

City of Fraser  
Year Ended June 30, 2015

Audit Presentation  
February 9, 2016

Presented by:  
Aaron M. Stevens, CPA  
Principal



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants



SETTING THE STANDARD FOR QUALITY  
GOVERNMENTAL AUDITS

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



2601 Cambridge Court  
Suite 201  
Auburn Hills, MI 48326  
(248) 844-2550  
FAX: (248) 844-2551

**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, 2015, 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, 2015, 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.

## ***Change in Accounting Principles***

As discussed in Note N to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note N to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and the pension and other post-employment benefits schedules, 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, combining internal service fund financial statements, and combining fiduciary fund 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, individual nonmajor special revenue fund budgetary comparison schedules, combining internal service fund financial statements, and combining fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, individual nonmajor special revenue fund budgetary comparison schedules, combining internal service fund financial statements, and combining fiduciary fund 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 23, 2015

City of Fraser

**STATEMENT OF NET POSITION**

June 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,827,319	\$ 596,126	\$ 3,423,445
Restricted cash and cash equivalents	8,097	86,363	94,460
Investments	1,860,739	-	1,860,739
Receivables	228,064	1,589,914	1,817,978
Due from other governmental units	757,837	-	757,837
Internal balances	(1,722,112)	1,722,112	-0-
Due from others	520,846	-	520,846
Prepays	443,569	12,279	455,848
<b>Total current assets</b>	<b>4,924,359</b>	4,006,794	8,931,153
Noncurrent assets			
Restricted cash and cash equivalents	5,237,253	-	5,237,253
Capital assets not being depreciated	5,193,928	837,043	6,030,971
Capital assets being depreciated, net	10,965,702	29,541,526	40,507,228
<b>Total noncurrent assets</b>	<b>21,396,883</b>	<b>30,378,569</b>	<b>51,775,452</b>
<b>TOTAL ASSETS</b>	<b>26,321,242</b>	<b>34,385,363</b>	<b>60,706,605</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	2,903,262	252,456	3,155,718
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	591,400	472,070	1,063,470
Accrued liabilities	147,034	23,591	170,625
Due to other governmental units	121,704	-	121,704
Unearned revenue	10,967	-	10,967
Accrued interest payable	39,189	119,851	159,040
Current portion of compensated absences	557,432	3,060	560,492
Current portion of long-term debt	1,375,926	1,128,405	2,504,331
<b>Total current liabilities</b>	<b>2,843,652</b>	1,746,977	4,590,629
Noncurrent liabilities			
<b>Net pension liability</b>	<b>18,409,690</b>	1,600,842	20,010,532
Net other post-employment benefits obligation	20,533,772	1,974,501	22,508,273
Noncurrent portion of compensated absences	459,188	-	459,188
Noncurrent portion of long-term debt	6,535,063	16,830,921	23,365,984
<b>Total noncurrent liabilities</b>	<b>45,937,713</b>	<b>20,406,264</b>	<b>66,343,977</b>
<b>TOTAL LIABILITIES</b>	<b>48,781,365</b>	<b>22,153,241</b>	<b>70,934,606</b>
<b>NET POSITION</b>			
Net investment in capital assets	13,485,894	12,419,243	25,905,137
Restricted			
Streets and highways	202,181	-	202,181
Public safety	1,229,607	-	1,229,607
Debt service	58,915	86,363	145,278
Unrestricted	<b>(34,533,458)</b>	(21,028)	(34,554,486)
<b>TOTAL NET POSITION</b>	<b>\$(19,556,861)</b>	<b>\$ 12,484,578</b>	<b>\$( 7,072,283)</b>

CA/CL = 1.73

Unrestricted net position  
\$18.2 million lower than  
prior year

City of Fraser

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 2,970,004	\$ 1,859,600	\$ 140,212	\$ -	\$ (970,192)	\$ -	\$ (970,192)
Public safety	11,212,085	916,953	15,143	-	(10,279,989)	-	(10,279,989)
Public works	3,185,349	326,989	815,652	-	(2,042,708)	-	(2,042,708)
Health and welfare	802,924	350,162	-	-	(452,762)	-	(452,762)
Community and economic development	22,287	-	90,900	-	68,613	-	68,613
Recreation and culture	1,355,821	158,888	8,606	227,920	(960,407)	-	(960,407)
Interest on long-term debt	177,352	-	-	-	(177,352)	-	(177,352)
Total governmental activities	19,725,822	3,612,592	1,070,513	227,920	(14,814,797)	-0-	(14,814,797)
Business-type activities							
Water and Sewer	6,797,426	7,559,594	-	110,858	-	873,026	873,026
Senior Citizen Housing Complex	340,800	526,734	-	-	-	185,934	185,934
Total business-type activities	7,138,226	8,086,328	-0-	110,858	-0-	1,058,960	1,058,960
Total primary government	\$ 26,864,048	\$ 11,698,920	\$ 1,070,513	\$ 338,778	(14,814,797)	1,058,960	(13,755,837)
General revenues							
Property taxes					9,416,874	-	9,416,874
State shared revenues					1,305,929	-	1,305,929
Investment earnings					25,446	2,032	27,478
Miscellaneous					40,996	-	40,996
Total general revenues					10,789,245	2,032	10,791,277
Change in net position					(4,025,552)	1,060,992	(2,964,560)
Restated net position, beginning of the year					(15,531,309)	11,423,586	(4,107,723)
Net position, end of the year					\$ (19,556,861)	\$ 12,484,578	\$ (7,072,283)

See accompanying notes to financial statements.

City of Fraser

Governmental Funds

**BALANCE SHEET**

June 30, 2015

	General Fund	Street Construction Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 991,203	\$ -	\$ 1,558,146	\$ 2,549,349
Restricted cash and cash equivalents	8,097	5,237,253	-	5,245,350
Investments	1,523,138	-	337,601	1,860,739
Receivables				
Accounts	55,718	-	-	55,718
Taxes	165,710	-	-	165,710
Special assessments	4,477	-	-	4,477
Due from other governmental units	590,221	-	167,616	757,837
Due from other funds	468,169	-	-	468,169
Due from others	520,846	-	-	520,846
Prepays	430,158	-	13,411	443,569
<b>TOTAL ASSETS</b>	<b>\$ 4,757,737</b>	<b>\$ 5,237,253</b>	<b>\$ 2,076,774</b>	<b>\$ 12,071,764</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 363,182	\$ 81,975	\$ 9,767	\$ 454,924
Accrued liabilities	139,442	-	7,592	147,034
Due to other funds	1,798,217	-	468,169	2,266,386
Due to other governmental units	119,471	-	2,233	121,704
Unearned revenue	10,967	-	-	10,967
<b>TOTAL LIABILITIES</b>	<b>2,431,279</b>	<b>81,975</b>	<b>487,761</b>	<b>3,001,015</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	239,966	-	-	239,966
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	430,158	-	13,411	443,569
Restricted				
Streets and highways	-	5,155,278	200,325	5,355,603
Public safety	-	-	1,229,607	1,229,607
Debt service	-	-	98,104	98,104
Assigned				
Health and welfare	-	-	18,508	18,508
Debt service	-	-	29,058	29,058
Unassigned	1,656,334	-	-	1,656,334
<b>TOTAL FUND BALANCES</b>	<b>2,086,492</b>	<b>5,155,278</b>	<b>1,589,013</b>	<b>8,830,783</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 4,757,737</b>	<b>\$ 5,237,253</b>	<b>\$ 2,076,774</b>	<b>\$ 12,071,764</b>

