.0 percent.	1,358,262
\$1,589,514 2013 Oakland-Macomb Interceptor Drainage District Bonds dated June 25, 2013, due in estimated annual installments ranging from \$65,396 to \$95,288 through October 1, 2034, with interest of 2.00 percent.	<u>1,589,514</u>
	<u><u>\$ 8,278,233</u></u>

Revenue Bond

\$7,398,000 2009 Clean Water Revolving Loan Fund, dated April 17, 2009, due in annual installments ranging from \$310,000 to \$460,000 through October 1, 2029, with interest of 2.50 percent.	<u><u>\$ 6,505,000</u></u>
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Installment Lease Agreements

\$330,934 Lease Purchase Agreement for sewer vacuum equipment dated December 7, 2011, due in annual installments ranging from \$25,000 to \$45,000 through October 1, 2021, with interest of 2.97 percent.	\$ 310,000
\$76,164 Lease Purchase Agreement for a backhoe dated July 11, 2012, due in annual installments ranging from \$10,000 to \$12,000 through October 1, 2018, with interest of 3.25 percent.	<u>66,000</u>
	<u><u>\$ 376,000</u></u>

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/vacation time. The dollar amounts of these vested rights including related payroll taxes, which have been recorded in the government-wide financial statements, amounted to \$1,081,929 at June 30, 2013.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE G: LONG-TERM DEBT - CONTINUED

Business-type Activities - continued

The annual requirements to pay the debt principal and interest outstanding for the Bonds and Installment Loan Agreements are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 644,939	\$ 124,779	\$ 770,655	\$ 400,674
2015	646,197	109,566	863,843	426,552
2016	637,500	94,398	925,129	407,263
2017	715,032	77,146	947,208	385,837
2018	627,893	59,662	982,108	363,440
2019-2023	1,770,000	72,744	4,099,487	1,481,016
2024-2028	-	-	4,228,041	904,022
2029-2033	-	-	3,193,178	304,407
2034-2036	-	-	674,584	21,425
	<u>\$ 5,041,561</u>	<u>\$ 538,295</u>	<u>\$ 16,684,233</u>	<u>\$ 4,694,636</u>

Defeased Debt

During prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2013, \$4,575,000 of bonds outstanding are considered defeased.

During fiscal year 2013, the City defeased the 1999 Capital Improvement Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The City issued 2012B Refunding Bonds in the amount of \$1,525,000 to provide resources to fund the escrow amounts and pay the cost of the refunding bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2013, \$1,480,000 of bonds outstanding are considered defeased.

As a result of the advance refunding, the City decreased its total debt service requirements by \$140,120, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$127,409.

Water and Sewer Obligations

The City of Fraser participates in the Oakland-Macomb Interceptor Drainage District (OMID) as well as the North Gratiot Interceptor Drainage District (NGID). These programs are financed by general obligation bonds issued by Macomb County where the City of Fraser is only responsible for a portion of these general obligation bonds. The City of Fraser has contracts with Macomb County for the cost of the construction of the water and sewer systems within its boundaries. The City of Fraser has pledged the full faith and credit of the City to the prompt payment of the City's share of the principal and interest payments on these contracts as they become due. From information received from Macomb County, the assets relating to those contracts have been recorded in the Water and Sewer Fund of the City to reflect the actual construction cost of the above mentioned systems. The contract principal portion owed by the City of Fraser has been recorded in the Water and Sewer Fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE H: RETIREMENT PLAN

Plan Description

The City maintains a defined benefit retirement plan consisting of the following groups: public safety, Department of Public Works, management employees, office and clerical workers, dispatchers, and supervisors. Each group is covered under a consolidated plan. The consolidated plan is a single-employer defined benefit pension plan administered by the City of Fraser's pension board. The consolidated plan does not issue a separate report.

Public Safety - The plan covers all full-time public safety employees who are members of POAM or POLC. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2012, the date of the most recent actuarial valuation, public safety membership consisted of 42 retirees and beneficiaries currently receiving benefits and 40 current active employees.

Department of Public Works - The plan covers all full-time Department of Public Works employees of the City. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2012, the date of the most recent actuarial valuation, public works membership consisted of 11 retirees currently receiving benefits, five terminated employees entitled to benefits but not yet receiving them, and 9 current active employees.

Management Employees - The plan covers all full-time management employees of the City. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2012, the date of the most recent actuarial valuation, management membership consisted of 13 retirees and beneficiaries currently receiving benefits and four terminated employees entitled to benefits but not yet receiving them.