~13% of expenditures  
and OFU for the year



City of Fraser

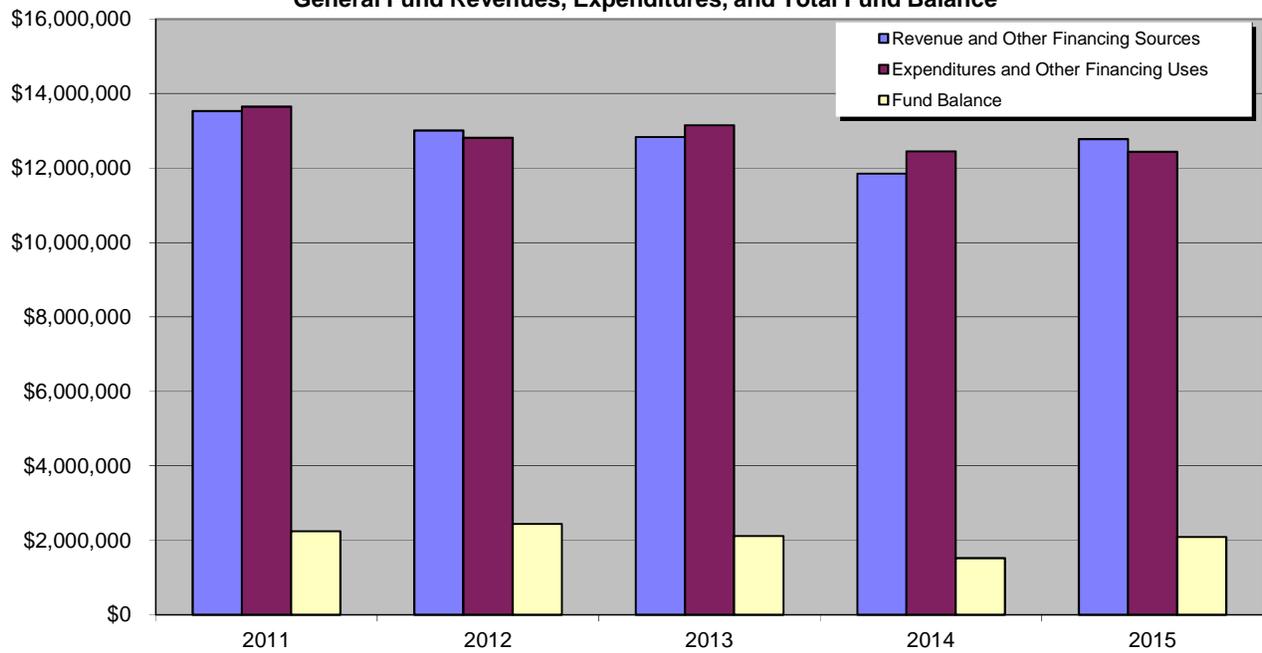
Governmental Funds

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

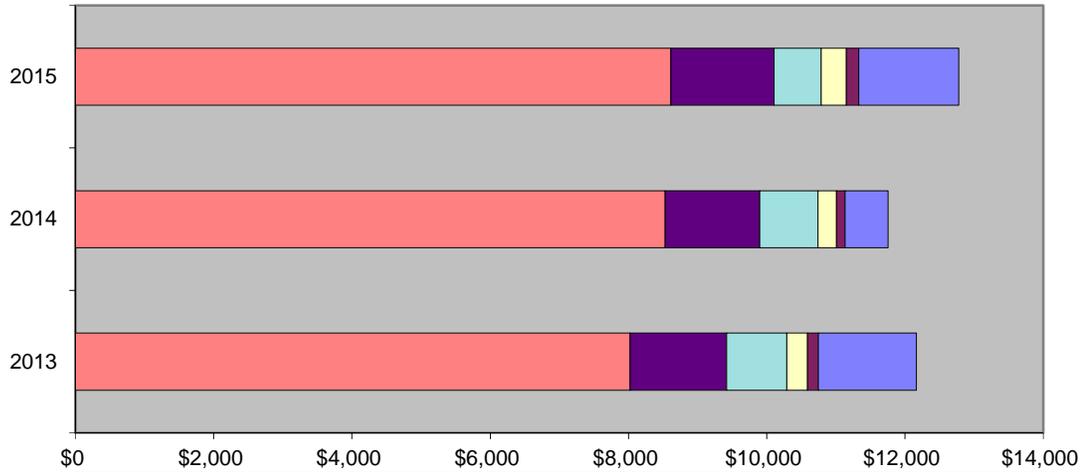
Year Ended June 30, 2015

	General Fund	Street Construction Fund	Nonmajor Governmental Funds	Total
<b>REVENUES</b>				
Taxes	\$ 8,612,058	\$ -	\$ 1,069,642	\$ 9,681,700
Licenses and permits	361,453	-	-	361,453
Intergovernmental				
Federal	114,649	-	86,869	201,518
State	1,379,465	-	853,920	2,233,385
District Court and Violations Bureau	683,088	-	-	683,088
Charges for services	569,241	-	320,148	889,389
Fines and forfeitures	85,249	-	677,242	762,491
Interest and rents	181,126	-	2,915	184,041
Other	427,532	-	47,753	475,285
<b>TOTAL REVENUES</b>	<b>12,413,861</b>	-0-	3,058,489	15,472,350
<b>EXPENDITURES</b>				
Current				
General government	2,027,859	-	-	2,027,859
Public safety	6,084,481	-	467,304	6,551,785
Public works	1,365,940	-	821,188	2,187,128
Health and welfare	-	-	693,576	693,576
Community and economic development	19,252	-	-	19,252
Recreation and culture	970,550	-	-	970,550
Other	1,962,873	-	-	1,962,873
Capital outlay	-	22,549	242,599	265,148
Debt service	-	97,737	584,882	682,619
<b>TOTAL EXPENDITURES</b>	<b>12,430,955</b>	120,286	2,809,549	15,360,790
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(17,094)</b>	<b>(120,286)</b>	<b>248,940</b>	<b>111,560</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	365,799	-	362,587	728,386
Transfers out	-	-	(710,132)	(710,132)
Bond proceeds	-	5,135,000	-	5,135,000
Bond premium	-	140,564	-	140,564
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>365,799</b>	<b>5,275,564</b>	<b>(347,545)</b>	<b>5,293,818</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>348,705</b>	5,155,278	(98,605)	5,405,378
Restated fund balances, beginning of year	1,737,787	-	1,687,618	3,425,405
<b>Fund balances, end of year</b>	<b>\$ 2,086,492</b>	<b>\$ 5,155,278</b>	<b>\$ 1,589,013</b>	<b>\$ 8,830,783</b>

**City of Fraser  
General Fund Revenues, Expenditures, and Total Fund Balance**

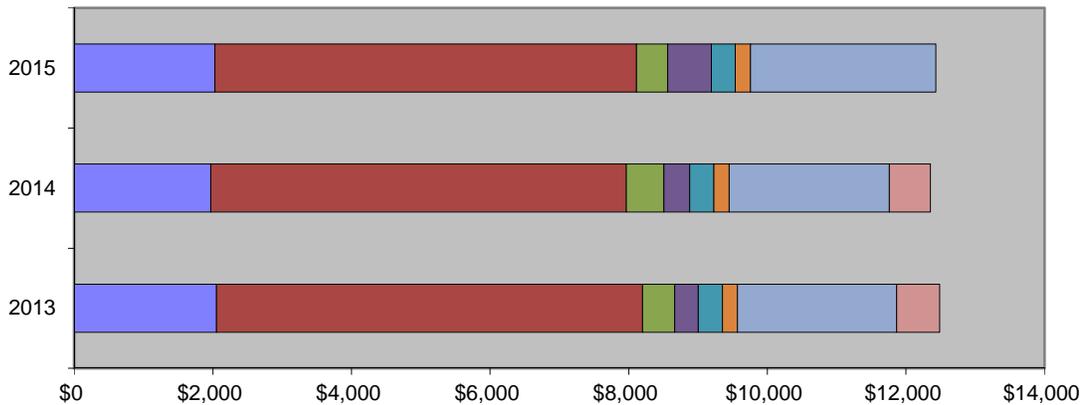


**City of Fraser  
General Fund Revenues  
(In Thousands)**



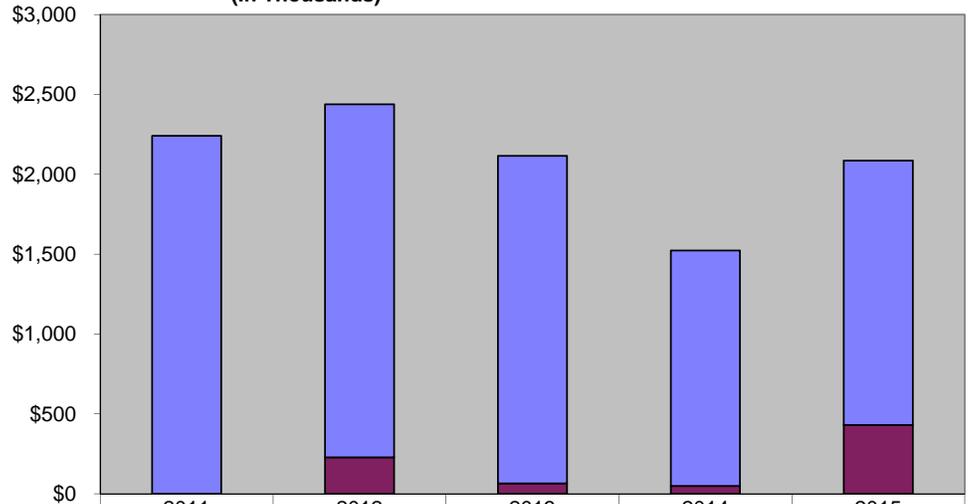
	2013	2014	2015
Property Taxes	\$8,023	\$8,531	\$8,612
Federal & State Sources	\$1,397	\$1,368	\$1,494
District Court	\$869	\$844	\$683
Licenses and Permits	\$303	\$268	\$361
Interest	\$154	\$122	\$181
Other	\$1,418	\$624	\$1,449

**City of Fraser  
General Fund Expenditures  
(In Thousands)**



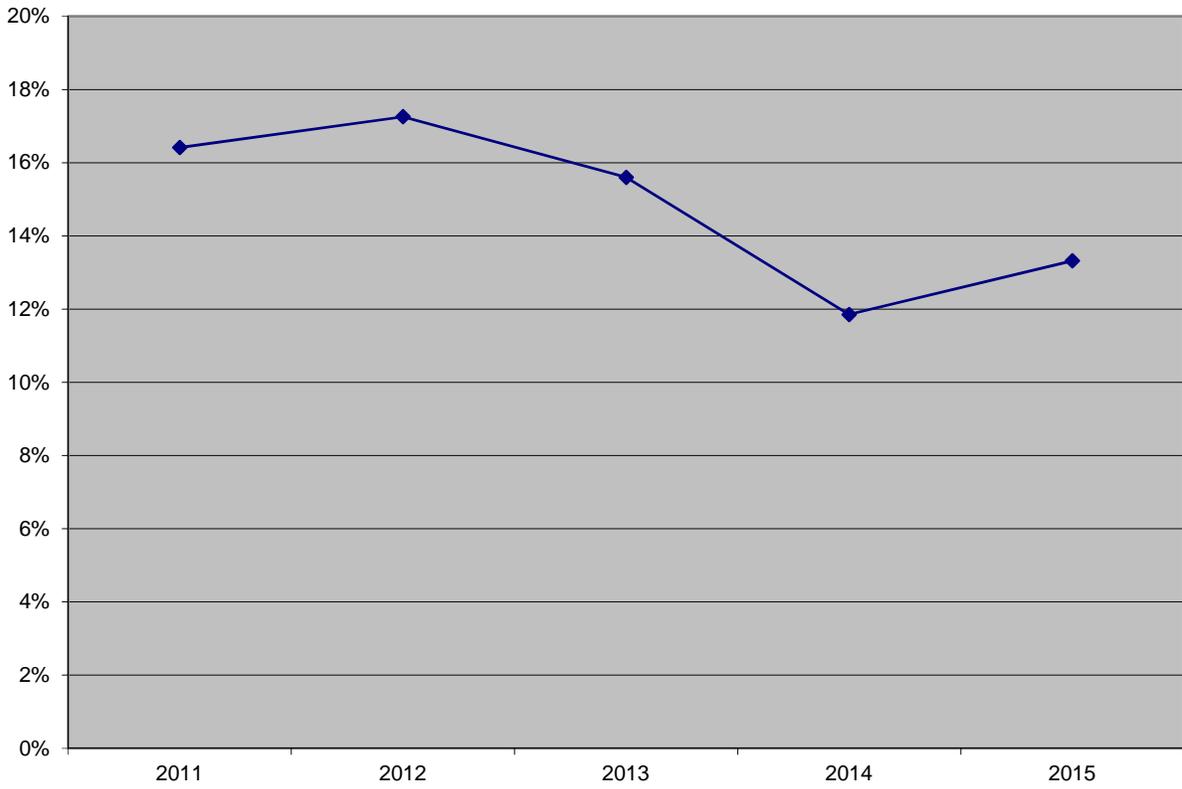
	2013	2014	2015
General Government	\$2,052	\$1,972	\$2,028
Public Safety	\$6,145	\$5,994	\$6,084
Public Works	\$468	\$540	\$452
Recreation	\$338	\$372	\$629
Library	\$348	\$348	\$342
Building Inspection	\$217	\$224	\$221
Other	\$2,295	\$2,309	\$2,675
Operating Transfers	\$623	\$591	\$0

**City of Fraser  
General Fund Fund Balance  
(In Thousands)**

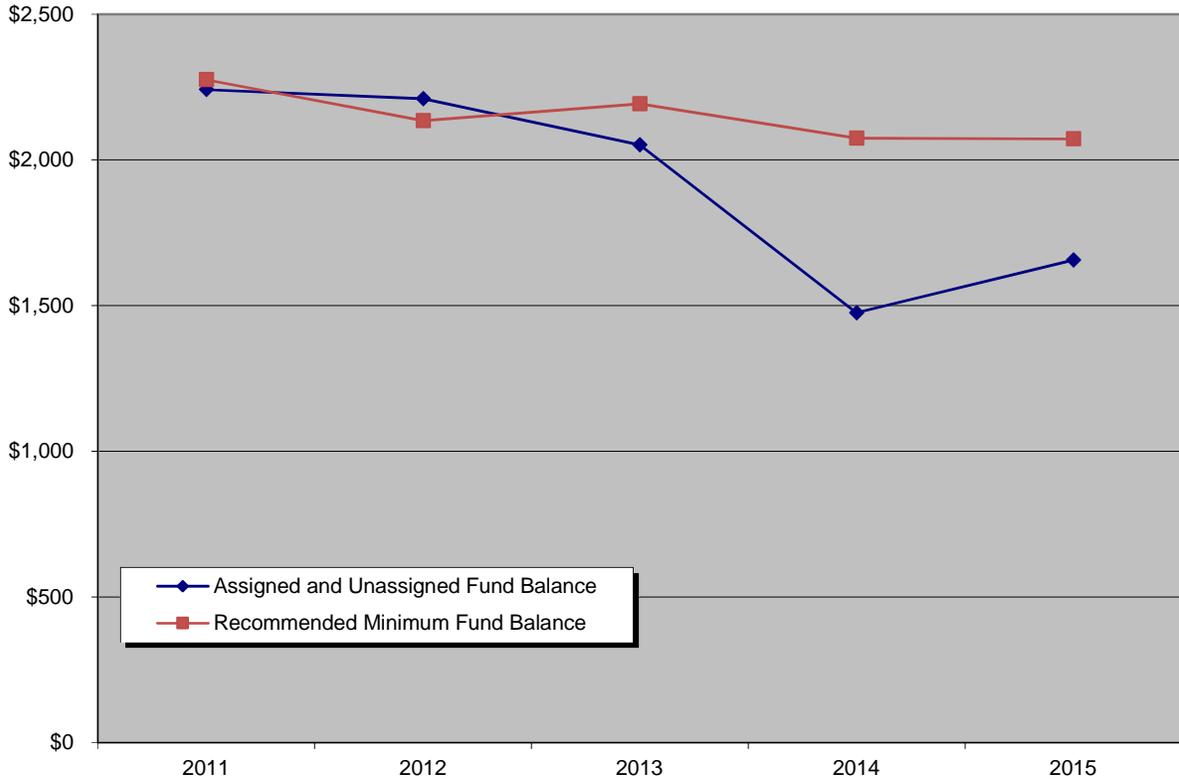


Assigned and Unassigned Fund Balance	2011	2012	2013	2014	2015
	\$2,241	\$2,210	\$2,051	\$1,475	\$1,656
Nonspend., Restricted, and Committed Fund Balance	\$0	\$228	\$65	\$48	\$430

**City of Fraser  
General Fund Unrestricted Fund Balance as a Percentage of Expenditures and  
Other Financing Uses**



**City of Fraser  
General Fund Unrestricted Fund Balance vs. Minimum Recommended Fund  
Balance (in Thousands)**



City of Fraser

Proprietary Funds

**STATEMENT OF NET POSITION**

June 30, 2015

	Business-type Activities			Governmental
	Nonmajor		Total Enterprise Funds	Internal Service Funds
	Water and Sewer Fund	Senior Citizen Housing Complex Fund		
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 430,758	\$ 165,368	\$ 596,126	\$ 277,970
Restricted cash and cash equivalents	86,363	-	86,363	-
Accounts receivable	-	-	-0-	2,159
Customer receivables	1,589,914	-	1,589,914	-
Due from other funds	1,722,112	-	1,722,112	76,105
Prepaid expenses	12,279	-	12,279	-
Total current assets	3,841,426	165,368	4,006,794	356,234
Noncurrent assets				
Capital assets not being depreciated	12,043	825,000	837,043	-
Capital assets being depreciated, net	27,489,595	2,051,931	29,541,526	246,715
Total noncurrent assets	27,501,638	2,876,931	30,378,569	246,715
<b>TOTAL ASSETS</b>	31,343,064	3,042,299	34,385,363	602,949
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	252,456	-	252,456	-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	425,374	46,696	472,070	136,476
Accrued liabilities	22,704	887	23,591	-
Accrued interest payable	117,362	2,489	119,851	-
Current portion of compensated absences	3,060	-	3,060	2,334
Current portion of long-term debt	873,405	255,000	1,128,405	17,026
Total current liabilities	1,441,905	305,072	1,746,977	155,836
Noncurrent liabilities				
Net pension liability	1,600,842	-	1,600,842	-
Net other post-employment benefits obligation	1,974,501	-	1,974,501	-
Noncurrent portion of long-term debt	16,055,921	775,000	16,830,921	-
Total noncurrent liabilities	19,631,264	775,000	20,406,264	-0-
<b>TOTAL LIABILITIES</b>	21,073,169	1,080,072	22,153,241	155,836
<b>NET POSITION</b>				
Net investment in capital assets	10,572,312	1,846,931	12,419,243	229,689
Restricted for capital replacement	86,363	-	86,363	-
Unrestricted	(136,324)	115,296	(21,028)	217,424
<b>TOTAL NET POSITION</b>	\$ 10,522,351	\$ 1,962,227	\$ 12,484,578	\$ 447,113