Office, Clerical, and Court Workers - The plan covers all full-time office, clerical, and 35th District Court employees who are members of the collective bargaining unit. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2012, the date of the most recent actuarial valuation, office and clerical membership consisted of 11 retirees and beneficiaries currently receiving benefits, four terminated employees entitled to benefits but not yet receiving them, and 10 current active employees.

Dispatchers - The plan covers all full-time dispatcher employees of the City. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2012, the date of the most recent actuarial valuation, dispatcher membership consisted of one retiree currently receiving benefits, one terminated employee entitled to benefits but not yet receiving them, and four current active employees.

Supervisors - The plan covers full-time supervisory employees of the City who are not considered management or are not covered by any other collectively bargained plan. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2012, the date of the most recent actuarial valuation, supervisors' membership consisted of 16 retirees and beneficiaries currently receiving benefits, four terminated employees entitled to benefits but not yet receiving them, and one current active employee.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Council and by negotiation with the City's collective bargaining units. Administrative costs of the plan are financed through investment earnings. The following are required employee contributions under the collective bargaining agreements:

Public safety	5.00%
Department of Public Works	5.00%
Office and clerical	5.00%
Dispatchers	4.71% - 5.00%

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE H: RETIREMENT PLAN - CONTINUED

Funding Policy - continued

Management and supervisors are not covered under collective bargaining agreements. Management and supervisors are required to contribute 2.0 percent and 3.0 percent to 3.7 percent, respectively.

Annual Pension Cost

The estimated annual required contribution was determined as part of an actuarial valuation at June 30, 2012, using the entry-age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return (b) payroll was assumed to grow by 4.0 percent per year for the Office, Clerical and 35th District Court group and by 5.0 percent per year for all other groups.

The annual pension cost and net pension asset for the year ending June 30, 2013, are as follows:

Annual required contribution (ARC)	\$ 1,790,213
Interest on net pension asset	(30,103)
Adjustment to annual required contribution	<u>(82,114)</u>
Annual net pension cost	1,677,996
Amounts contributed:	
Annual contributions	<u>(1,604,329)</u>
Decrease in net pension asset	73,667
Net pension asset - beginning of year	<u>(376,278)</u>
Net pension asset - end of year	<u><u>\$ (302,611)</u></u>

The actuarial value of assets was determined using techniques the 5-year smoothed market method. The unfunded actuarial liability is being amortized as a level percentage of payroll over a closed period of twenty-eight (28) years.

Three (3) year trend information

	Year Ended June 30,		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial value of assets	\$ 25,659,474	\$ 25,354,191	\$ 24,705,967
Actuarial accrued liability (AAL) (entry age)	45,195,585	46,667,079	48,665,808
Unfunded AAL (UAAL)	19,536,111	21,312,888	23,959,841
Funded ratio	57%	54%	51%
Annual covered payroll	5,488,321	5,359,314	5,019,570
UAAL as a percentage of covered payroll	356%	398%	477%

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE H: RETIREMENT PLAN - CONTINUED

Three (3) year trend information - continued

	Year Ended June 30,		
	2011	2012	2013
Annual pension cost (APC)	\$ 1,698,599	\$ 1,586,937	\$ 1,677,996
Percentage of APC contributed	85.4%	115.2%	95.6%
Net pension (asset)	(135,564)	(376,278)	(302,611)

This trend information was obtained from the most recently issued actuarial reports.

NOTE I: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides certain retiree healthcare and dental benefits to all full-time employees and their spouses upon retirement in accordance with labor contracts. The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement No. 45) required disclosures.

During the year ended June 30, 2013, 86 retirees (which includes active employees, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits) were eligible to receive benefits. Expenditures for post-employment benefits are recognized when claims are paid.

The plan is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. Administrative costs are paid by the City through employer contributions. The plan does not issue a separate stand-alone financial statement.

Funding Policy

The collective bargaining agreements do not require contributions from employees. The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The only current contributions being made are to pay the actual current premiums of the retirees. The amount of the annual required contribution is reflected in the schedule that follows.

Funding Progress

For the year ended June 30, 2013, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of June 30, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The City's computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 5,142,495
Interest on net OPEB obligation	347,525
Adjustment to annual required contribution	<u>(65,872)</u>
Annual OPEB cost (expense)	5,424,148
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>(1,646,797)</u>
Increase in net OPEB obligation	3,777,351
OPEB obligation - beginning of year	<u>11,584,167</u>
OPEB obligation - end of year	<u>\$ 15,361,518</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 5,424,148	30.3%	\$ 7,189,024
2012	5,295,140	29.7%	11,584,167
2013	5,191,242	29.2%	15,361,518

The funding progress of the plan as is as follows:

	<u>Year Ended June 30, 2006</u>	<u>2009</u>
Actuarial value of assets	\$ 340,018	\$ -
Actuarial accrued liability (AAL) (entry age)	49,708,098	58,822,957
Unfunded AAL (UAAL)	49,368,080	58,822,957
Funded ratio	0.7%	0%
Annual covered payroll	6,020,985	5,966,282
UAAL as a percentage of covered payroll	819.9%	985.9%

This trend information was obtained from the most recently issued actuarial reports.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Actuarial Methods and Assumptions - continued

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 City 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 June 30, 2009 actuarial valuation the entry age normal cost method was used. The actuarial assumptions include a 3.0 percent per year rate of investment return (net of administrative expenses, which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate 3.0 percent after ten years. Both rates include a 3.0 percent 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 five-year period. The UAAL is being amortized as a level dollar on a closed basis. The remaining amortization period at June 30, 2013, was 26 years.

NOTE J: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy period exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The City has not been informed of any special assessments being required.

The City is exposed to various risks of loss for liability, property, inland marine, crime, automobile, law enforcement liability, public officials, excess liability, and employer liability for which the City carries commercial insurance.

The City had participated in a self-insured prescription coverage program through a third-party service provider. During the year, the City determined not to continue this self-insured plan and the program went through a final audit to ensure that all claims have been paid. Subsequent to year end, the City received a return of their deposit of \$11,300.

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard.

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

The formal action that is required to be taken to establish a fund balance commitment is the adoption of a City ordinance.

For assigned fund balance, the City of Fraser has not approved a policy indicating who is authorized to assign amounts to a specific purpose, therefore the authority for assigning fund balance remains with City Council.

The City of Fraser has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first, therefore restricted resources will be used first, then unrestricted resources if they are needed.

NOTE L: FUND DEFICITS

The following funds had a deficit in fund balance or negative unrestricted net position at June 30, 2013:

<u>Fund</u>	<u>Deficit</u>
PRIMARY GOVERNMENT	
Governmental Funds	
Debt Service Funds	
General Obligation Fund	\$ (182,714)
Proprietary Fund	
Water and Sewer Fund	(80,823)

NOTE M: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position of the Water and Sewer Fund was reduced by \$553,414 and \$31,586 from the prior year's audited financial statements due to capital assets being overstated and long-term debt being understated in the prior year. This resulted in a restated beginning net position of \$12,341,510.

Beginning net position of the Senior Citizen Housing Complex Fund was reduced by \$80,762 from the prior year's audited financial statements due to a change in accounting principle related to the accounting for bond issuance costs. This resulted in restated beginning net position of \$1,518,970.

Beginning net position of the business-type activities has been reduced by \$665,762 from the prior year's audited financial statements due to the items mentioned previously. This resulted in a restated beginning net position of \$13,860,480.

Beginning net position of the fiduciary funds has been increased by \$15,822 from the prior year's audited financial statements to correct an accounting error. This resulted in a restated beginning net position of \$23,558,697.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE N: CONSTRUCTION CODE ACTIVITY

In accordance with Michigan Public Act 245 of 1999, the City is required to maintain a separate accounting system that separately accumulates revenues and expenditures related to the building department function.

As required under provisions of the Act, the City adopted this accounting treatment effective January 1, 2000. The following is a summary of the activity for the year ended June 30, 2013:

REVENUES	
Permits	\$ 61,826
EXPENDITURES	
Salaries and fringe benefits	202,031
Supplies and other	<u>11,476</u>
TOTAL EXPENDITURES	<u>213,507</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(151,681)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(153,182)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$ (304,863)</u>

NOTE O: CONTINGENT LIABILITIES

During the year ended June 30, 2002, the City received an administrative consent order from the State of Michigan Department of Environmental Quality for its alleged violation of the Water Resources Protection of the Natural Resources and Environmental Protection Act, 1994 P.A. 451. As a result of the consent order, the Department of Environmental Quality fined the City \$210,000. The City was required to pay \$20,000 annually from April 2002 through 2004, which has been made. The City was also required to pay the remaining \$150,000 by conducting three environmental projects to improve the existing storm and sanitary sewer system at various dates through December 31, 2006. The City completed one of these environmental projects for a total cost of approximately \$220,000 and the remaining projects are pending.