CA/CL = 2.66

City of Fraser

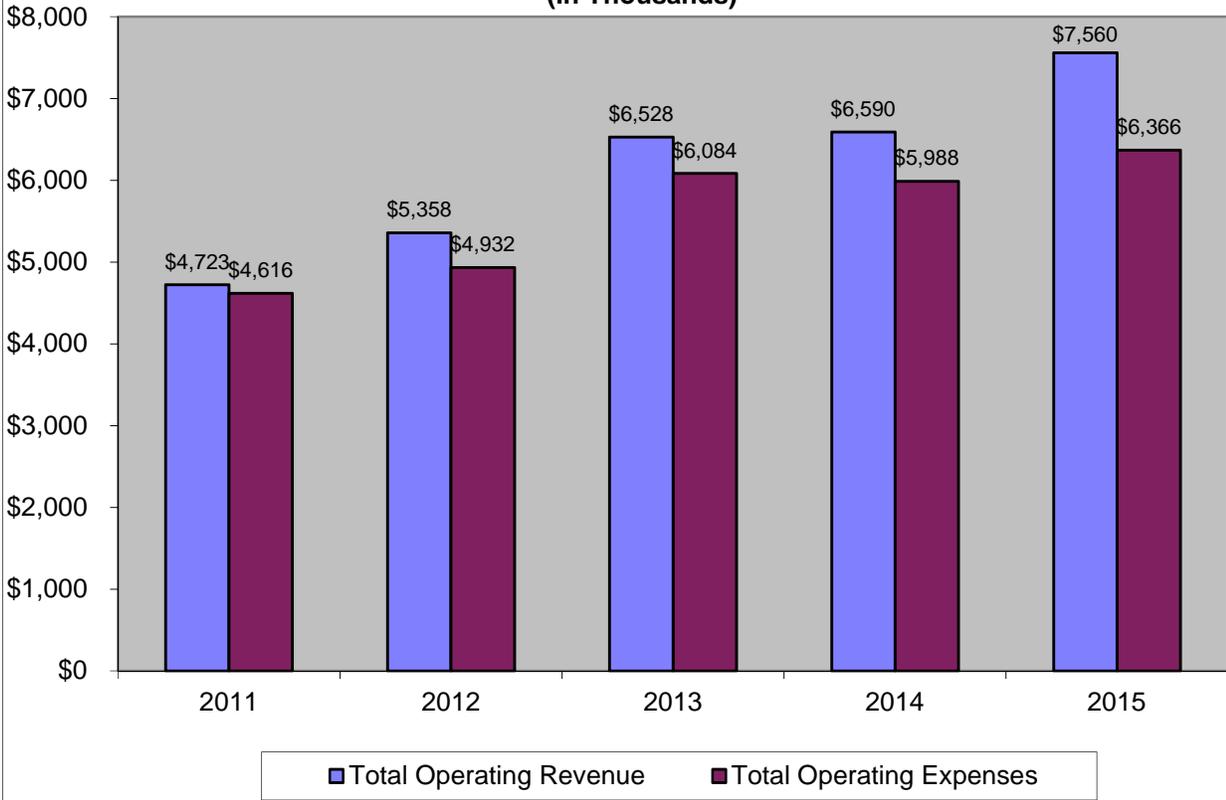
Proprietary Funds

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

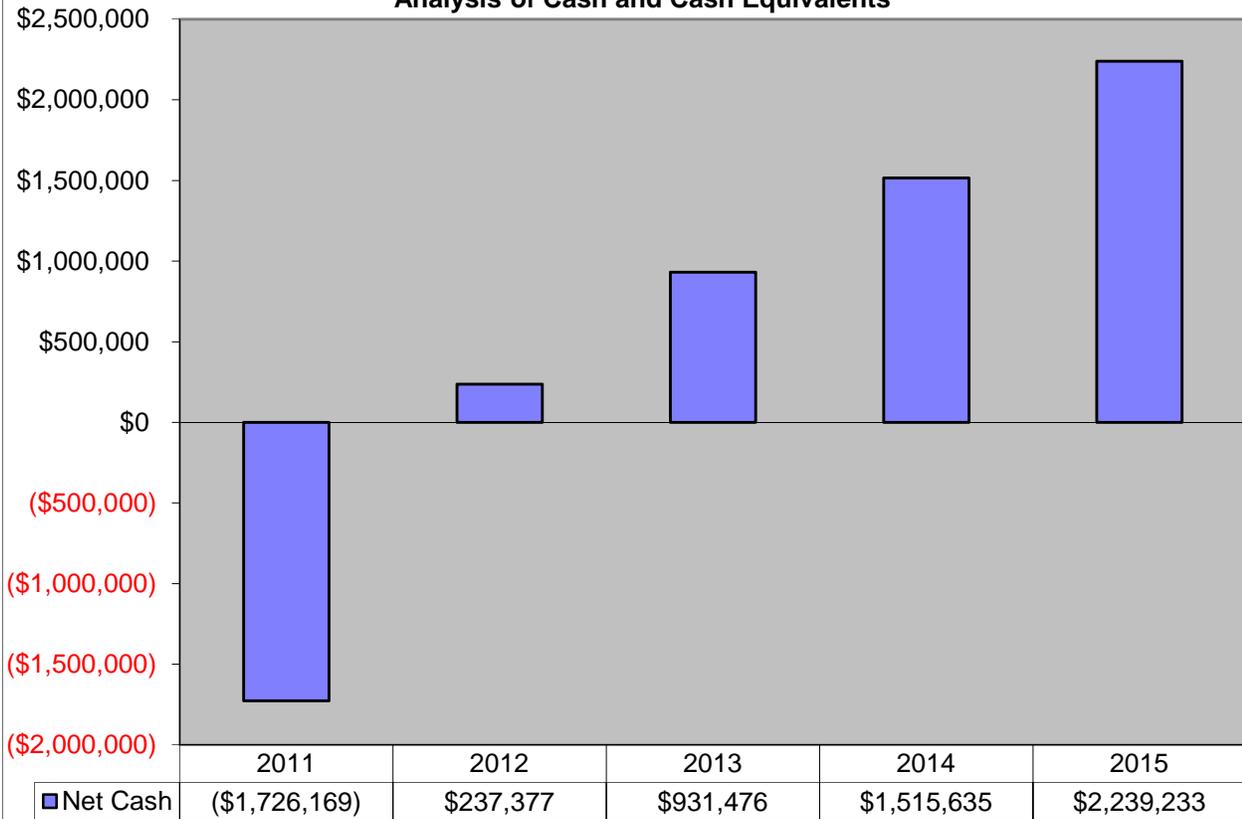
Year Ended June 30, 2015

	Business-type Activities			Governmental
	Water and Sewer Fund	Nonmajor	Total Enterprise Funds	Internal Service Funds
		Senior Citizen Housing Complex Fund		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 7,484,831	\$ 6,425	\$ 7,491,256	\$ 1,859,515
Interest and penalties	73,319	101	73,420	-
Rentals	-	520,208	520,208	673,015
Other	1,444	-	1,444	8,636
<b>TOTAL OPERATING REVENUES</b>	<b>7,559,594</b>	526,734	8,086,328	2,541,166
<b>OPERATING EXPENSES</b>				
Salaries	519,869	32,869	552,738	30,214
Fringe benefits	506,967	-	506,967	23,281
Materials and supplies	150,524	19,755	170,279	-
Equipment rental	280,000	-	280,000	-
Repairs and maintenance	70,587	86,809	157,396	537,054
Cost of water	1,022,725	-	1,022,725	-
Cost of sewage disposal	2,416,940	-	2,416,940	-
Utilities	4,906	40,322	45,228	-
Postage	27,814	-	27,814	-
Claims paid	-	-	-0-	1,859,515
Miscellaneous	30,860	53,407	84,267	2,825
Depreciation	1,335,124	91,147	1,426,271	68,513
<b>TOTAL OPERATING EXPENSES</b>	<b>6,366,316</b>	324,309	6,690,625	2,521,402
<b>OPERATING INCOME</b>	1,193,278	202,425	1,395,703	19,764
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Tap-in fees	13,958	-	13,958	-
Intergovernmental - State	96,900	-	96,900	-
Interest and other revenue	1,714	318	2,032	15,673
Interest expense	(431,110)	(16,491)	(447,601)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(318,538)</b>	<b>(16,173)</b>	<b>(334,711)</b>	<b>15,673</b>
<b>NET INCOME BEFORE TRANSFERS</b>	874,740	186,252	1,060,992	35,437
Transfers in	-	-	-0-	16,247
Transfers out	-	-	-0-	(34,501)
<b>TRANSFERS</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(18,254)</b>
<b>CHANGE IN NET POSITION</b>	<b>874,740</b>	186,252	1,060,992	17,183
Restated net position, beginning of year	9,647,611	1,775,975	11,423,586	429,930
Net position, end of year	\$ 10,522,351	\$ 1,962,227	\$ 12,484,578	\$ 447,113

**City of Fraser  
Water and Sewer Fund  
Analysis of Operating Activities  
(In Thousands)**



**City of Fraser  
Water and Sewer Fund  
Analysis of Cash and Cash Equivalents**



Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



2601 Cambridge Court  
Suite 201  
Auburn Hills, MI 48326  
(248) 844-2550  
FAX: (248) 844-2551

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

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

In planning and performing our audit of the 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, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the City's internal control to be material weaknesses:

**MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS**

During the audit, we generally provide assistance in identifying and calculating some of the many year-end accrual adjustments required to prepare financial statements in accordance with generally accepted accounting principles (GAAP), including the requirements of GASB Statement No. 34. Accruals represent adjustments other than cash activity that impact the accounting records (i.e., accrued liabilities, due to other governmental units, beginning fund balance, etc.).