At times, the City may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City and its attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and 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 City expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE P: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, was implemented during the current year. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interest in legally separate organizations. Based on materiality, the Downtown Development Authority and Economic Development Corporation no longer meet the criteria for classification as discretely presented component units of the City of Fraser.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, were implemented during the current year. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets and fund balance, when applicable.

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. The statement will be effective for the City's 2013-2014 fiscal year. The statement will establish accounting and financial reporting requirements related to defined benefit pension plans and specify the required approach to measuring the pension liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the City's 2014-2015 fiscal year.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2013-2014 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fraser

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 7,839,155	\$ 7,986,296	\$ 8,022,649	\$ 36,353
Licenses and permits				
Franchise fees	130,000	130,000	134,309	4,309
Other	191,600	199,600	168,801	(30,799)
Total license and permits	321,600	329,600	303,110	(26,490)
Intergovernmental				
Federal	66,000	74,030	77,212	3,182
State	1,263,541	1,263,541	1,319,521	55,980
District Court and Violations Bureau	859,564	859,564	869,470	9,906
Total intergovernmental	2,189,105	2,197,135	2,266,203	69,068
Charges for services	115,750	119,550	79,286	(40,264)
Fines and forfeitures	144,000	144,000	96,386	(47,614)
Interest and rents	174,500	174,500	154,078	(20,422)
Other				
Parks and recreation	110,000	110,000	85,371	(24,629)
Library	20,250	20,250	21,355	1,105
Miscellaneous	855,279	914,279	991,721	77,442
Total other	985,529	1,044,529	1,098,447	53,918
TOTAL REVENUES	11,769,639	11,995,610	12,020,159	24,549
EXPENDITURES				
Current				
General government				
City Council	77,497	77,497	77,972	(475)
City administration	211,273	211,273	213,533	(2,260)
City clerk	177,034	177,034	165,542	11,492
District Court	654,408	663,768	656,149	7,619
Finance	274,644	274,644	265,567	9,077
Assessor	168,149	168,149	159,850	8,299
Legal	30,250	70,250	57,854	12,396
Building and grounds	413,079	455,579	455,614	(35)
Total general government	2,006,334	2,098,194	2,052,081	46,113
Public safety	5,757,830	5,954,830	6,144,690	(189,860)

City of Fraser

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Public works				
Building inspections	\$ 226,029	\$ 226,029	\$ 216,917	\$ 9,112
Other	465,003	505,003	467,573	37,430
Total public works	691,032	731,032	684,490	46,542
Community and economic development				
Planning committee	27,315	27,315	19,758	7,557
Recreation and culture				
City parks and recreation	319,359	319,359	337,795	(18,436)
Historical commission	1,550	1,550	909	641
Library	362,395	362,395	347,665	14,730
Total recreation and culture	683,304	683,304	686,369	(3,065)
Other				
Insurance	167,500	171,060	171,056	4
Retiree health insurance contributions	1,439,100	1,439,100	1,640,274	(201,174)
Refunds and reimbursements	190,000	240,000	334,904	(94,904)
Total other	1,796,600	1,850,160	2,146,234	(296,074)
Capital outlay	-	-	129,049	(129,049)
TOTAL EXPENDITURES	10,962,415	11,344,835	11,862,671	(517,836)
EXCESS OF REVENUES OVER EXPENDITURES	807,224	650,775	157,488	(493,287)
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-0-
Transfers out	(665,775)	(665,775)	(623,284)	42,491
Installment purchase agreement	-	-	129,049	129,049
TOTAL OTHER FINANCING SOURCES (USES)	(650,775)	(650,775)	(479,235)	171,540
Net change in fund balance (budgetary basis)	\$ 156,449	\$ -0-	\$ (321,747)	\$ (321,747)

City of Fraser

SCHEDULE OF PENSION FUNDING PROGRESS

Year Ended June 30, 2013

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
2003	\$ 21,099,962	\$ 30,356,332	\$ 9,256,370	70%	\$ 6,169,116	150%
2004	20,898,722	33,433,540	12,534,818	63%	6,226,887	201%
2005	20,665,129	35,628,009	14,962,880	58%	5,984,715	250%
2006	22,404,843	37,425,616	15,020,773	60%	6,020,985	249%
2007	24,446,647	38,753,657	14,307,010	63%	5,995,408	239%
2008	25,738,595	40,814,234	15,075,639	63%	6,369,746	237%
2009	25,680,593	42,852,937	17,172,344	60%	5,966,282	288%
2010	25,659,474	45,195,585	19,536,111	57%	5,488,321	356%
2011	25,354,191	46,667,079	21,312,888	54%	5,359,314	398%
2012	24,705,967	48,665,808	23,959,841	51%	5,019,570	477%