While management provided several adjusting entries after the commencement of fieldwork, a material journal entry was also proposed to management during the audit for an adjustment to the amount due to other governmental units resulting from a tax tribunal. This issue was noted and reported in our audit comments last year, however significant improvement noted in that the current year required only one material adjusting journal entry while the previous year required 64 adjusting journal entries.

## MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

We are pleased to assist in this process as we have expertise with these types of adjustments and reporting issues and can generally assist in a very cost-efficient manner. However, we bring this issue to your attention since it meets the definition of a material weakness in your internal control over financial reporting, as management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the proper recording of journal entries. Therefore, we recommend that the City continue to take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

### **REVIEW OF PAYROLL**

During the course of the audit, we noted that there is no review being performed of the changes or adjustments to payroll, (i.e., adding new employees, unusual fluctuation in hours). The last review was completed in November 2014.

We recommend that the City's management review the changes and adjustments for each pay period to ensure their accuracy.

### **BANK RECONCILIATIONS**

Through discussions with management and observations during our preliminary audit fieldwork, we noted that bank reconciliations had not been completed for several months. Management is responsible for establishing, maintaining, and monitoring their procedures, including implementation of proper controls related to bank reconciliations. The City maintains a policy for bank reconciliations to be completed within two weeks of receipt of bank statements. To address this issue, the City contracted with an outside accounting firm to assist with the completion of the bank reconciliations prior to the commencement of year-end audit procedures.

Now that the bank reconciliations have been completed through the end of the fiscal year, we recommend that management assure that the bank reconciliations continue to be completed in a timely manner. All bank reconciliations should be completed the month after the bank statement is received and reviewed by someone other than the preparer.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the City's internal control to be significant deficiencies:

### **COURT BOND RECONCILIATION**

During the course of the audit, we noted that the open bond listing report from the 39<sup>th</sup> District Court did not agree to the City's general ledger. The difference was \$16,261. Activity for this account was recorded every 6 months as opposed to being recorded on a monthly basis. In addition, the general ledger activity was not provided to the Deputy Court Administrator for review; therefore, she did not realize there was an unreconciled difference. This issue was noted and reported in our audit comments last year.

We recommend that the City's Finance Director or Deputy Finance Director record the activity for the 39<sup>th</sup> District Court bond account on a monthly basis and provide a copy of the general ledger activity for the month to the Deputy Court Administrator at the 39<sup>th</sup> District Court for her review.

### **PURCHASING PROCEDURES**

During the course of the audit, we noted that purchases over \$2,500 did not have the required purchase order completed. Management is responsible for establishing, maintaining, and monitoring their procedures, including implementation of proper controls involving purchases. The City maintains a policy that purchases over \$2,500 require a purchase order and three bids included as support. City policies are not being followed.

We recommend that the City adhere to the purchasing policies that are in place or alter their procedures while maintaining sufficient internal controls.

## **CHECK REGISTER APPROVAL**

During the course of the audit, we noted that monthly registers for checks written from the Police Department were not being approved. Additionally, the check register for January 2015 was unable to be provided when initially requested. Management is responsible for establishing, maintaining, and monitoring their procedures, including implementation of proper controls involving the accounts payable process.

We recommend that the Police Department provide the Finance Department with a monthly check register for review and approval.

## **AUTHORIZED BANK ACCOUNT SIGNERS**

During our audit it was noted that the former Finance Director remained an authorized signer on the bank accounts, with the exception of two (2) accounts, after he was no longer employed at the City. Management is responsible for establishing, maintaining, and monitoring their procedures, including implementation of proper controls over bank accounts.

We recommend that the City implement a review process to ensure authorized signors are properly updated on the bank accounts.

## Compliance and Other Matters

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

## **BUDGET VARIANCES**

As noted in the required supplementary information to the financial statements, various expenditures of the General Fund and total expenditures of the Major Streets Fund, Local Streets Fund, Ambulance Fund, and the Gambling Forfeiture Fund exceeded the amounts appropriated. A similar issue was noted and reported in our audit comments last year. It was also noted that the Local Streets Fund budgeted for a deficit of \$10,732. Michigan Public Act 621 of 1978, as amended, provides that the City adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We recommend the City monitor expenditures against adopted budgets and make appropriate budget amendments as needed in the future. We also recommend that City Council review the budget to actual statements on a monthly basis to accurately track expenditures against their approved budget.

## **UNCLAIMED PROPERTY**

During the course of the audit, we noted that several of the outstanding checks listing on the bank reconciliations were old and still outstanding. Some checks were written as far back as 2010. Michigan Public Act 29 of 1995 provides that the City report and escheat unclaimed property to the State of Michigan. Michigan Department of Treasury Numbered Letter 2009-1 also gives guidance on this subject. This issue was noted and reported in our audit comments last year.

We recommend that outstanding checks be reviewed on an annual basis and any checks that are outstanding for more than one year appropriately be escheated to the State of Michigan unless a replacement check can be issued to the payee.

## LATE PAYROLL TAX PAYMENT

During the course of the audit, we noted that payroll taxes were not submitted within the required number of days and a late penalty was assessed. Management is responsible for establishing, maintaining, and monitoring their procedures, including implementation of proper controls involving payroll and payroll taxes.

We recommend that the City implement procedures to ensure that payroll taxes are submitted in a timely manner to avoid unnecessary fines and penalties.

This communication is intended solely for the information and use of management, the Honorable Mayor and Members of the City Council of the City of Fraser, Michigan, others within the City, and applicable departments of the State of Michigan, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 23, 2015

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE N: CHANGES IN ACCOUNTING PRINCIPLES - CONTINUED**

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses and issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

**NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money weighted rates of return on plan investments. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In June 2015, the GASB issued **Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. 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 during the **2017-2018 fiscal year**.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2016-2017 fiscal year.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

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, 2015, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of June 30, 2012. 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.

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

Annual required contribution (ARC)	\$ 5,466,892
Interest on net OPEB obligation	<u>545,276</u>
Annual OPEB cost (expense)	6,012,168
Amounts contributed:	
Payments of current premiums	<u>(1,679,764)</u>
Increase in net OPEB obligation	4,332,404
OPEB obligation - beginning of year	<u>18,175,869</u>
OPEB obligation - end of year	<u>\$ 22,508,273</u> ← <b>Currently recorded</b>

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>
2013	\$ 5,424,148	30.4%	\$ 15,361,518
2014	4,653,906	39.5%	18,175,869
2015	6,012,168	27.9%	22,508,273

**Actuarial  
Accrued  
Liability as of  
most recent  
valuation**

The funding progress of the plan as is as follows:

	<u>2006</u>	<u>Year Ended June 30, 2009</u>	<u>2012</u>
Actuarial value of assets	\$ 340,018	\$ 677,886	\$ 416,750
Actuarial accrued liability (AAL) (entry age)	49,708,098	58,822,957	68,263,560
<b>Unfunded AAL (UAAL)</b>	49,368,080	58,145,071	<b>67,846,810</b>
Funded ratio	0.7%	1.2%	0.6%
Annual covered payroll	\$ 6,020,985	\$ 5,966,282	\$ 4,955,687
UAAL as a percentage of covered payroll	819.9%	974.6%	1369.1%

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

**City of Fraser  
Macomb County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2015**

City of Fraser

TABLE OF CONTENTS

June 30, 2015

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-viii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	6
Proprietary Funds	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9-10
Fiduciary Funds	
Statement of Net Position	11
Statement of Changes in Net Position	12
Notes to Financial Statements	13-38
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule (Non-GAAP Basis)	39-40
City of Fraser Pension Plan	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	41
Schedule of Employer Contributions	42
Other Post-Employment Benefits	
Schedules of Funding Progress and Employer Contributions	43
Notes to Required Supplementary Information	44-45
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	46-47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48-49
Nonmajor Special Revenue Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual	50-54

City of Fraser

TABLE OF CONTENTS - CONTINUED

June 30, 2015

Page

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

Internal Service Funds

Combining Statement of Net position

55

Combining Statement of Revenues, Expenses, and Changes in Net Position

56

Combining Statement of Cash Flows

57-58

Fiduciary Funds

Combining Statement of Net Position

59

Combining Statement of Changes in Net Position

60

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



2601 Cambridge Court  
Suite 201  
Auburn Hills, MI 48326  
(248) 844-2550  
FAX: (248) 844-2551

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, 2015, 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, 2015, 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.