City of Fraser

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2013

<u>Year Ended June 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2004	\$ 1,112,070	99%	\$ (474,024)
2005	1,267,078	98.2%	(451,278)
2006	1,515,796	95.6%	(385,124)
2007	1,770,286	99.5%	(375,390)
2008	1,703,256	100.5%	(383,934)
2009	1,650,729	99.3%	(373,000)
2010	1,602,510	99.8%	(369,202)
2011	1,698,599	80.0%	(135,564)
2012	1,691,326	108.1%	(376,278)
2013	1,790,213	89.6%	(302,611)

City of Fraser

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The City's budgeted expenditures for the General Fund have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2013, the City incurred expenditures in the General Fund and Drug Forfeiture Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
City Council	\$ 77,497	\$ 77,972	\$ 475
City administration	211,273	213,533	2,260
Building and grounds	455,579	455,614	35
Public safety	5,954,830	6,144,690	189,860
Recreation and culture			
City parks and recreation	319,359	337,795	18,436
Other			
Retiree health insurance contributions	1,439,100	1,640,274	201,174
Refunds and reimbursements	240,000	334,904	94,904
Capital outlay	-	129,049	129,049
Drug Forfeiture	245,100	264,150	19,050

NOTE B: BUDGET RECONCILIATION

The actual amounts in the budgetary comparison schedules (non-GAAP budgetary basis) are presented on the same basis of accounting used in preparing the adopted budget. In addition, the City of Fraser budgets the activities of the Garbage Collection Fund separately from the General Fund. For financial statement purposes and the GAAP-basis basic financial statements, however, the activities of the above mentioned fund are combined with the General Fund.

Net change in General Fund fund balance (budgetary basis)	\$ (321,747)
Garbage Collection Fund	
Charges for services	105,828
Transfers in from other funds	560,583
Public works expenditures	<u>(666,411)</u>
Net change in General Fund fund balance (GAAP basis)	<u>\$ (321,747)</u>

OTHER SUPPLEMENTARY INFORMATION

City of Fraser

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2013

	Special Revenue			
	Major Streets Fund	Local Streets Fund	Ambulance Fund	Gambling Forfeiture Fund
ASSETS				
Cash and cash equivalents	\$ 236,903	\$ 173,691	\$ 134,457	\$ 839,620
Investments	-	-	-	100,000
Due from other governmental units	86,263	37,172	18,571	-
Due from other funds	-	-	-	-
Prepays	1,087	1,027	439	1,580
TOTAL ASSETS	\$ 324,253	\$ 211,890	\$ 153,467	\$ 941,200
LIABILITIES				
Accounts payable	\$ 8,088	\$ 14,579	\$ 2,240	\$ 1,434
Accrued liabilities	2,011	2,381	359	-
Due to other governmental units	-	-	-	-
Due to other funds	-	-	-	9,799
TOTAL LIABILITIES	10,099	16,960	2,599	11,233
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
FUND BALANCES (DEFICITS)				
Nonspendable				
Prepays	1,087	1,027	439	1,580
Restricted				
Streets and highways	313,067	193,903	-	-
Ambulance	-	-	150,429	-
Infrastructure improvements	-	-	-	-
Public safety	-	-	-	928,387
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	314,154	194,930	150,868	929,967
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 324,253	\$ 211,890	\$ 153,467	\$ 941,200

Funds	Debt Service Funds			Capital Projects Fund	
Drug Forfeiture Fund	General Obligation Fund	Motor Vehicle Highway Fund	Special Assessment Fund	Special Assessments Fund	Total
\$ 44,981	\$ (182,714)	\$ -	\$ 29,059	\$ 605	\$ 1,276,602
350,460	-	-	-	-	450,460
-	-	-	-	-	142,006
28,695	-	-	-	-	28,695
-	-	-	-	-	4,133
<u>\$ 424,136</u>	<u>\$ (182,714)</u>	<u>\$ -0-</u>	<u>\$ 29,059</u>	<u>\$ 605</u>	<u>\$ 1,901,896</u>
\$ 400	\$ -	\$ -	\$ -	\$ -	\$ 26,741
349	-	-	-	-	5,100
-	-	-	1	-	1
66,846	-	-	-	-	76,645
67,595	-0-	-0-	1	-0-	108,487
-	-	-	-	-	-
-	-	-	-	-	4,133
-	-	-	-	-	506,970
-	-	-	-	-	150,429
-	-	-	-	605	605
356,541	-	-	-	-	1,284,928
-	(182,714)	-	29,058	-	(153,656)
<u>356,541</u>	<u>(182,714)</u>	<u>-0-</u>	<u>29,058</u>	<u>605</u>	<u>1,793,409</u>
<u>\$ 424,136</u>	<u>\$ (182,714)</u>	<u>\$ -0-</u>	<u>\$ 29,059</u>	<u>\$ 605</u>	<u>\$ 1,901,896</u>