### ***Change in Accounting Principles***

As discussed in Note N to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note N to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and the pension and other post-employment benefits schedules, 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, combining internal service fund financial statements, and combining fiduciary fund 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, individual nonmajor special revenue fund budgetary comparison schedules, combining internal service fund financial statements, and combining fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, individual nonmajor special revenue fund budgetary comparison schedules, combining internal service fund financial statements, and combining fiduciary fund 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 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

As management of the City of Fraser, Michigan (the City), we offer readers of the financial statements a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015.

**Financial Highlights**

- The liabilities of the City of Fraser exceeded its assets at the close of the recent fiscal year by \$7,072,283. The City had a deficit in unrestricted net position of \$34,533,458 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 \$8,830,783, an increase of \$5,405,378 in comparison with the prior year.
- The City of Fraser's total long-term obligations increased by \$5,492,510 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 is reported separately from the financial information presented for the primary government and due to their immateriality is included with the fiduciary funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**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.

***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 and street construction 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 internal service funds to account for its fleet of vehicles and healthcare.

***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 changes in the City's net pension liability and schedule of employer contributions. This information can be found on pages 41-42.

City of Fraser

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**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, liabilities exceeded assets by \$7,072,283 at the close of the recent fiscal year.

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	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current Assets	\$ 4,924	\$ 4,225	\$ 4,007	\$ 2,968	\$ 8,931	\$ 7,193
Capital Assets, net	21,397	16,417	30,378	29,570	51,775	45,987
Total Assets	26,321	20,642	34,385	32,538	60,706	53,180
<b>Deferred Outflows of Resources</b>	2,903	791	252	88	3,155	879
<b>Liabilities</b>						
Current Liabilities	2,843	1,770	1,747	1,700	4,590	3,470
Non-current Liabilities	45,938	35,194	20,406	19,503	66,344	54,697
Total Liabilities	48,781	36,964	22,153	21,203	70,934	58,167
<b>Net Position</b>						
Net investment in capital assets	13,486	13,251	12,419	12,429	25,905	25,680
Restricted	1,490	1,696	86	-	1,576	1,696
Unrestricted (Deficit)	(34,533)	(30,478)	(21)	(1,006)	(34,554)	(31,484)
Total Net Position	<u>\$ (19,557)</u>	<u>\$ (15,531)</u>	<u>\$ 12,484</u>	<u>\$ 11,423</u>	<u>\$ (7,073)</u>	<u>\$ (4,108)</u>

Governmental Activities' net position decreased by \$4,025,552 compared to the prior fiscal year. As the City complies with recent changes to the accounting standards, recognition of the net pension liability has found its way to our balance sheet. The 2014 columns reported above have been restated from last year to reflect the recording of the net pension liability and related deferred outflows of resources.

Reviewing the financial data within the Business-Type Activities, the City continues to make significant progress in improving net position over the past few years. The total net position has increased by \$1,060,992, while the unrestricted portion of net position has decreased by approximately \$10,000. 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, 2015

TABLE 2 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenue</b>						
Program Revenue:						
Charges for Service	\$ 3,613	\$ 2,937	\$ 8,086	\$ 7,105	\$ 11,699	\$ 10,042
Operating Grants and Contribution	1,071	881	-	-	1,071	881
Capital Grants and Contributions	228	-	111	-	339	-
General Revenue:						
Property Taxes	9,417	9,337	-	-	9,417	9,337
State-shared Revenue	1,306	1,272	-	-	1,306	1,272
Unrestricted Investment Earnings	25	7	2	13	27	20
Transfers and Other Revenue	41	204	-	(136)	41	68
<b>Total Revenue</b>	<b>15,701</b>	<b>14,638</b>	<b>8,199</b>	<b>6,982</b>	<b>23,900</b>	<b>21,620</b>
<b>Program Expenses</b>						
General Government	2,970	3,073	-	-	2,970	3,073
Public Safety	11,212	9,180	-	-	11,212	9,180
Public Works	3,185	3,945	-	-	3,185	3,945
Health and Welfare	803	646	-	-	803	646
Recreation and Culture	1,356	1,097	-	-	1,356	1,097
Community and Economic Development	22	23	-	-	22	23
Interest on Long-term Debt	178	121	-	-	178	121
Water and Sewer	-	-	6,797	6,353	6,797	6,353
Senior Housing	-	-	341	328	341	328
<b>Total Program Expenses</b>	<b>19,726</b>	<b>18,085</b>	<b>7,138</b>	<b>6,681</b>	<b>26,864</b>	<b>24,766</b>
<b>Change in Net Position</b>	<b>\$ (4,025)</b>	<b>\$ (3,447)</b>	<b>\$ 1,061</b>	<b>\$ 301</b>	<b>\$ (2,964)</b>	<b>\$ (3,146)</b>

**Business-type Activities**

Capital assets for business-type activities increased by \$808,472 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 Utica Road between 13 and 14 Mile Roads offset by depreciation expense.

For the fourth 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.

**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.

City of Fraser

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Governmental funds**

As of the end of the current fiscal year, the City of Fraser's governmental funds reported combined ending fund balances of \$8,830,783. The unassigned general fund balance of \$1,656,334 computes to 13.54 percent of the 2015-16 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, 2015, amount to \$10,522,351, while the unrestricted portion of the net position at the end of the year amounted to a deficit of \$136,324. Last year's unrestricted portion within that particular fund was \$482,671. The senior citizen housing complex ended with unrestricted net position totaling \$115,296, up from \$107,896 in the prior year.

**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 2014-15, the general fund revenues came in \$459,988 less than expected. The most significant variances were noted for property tax revenue and district court revenue. In an \$11.8 million dollar budget, expenditures were \$127,354 less than budgeted. The net between budgetary revenue and expenditures for 2014-15 was \$332,634.

**Capital Assets**

The City of Fraser's net investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$46,538,199 (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. Further details regarding capital assets may be found in Note E.

**Long-Term Debt**

At the end of the current fiscal year, the City had totaled bonded debt outstanding of \$24,596,290, backed by the full faith and credit of the government. Its purpose is attributable to both governmental (\$7,575,000) and business-type activities (\$17,021,290) at year end. In addition, the City has entered into various installment purchase agreements for equipment and has accrued liabilities for compensated absences.

During the year, the City issued bonds and entered into a new installment purchase agreement totaling \$6,934,102 and made principal payments totaling \$1,512,295. See Note F for additional information regarding long-term debt.

**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 2015-16 budget cycle. The Headlee Amendment limits this increase to 0.3 percent, and with cost of goods and services increasing 1 to 2 percent in 2016, this dynamic will presents a continuous challenge in the future.

City of Fraser

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**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, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,827,319	\$ 596,126	\$ 3,423,445
Restricted cash and cash equivalents	8,097	86,363	94,460
Investments	1,860,739	-	1,860,739
Receivables	228,064	1,589,914	1,817,978
Due from other governmental units	757,837	-	757,837
Internal balances	(1,722,112)	1,722,112	-0-
Due from others	520,846	-	520,846
Prepays	443,569	12,279	455,848
<b>Total current assets</b>	<b>4,924,359</b>	<b>4,006,794</b>	<b>8,931,153</b>
Noncurrent assets			
Restricted cash and cash equivalents	5,237,253	-	5,237,253
Capital assets not being depreciated	5,193,928	837,043	6,030,971
Capital assets being depreciated, net	10,965,702	29,541,526	40,507,228
<b>Total noncurrent assets</b>	<b>21,396,883</b>	<b>30,378,569</b>	<b>51,775,452</b>
<b>TOTAL ASSETS</b>	<b>26,321,242</b>	<b>34,385,363</b>	<b>60,706,605</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	2,903,262	252,456	3,155,718
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	591,400	472,070	1,063,470
Accrued liabilities	147,034	23,591	170,625
Due to other governmental units	121,704	-	121,704
Unearned revenue	10,967	-	10,967
Accrued interest payable	39,189	119,851	159,040
Current portion of compensated absences	557,432	3,060	560,492
Current portion of long-term debt	1,375,926	1,128,405	2,504,331
<b>Total current liabilities</b>	<b>2,843,652</b>	<b>1,746,977</b>	<b>4,590,629</b>
Noncurrent liabilities			
Net pension liability	18,409,690	1,600,842	20,010,532
Net other post-employment benefits obligation	20,533,772	1,974,501	22,508,273
Noncurrent portion of compensated absences	459,188	-	459,188
Noncurrent portion of long-term debt	6,535,063	16,830,921	23,365,984
<b>Total noncurrent liabilities</b>	<b>45,937,713</b>	<b>20,406,264</b>	<b>66,343,977</b>
<b>TOTAL LIABILITIES</b>	<b>48,781,365</b>	<b>22,153,241</b>	<b>70,934,606</b>
<b>NET POSITION</b>			
Net investment in capital assets	13,485,894	12,419,243	25,905,137
Restricted			
Streets and highways	202,181	-	202,181
Public safety	1,229,607	-	1,229,607
Debt service	58,915	86,363	145,278
Unrestricted	(34,533,458)	(21,028)	(34,554,486)
<b>TOTAL NET POSITION</b>	<b>\$(19,556,861)</b>	<b>\$ 12,484,578</b>	<b>\$ (7,072,283)</b>

See accompanying notes to financial statements.