City of Fraser

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2013

	Special Revenue			
	Major Streets Fund	Local Streets Fund	Ambulance Fund	Gambling Forfeiture Fund
REVENUES				
Taxes	\$ -	\$ -	\$ 438,847	\$ -
Intergovernmental - State	520,995	224,502	-	-
Charges for services	-	-	305,349	-
Fines and forfeitures	-	-	-	169,875
Interest	1,898	1,828	1,496	513
Other	-	-	420	7,000
TOTAL REVENUES	522,893	226,330	746,112	177,388
EXPENDITURES				
Current				
Public safety	-	-	-	108,836
Public works	400,681	365,244	-	-
Health and welfare	-	-	687,596	-
Capital outlay	452	405,094	-	73,820
Debt service	-	-	-	-
TOTAL EXPENDITURES	401,133	770,338	687,596	182,656
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	121,760	(544,008)	58,516	(5,268)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	550,000	-	3,796
Transfers out	(550,000)	-	-	(76,524)
TOTAL OTHER FINANCING SOURCES (USES)	(550,000)	550,000	-0-	(72,728)
NET CHANGE IN FUND BALANCES	(428,240)	5,992	58,516	(77,996)
Fund balances (deficits), beginning of year	742,394	188,938	92,352	1,007,963
Fund balances (deficits), end of year	\$ 314,154	\$ 194,930	\$ 150,868	\$ 929,967

Funds	Debt Service Funds			Capital Projects Fund	
Drug Forfeiture Fund	General Obligation Fund	Motor Vehicle Highway Fund	Special Assessment Fund	Special Assessments Fund	Total
\$ -	\$ 426,437	\$ -	\$ -	\$ -	\$ 865,284
-	-	-	-	-	745,497
-	-	-	-	-	305,349
190,066	-	-	-	-	359,941
1,527	-	-	3	2	7,267
390	31,131	-	58,223	-	97,164
191,983	457,568	-0-	58,226	2	2,380,502
260,354	-	-	-	-	369,190
-	-	-	-	-	765,925
-	-	-	-	-	687,596
-	-	-	-	-	479,366
-	643,883	94,240	-	-	738,123
260,354	643,883	94,240	-0-	-0-	3,040,200
(68,371)	(186,315)	(94,240)	58,226	2	(659,698)
-	186,364	95,091	-	-	835,251
(3,796)	-	-	-	-	(630,320)
(3,796)	186,364	95,091	-0-	-0-	204,931
(72,167)	49	851	58,226	2	(454,767)
428,708	(182,763)	(851)	(29,168)	603	2,248,176
\$ 356,541	\$ (182,714)	\$ -0-	\$ 29,058	\$ 605	\$ 1,793,409

City of Fraser

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL

Year Ended June 30, 2013

	<u>Major Streets Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - State	\$ 512,500	\$ 512,500	\$ 520,995	\$ 8,495
Interest	3,500	3,500	1,898	(1,602)
TOTAL REVENUES	516,000	516,000	522,893	6,893
EXPENDITURES				
Current				
Public works				
Salaries and fringe benefits	242,548	242,548	230,339	12,209
Materials and supplies	35,000	35,000	34,710	290
Repairs and maintenance	35,000	35,000	29,658	5,342
Equipment rental	75,000	75,000	75,000	-0-
Other	34,840	34,840	30,974	3,866
Capital outlay	20,000	20,000	452	19,548
TOTAL EXPENDITURES	442,388	442,388	401,133	41,255
EXCESS OF REVENUES OVER EXPENDITURES	73,612	73,612	121,760	48,148
OTHER FINANCING (USES)				
Transfers out	(73,613)	(573,613)	(550,000)	23,613
NET CHANGE IN FUND BALANCE	(1)	(500,001)	(428,240)	71,761
Fund balance, beginning of year	742,394	742,394	742,394	-0-
Fund balance, end of year	<u>\$ 742,393</u>	<u>\$ 242,393</u>	<u>\$ 314,154</u>	<u>\$ 71,761</u>