City of Fraser

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 2,970,004	\$ 1,859,600	\$ 140,212	\$ -	\$ (970,192)	\$ -	\$ (970,192)
Public safety	11,212,085	916,953	15,143	-	(10,279,989)	-	(10,279,989)
Public works	3,185,349	326,989	815,652	-	(2,042,708)	-	(2,042,708)
Health and welfare	802,924	350,162	-	-	(452,762)	-	(452,762)
Community and economic development	22,287	-	90,900	-	68,613	-	68,613
Recreation and culture	1,355,821	158,888	8,606	227,920	(960,407)	-	(960,407)
Interest on long-term debt	177,352	-	-	-	(177,352)	-	(177,352)
Total governmental activities	19,725,822	3,612,592	1,070,513	227,920	(14,814,797)	-0-	(14,814,797)
Business-type activities							
Water and Sewer	6,797,426	7,559,594	-	110,858	-	873,026	873,026
Senior Citizen Housing Complex	340,800	526,734	-	-	-	185,934	185,934
Total business-type activities	7,138,226	8,086,328	-0-	110,858	-0-	1,058,960	1,058,960
Total primary government	<u>\$ 26,864,048</u>	<u>\$ 11,698,920</u>	<u>\$ 1,070,513</u>	<u>\$ 338,778</u>	(14,814,797)	1,058,960	(13,755,837)
General revenues							
Property taxes					9,416,874	-	9,416,874
State shared revenues					1,305,929	-	1,305,929
Investment earnings					25,446	2,032	27,478
Miscellaneous					40,996	-	40,996
Total general revenues					10,789,245	2,032	10,791,277
Change in net position					(4,025,552)	1,060,992	(2,964,560)
Restated net position, beginning of the year					(15,531,309)	11,423,586	(4,107,723)
Net position, end of the year					<u>\$(19,556,861)</u>	<u>\$ 12,484,578</u>	<u>\$ (7,072,283)</u>

See accompanying notes to financial statements.

City of Fraser  
Governmental Funds  
BALANCE SHEET  
June 30, 2015

	General Fund	Street Construction Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 991,203	\$ -	\$ 1,558,146	\$ 2,549,349
Restricted cash and cash equivalents	8,097	5,237,253	-	5,245,350
Investments	1,523,138	-	337,601	1,860,739
Receivables				
Accounts	55,718	-	-	55,718
Taxes	165,710	-	-	165,710
Special assessments	4,477	-	-	4,477
Due from other governmental units	590,221	-	167,616	757,837
Due from other funds	468,169	-	-	468,169
Due from others	520,846	-	-	520,846
Prepays	430,158	-	13,411	443,569
<b>TOTAL ASSETS</b>	<b>\$ 4,757,737</b>	<b>\$ 5,237,253</b>	<b>\$ 2,076,774</b>	<b>\$ 12,071,764</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 363,182	\$ 81,975	\$ 9,767	\$ 454,924
Accrued liabilities	139,442	-	7,592	147,034
Due to other funds	1,798,217	-	468,169	2,266,386
Due to other governmental units	119,471	-	2,233	121,704
Unearned revenue	10,967	-	-	10,967
<b>TOTAL LIABILITIES</b>	<b>2,431,279</b>	<b>81,975</b>	<b>487,761</b>	<b>3,001,015</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	239,966	-	-	239,966
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	430,158	-	13,411	443,569
Restricted				
Streets and highways	-	5,155,278	200,325	5,355,603
Public safety	-	-	1,229,607	1,229,607
Debt service	-	-	98,104	98,104
Assigned				
Health and welfare	-	-	18,508	18,508
Debt service	-	-	29,058	29,058
Unassigned	1,656,334	-	-	1,656,334
<b>TOTAL FUND BALANCES</b>	<b>2,086,492</b>	<b>5,155,278</b>	<b>1,589,013</b>	<b>8,830,783</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 4,757,737</b>	<b>\$ 5,237,253</b>	<b>\$ 2,076,774</b>	<b>\$ 12,071,764</b>

See accompanying notes to financial statements.

City of Fraser

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

June 30, 2015

**Total fund balances - governmental funds** \$ 8,830,783

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	\$ 89,908,333
Accumulated depreciation is	<u>(73,995,418)</u>

Capital assets, net	15,912,915
---------------------	------------

Long-term receivables are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.	239,966
------------------------------------------------------------------------------------------------------------------------------------------------	---------

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 are included in the governmental activities in the government-wide statement of net position	447,113
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	2,903,262
----------------------------------------------------	-----------

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	(1,014,286)
Accrued interest payable	(39,189)
Long-term obligations	(7,893,963)
Net pension liability	(18,409,690)
Net other post-employment benefits obligation	<u>(20,533,772)</u>

(47,890,900)

**Net position of governmental activities** \$(19,556,861)

City of Fraser

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General Fund	Street Construction Fund	Nonmajor Governmental Funds	Total
<b>REVENUES</b>				
Taxes	\$ 8,612,058	\$ -	\$ 1,069,642	\$ 9,681,700
Licenses and permits	361,453	-	-	361,453
Intergovernmental				
Federal	114,649	-	86,869	201,518
State	1,379,465	-	853,920	2,233,385
District Court and Violations Bureau	683,088	-	-	683,088
Charges for services	569,241	-	320,148	889,389
Fines and forfeitures	85,249	-	677,242	762,491
Interest and rents	181,126	-	2,915	184,041
Other	427,532	-	47,753	475,285
<b>TOTAL REVENUES</b>	<b>12,413,861</b>	<b>-0-</b>	<b>3,058,489</b>	<b>15,472,350</b>
<b>EXPENDITURES</b>				
Current				
General government	2,027,859	-	-	2,027,859
Public safety	6,084,481	-	467,304	6,551,785
Public works	1,365,940	-	821,188	2,187,128
Health and welfare	-	-	693,576	693,576
Community and economic development	19,252	-	-	19,252
Recreation and culture	970,550	-	-	970,550
Other	1,962,873	-	-	1,962,873
Capital outlay	-	22,549	242,599	265,148
Debt service	-	97,737	584,882	682,619
<b>TOTAL EXPENDITURES</b>	<b>12,430,955</b>	<b>120,286</b>	<b>2,809,549</b>	<b>15,360,790</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(17,094)</b>	<b>(120,286)</b>	<b>248,940</b>	<b>111,560</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	365,799	-	362,587	728,386
Transfers out	-	-	(710,132)	(710,132)
Bond proceeds	-	5,135,000	-	5,135,000
Bond premium	-	140,564	-	140,564
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>365,799</b>	<b>5,275,564</b>	<b>(347,545)</b>	<b>5,293,818</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>348,705</b>	<b>5,155,278</b>	<b>(98,605)</b>	<b>5,405,378</b>
Restated fund balances, beginning of year	1,737,787	-	1,687,618	3,425,405
<b>Fund balances, end of year</b>	<b>\$ 2,086,492</b>	<b>\$ 5,155,278</b>	<b>\$ 1,589,013</b>	<b>\$ 8,830,783</b>

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, 2015

**Net change in fund balances - total governmental funds** **\$ 5,405,378**

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	\$	506,387
Depreciation expense		<u>(826,522)</u>

Excess of depreciation expense over capital outlay	(320,135)
----------------------------------------------------	-----------

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 increased in the current period. 17,183

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts costs of:

Change in unavailable revenue	227,920
-------------------------------	---------

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	514,950
Bond proceeds	(5,135,000)
Bond premium	<u>(140,564)</u>

(4,760,614)

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:

(Increase) in net pension liability	(2,868,093)
(Increase) in accrued interest payable	(9,683)
Decrease in compensated absences	69,209
(Increase) in other post-employment benefits obligation	(3,899,164)
Increase in deferred outflows of resources related to pensions	<u>2,112,447</u>

(4,595,284)