City of Fraser

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL

Year Ended June 30, 2013

	<u>Local Streets Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - State	\$ 220,000	\$ 220,000	\$ 224,502	\$ 4,502
Interest	500	500	1,828	1,328
Other	6,500	6,500	-	(6,500)
TOTAL REVENUES	227,000	227,000	226,330	(670)
EXPENDITURES				
Current				
Public works				
Salaries and fringe benefits	184,438	184,438	224,038	(39,600)
Materials and supplies	20,511	20,511	25,708	(5,197)
Repairs and maintenance	42,500	42,500	39,676	2,824
Equipment rental	75,000	75,000	75,000	-0-
Other	2,455	2,455	822	1,633
Capital outlay	5,000	505,000	405,094	99,906
TOTAL EXPENDITURES	329,904	829,904	770,338	59,566
EXCESS OF REVENUES (UNDER) EXPENDITURES	(102,904)	(602,904)	(544,008)	58,896
OTHER FINANCING SOURCES				
Transfers in	50,000	550,000	550,000	-0-
NET CHANGE IN FUND BALANCE	(52,904)	(52,904)	5,992	58,896
Fund balance, beginning of year	188,938	188,938	188,938	-0-
Fund balance, end of year	<u>\$ 136,034</u>	<u>\$ 136,034</u>	<u>\$ 194,930</u>	<u>\$ 58,896</u>

City of Fraser

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL

Year Ended June 30, 2013

	<u>Ambulance Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 447,555	\$ 447,555	\$ 438,847	\$ (8,708)
Charges for services	270,000	270,000	305,349	35,349
Interest	-	-	1,496	1,496
Other	500	500	420	(80)
TOTAL REVENUES	718,055	718,055	746,112	28,057
EXPENDITURES				
Current				
Health and welfare				
Salaries and fringe benefits	648,237	648,237	613,709	34,528
Materials and supplies	11,500	11,500	13,800	(2,300)
Equipment rental	27,923	27,923	27,923	-
Professional services	27,255	27,255	32,164	(4,909)
Capital outlay	3,140	3,140	-	3,140
TOTAL EXPENDITURES	718,055	718,055	687,596	30,459
NET CHANGE IN FUND BALANCE	-0-	-0-	58,516	58,516
Fund balance, beginning of year	92,352	92,352	92,352	-0-
Fund balance, end of year	<u>\$ 92,352</u>	<u>\$ 92,352</u>	<u>\$ 150,868</u>	<u>\$ 58,516</u>

City of Fraser

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL

Year Ended June 30, 2013

Gambling Forfeiture Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 79,500	\$ 179,500	\$ 169,875	\$ (9,625)
Interest	5,000	5,000	513	(4,487)
Other	-	-	7,000	7,000
TOTAL REVENUES	84,500	184,500	177,388	(7,112)
EXPENDITURES				
Current				
Public safety				
Salaries and fringe benefits	2,730	2,730	-	2,730
Materials and supplies	15,500	115,500	100,896	14,604
Professional services	5,135	5,135	115	5,020
Other	130,000	130,000	7,825	122,175
Capital outlay	25,000	25,000	73,820	(48,820)
TOTAL EXPENDITURES	178,365	278,365	182,656	95,709
EXCESS OF REVENUES (UNDER) EXPENDITURES	(93,865)	(93,865)	(5,268)	88,597
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,796	3,796
Transfers out	(75,674)	(75,674)	(76,524)	(850)
TOTAL OTHER FINANCING SOURCES (USES)	(75,674)	(75,674)	(72,728)	2,946
NET CHANGE IN FUND BALANCE	(169,539)	(169,539)	(77,996)	91,543
Fund balance, beginning of year	1,007,963	1,007,963	1,007,963	-0-
Fund balance, end of year	\$ 838,424	\$ 838,424	\$ 929,967	\$ 91,543

City of Fraser

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL

Year Ended June 30, 2013

Drug Forfeiture Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 169,500	\$ 244,500	\$ 190,066	\$ (54,434)
Interest	500	500	1,527	1,027
Other	100	100	390	290
	<u>170,100</u>	<u>245,100</u>	<u>191,983</u>	<u>(53,117)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public safety				
Salaries and fringe benefits	75,822	75,822	39,203	36,619
Materials and supplies	47,010	77,010	158,469	(81,459)
Repairs and maintenance	14,550	14,550	10,333	4,217
Professional services	19,000	64,000	52,349	11,651
Capital outlay	13,718	13,718	-	13,718
	<u>170,100</u>	<u>245,100</u>	<u>260,354</u>	<u>(15,254)</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(68,371)	(68,371)
OTHER FINANCING (USES)				
Transfers out	-	-	(3,796)	3,796
	<u>-</u>	<u>-</u>	<u>(3,796)</u>	<u>3,796</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	(72,167)	(72,167)
Fund balance, beginning of year	428,708	428,708	428,708	-0-
Fund balance, end of year	<u>\$ 428,708</u>	<u>\$ 428,708</u>	<u>\$ 356,541</u>	<u>\$ (72,167)</u>

City of Fraser

Fiduciary Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	<u>Public Safety</u>	<u>Management Employees</u>	<u>Department of Public Works</u>
ASSETS			
Cash and investments	\$ 15,534,054	\$ 614,959	\$ 3,677,662
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust for pension and other post-employment benefits	<u>\$ 15,534,054</u>	<u>\$ 614,959</u>	<u>\$ 3,677,662</u>

<u>Office and Clerical Workers</u>	<u>Dispatchers</u>	<u>Supervisors</u>	<u>Total Pension Trust Fund</u>	<u>Retiree Health Care Trust Fund</u>	<u>Total</u>
\$ 2,439,382	\$ 931,702	\$ 1,543,848	\$ 24,741,607	\$ 52,938	\$ 24,794,545
-	-	-	-	-	-0-
<u>\$ 2,439,382</u>	<u>\$ 931,702</u>	<u>\$ 1,543,848</u>	<u>\$ 24,741,607</u>	<u>\$ 52,938</u>	<u>\$ 24,794,545</u>

City of Fraser

Fiduciary Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2013

	<u>Public Safety</u>	<u>Management Employees</u>	<u>Department of Public Works</u>
ADDITIONS			
Investment income			
Interest and dividends	\$ 332,909	\$ 18,165	\$ 77,552
Net appreciation in fair value of investments	1,523,116	85,232	354,046
Investment related expenses	<u>(57,129)</u>	<u>(3,222)</u>	<u>(13,284)</u>
Net investment income	1,798,896	100,175	418,314
Contributions			
Employer	994,232	-	225,000
Employee	<u>197,266</u>	<u>-</u>	<u>31,572</u>
Total contributions	<u>1,191,498</u>	<u>-0-</u>	<u>256,572</u>
TOTAL ADDITIONS	2,990,394	100,175	674,886
DEDUCTIONS			
Benefit payments	1,777,856	416,975	312,047
Administrative expenses	<u>40,717</u>	<u>2,265</u>	<u>9,470</u>
TOTAL DEDUCTIONS	<u>1,818,573</u>	<u>419,240</u>	<u>321,517</u>
CHANGE IN NET POSITION	1,171,821	(319,065)	353,369
Restated net position, beginning of year	<u>14,362,233</u>	<u>934,024</u>	<u>3,324,293</u>
Net position, end of year	<u>\$ 15,534,054</u>	<u>\$ 614,959</u>	<u>\$ 3,677,662</u>

<u>Office and Clerical Workers</u>	<u>Dispatchers</u>	<u>Supervisors</u>	<u>Total Pension Trust Fund</u>	<u>Retiree Health Care Trust Fund</u>	<u>Total</u>
\$ 48,974	\$ 18,237	\$ 37,150	\$ 532,987	\$ 195	\$ 533,182
221,586	82,189	172,152	2,438,321	-	2,438,321
(8,394)	(3,122)	(6,430)	(91,581)	-	(91,581)
262,166	97,304	202,872	2,879,727	195	2,879,922
250,481	109,616	25,000	1,604,329	6,523	1,610,852
23,658	12,959	2,795	268,250	-	268,250
274,139	122,575	27,795	1,872,579	6,523	1,879,102
536,305	219,879	230,667	4,752,306	6,718	4,759,024
143,514	40,041	397,002	3,087,435	-	3,087,435
5,967	2,220	4,572	65,211	370,530	435,741
149,481	42,261	401,574	3,152,646	370,530	3,523,176
386,824	177,618	(170,907)	1,599,660	(363,812)	1,235,848
2,052,558	754,084	1,714,755	23,141,947	416,750	23,558,697
<u>\$ 2,439,382</u>	<u>\$ 931,702</u>	<u>\$ 1,543,848</u>	<u>\$ 24,741,607</u>	<u>\$ 52,938</u>	<u>\$ 24,794,545</u>