**Change in net position of governmental activities** **\$ (4,025,552)**

City of Fraser

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2015

	Business-type Activities			Governmental
	Nonmajor		Total Enterprise Funds	Internal Service Funds
	Water and Sewer Fund	Senior Citizen Housing Complex Fund		
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 430,758	\$ 165,368	\$ 596,126	\$ 277,970
Restricted cash and cash equivalents	86,363	-	86,363	-
Accounts receivable	-	-	-0-	2,159
Customer receivables	1,589,914	-	1,589,914	-
Due from other funds	1,722,112	-	1,722,112	76,105
Prepaid expenses	12,279	-	12,279	-
<b>Total current assets</b>	<b>3,841,426</b>	<b>165,368</b>	<b>4,006,794</b>	<b>356,234</b>
Noncurrent assets				
Capital assets not being depreciated	12,043	825,000	837,043	-
Capital assets being depreciated, net	27,489,595	2,051,931	29,541,526	246,715
<b>Total noncurrent assets</b>	<b>27,501,638</b>	<b>2,876,931</b>	<b>30,378,569</b>	<b>246,715</b>
<b>TOTAL ASSETS</b>	<b>31,343,064</b>	<b>3,042,299</b>	<b>34,385,363</b>	<b>602,949</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	252,456	-	252,456	-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	425,374	46,696	472,070	136,476
Accrued liabilities	22,704	887	23,591	-
Accrued interest payable	117,362	2,489	119,851	-
Current portion of compensated absences	3,060	-	3,060	2,334
Current portion of long-term debt	873,405	255,000	1,128,405	17,026
<b>Total current liabilities</b>	<b>1,441,905</b>	<b>305,072</b>	<b>1,746,977</b>	<b>155,836</b>
Noncurrent liabilities				
Net pension liability	1,600,842	-	1,600,842	-
Net other post-employment benefits obligation	1,974,501	-	1,974,501	-
Noncurrent portion of long-term debt	16,055,921	775,000	16,830,921	-
<b>Total noncurrent liabilities</b>	<b>19,631,264</b>	<b>775,000</b>	<b>20,406,264</b>	<b>-0-</b>
<b>TOTAL LIABILITIES</b>	<b>21,073,169</b>	<b>1,080,072</b>	<b>22,153,241</b>	<b>155,836</b>
<b>NET POSITION</b>				
Net investment in capital assets	10,572,312	1,846,931	12,419,243	229,689
Restricted for capital replacement	86,363	-	86,363	-
Unrestricted	(136,324)	115,296	(21,028)	217,424
<b>TOTAL NET POSITION</b>	<b>\$ 10,522,351</b>	<b>\$ 1,962,227</b>	<b>\$ 12,484,578</b>	<b>\$ 447,113</b>

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	Business-type Activities			Governmental
	Nonmajor		Total Enterprise Funds	Internal Service Funds
	Water and Sewer Fund	Senior Citizen Housing Complex Fund		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 7,484,831	\$ 6,425	\$ 7,491,256	\$ 1,859,515
Interest and penalties	73,319	101	73,420	-
Rentals	-	520,208	520,208	673,015
Other	1,444	-	1,444	8,636
<b>TOTAL OPERATING REVENUES</b>	<b>7,559,594</b>	<b>526,734</b>	<b>8,086,328</b>	<b>2,541,166</b>
<b>OPERATING EXPENSES</b>				
Salaries	519,869	32,869	552,738	30,214
Fringe benefits	506,967	-	506,967	23,281
Materials and supplies	150,524	19,755	170,279	-
Equipment rental	280,000	-	280,000	-
Repairs and maintenance	70,587	86,809	157,396	537,054
Cost of water	1,022,725	-	1,022,725	-
Cost of sewage disposal	2,416,940	-	2,416,940	-
Utilities	4,906	40,322	45,228	-
Postage	27,814	-	27,814	-
Claims paid	-	-	-0-	1,859,515
Miscellaneous	30,860	53,407	84,267	2,825
Depreciation	1,335,124	91,147	1,426,271	68,513
<b>TOTAL OPERATING EXPENSES</b>	<b>6,366,316</b>	<b>324,309</b>	<b>6,690,625</b>	<b>2,521,402</b>
<b>OPERATING INCOME</b>	<b>1,193,278</b>	<b>202,425</b>	<b>1,395,703</b>	<b>19,764</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Tap-in fees	13,958	-	13,958	-
Intergovernmental - State	96,900	-	96,900	-
Interest and other revenue	1,714	318	2,032	15,673
Interest expense	(431,110)	(16,491)	(447,601)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(318,538)</b>	<b>(16,173)</b>	<b>(334,711)</b>	<b>15,673</b>
<b>NET INCOME BEFORE TRANSFERS</b>	<b>874,740</b>	<b>186,252</b>	<b>1,060,992</b>	<b>35,437</b>
Transfers in	-	-	-0-	16,247
Transfers out	-	-	-0-	(34,501)
<b>TRANSFERS</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(18,254)</b>
<b>CHANGE IN NET POSITION</b>	<b>874,740</b>	<b>186,252</b>	<b>1,060,992</b>	<b>17,183</b>
Restated net position, beginning of year	9,647,611	1,775,975	11,423,586	429,930
<b>Net position, end of year</b>	<b>\$ 10,522,351</b>	<b>\$ 1,962,227</b>	<b>\$ 12,484,578</b>	<b>\$ 447,113</b>

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Business-type Activities			Governmental
	Nonmajor			Activities
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 7,265,236	\$ 526,734	\$ 7,791,970	\$ 2,475,632
Cash paid to suppliers	(4,586,105)	(197,442)	(4,783,547)	(2,297,923)
Cash paid to employees	(504,072)	(32,746)	(536,818)	(32,501)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,175,059</b>	<b>296,546</b>	<b>2,471,605</b>	<b>145,208</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	-	-0-	16,247
Transfers out	(1,722,112)	-	(1,722,112)	(34,501)
<b>NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(1,722,112)</b>	<b>-0-</b>	<b>(1,722,112)</b>	<b>(18,254)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital acquisitions	(2,234,743)	-	(2,234,743)	(130,800)
Capital grant	96,900	-	96,900	-
Tap-in fees	13,958	-	13,958	-
Payments on long-term borrowing	(711,098)	(270,000)	(981,098)	(16,247)
Proceeds from debt issuance	1,799,102	-	1,799,102	-
Interest and fees paid	(417,294)	(17,144)	(434,438)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,453,175)</b>	<b>(287,144)</b>	<b>(1,740,319)</b>	<b>(147,047)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	1,714	318	2,032	15,673
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(998,514)</b>	<b>9,720</b>	<b>(988,794)</b>	<b>(4,420)</b>
Cash and cash equivalents, beginning of year	1,515,635	155,648	1,671,283	282,390
Cash and cash equivalents, end of year	<u>\$ 517,121</u>	<u>\$ 165,368</u>	<u>\$ 682,489</u>	<u>\$ 277,970</u>

City of Fraser

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2015

	Business-type Activities			Governmental
	Nonmajor			Activities
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 1,193,278	\$ 202,425	\$ 1,395,703	\$ 19,764
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,335,124	91,147	1,426,271	68,513
Decrease (increase) in:				
Receivables	(294,358)	-	(294,358)	8,071
Due from other funds	-	-	-0-	(73,605)
Prepays	(10,401)	-	(10,401)	100
Deferred outflows related to pensions	(164,589)	-	(164,589)	-
Increase (decrease) in:				
Accounts payable	(250,250)	3,215	(247,035)	124,652
Accrued liabilities	15,377	123	15,500	(1,215)
Due to other funds	-	(364)	(364)	-
Compensated absences	420	-	420	(1,072)
Net pension liability	(82,782)	-	(82,782)	-
Other post-employment benefits obligation	433,240	-	433,240	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 2,175,059</b>	<b>\$ 296,546</b>	<b>\$ 2,471,605</b>	<b>\$ 145,208</b>

See accompanying notes to financial statements.

City of Fraser

Fiduciary Funds

STATEMENT OF NET POSITION

June 30, 2015

	Pension and Retiree Healthcare Trust Funds	Economic Development Corporation	Downtown Development Authority	Agency Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 1,564	\$ 1,044	<u>\$ 953,740</u>
<b>LIABILITIES</b>				
Due to individuals and agencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 953,740</u>
<b>NET POSITION</b>				
Unrestricted	<u>\$ -0-</u>	<u>\$ 1,564</u>	<u>\$ 1,044</u>	

See accompanying notes to financial statements.

City of Fraser

Fiduciary Funds

STATEMENT OF CHANGES IN NET POSITION

Year Ended June 30, 2015

	Pension and Retiree Healthcare Trust Funds	Economic Development Corporation	Downtown Development Authority
<b>ADDITIONS</b>			
Investment income			
Interest and dividends	\$ 108,746	\$ -	\$ -
Net appreciation in fair value of investments	<u>(496,675)</u>	<u>-</u>	<u>-</u>
<b>TOTAL ADDITIONS</b>	(387,929)	-0-	-0-
<b>DEDUCTIONS</b>			
Benefit payments	26,513	-	-
Transfer to MERS	27,105,031	-	-
Administrative expenses	<u>55,277</u>	<u>-</u>	<u>-</u>
<b>TOTAL DEDUCTIONS</b>	<u>27,186,821</u>	<u>-0-</u>	<u>-0-</u>
<b>CHANGE IN NET POSITION</b>	(27,574,750)	-0-	-0-
Net position, beginning of year	<u>27,574,750</u>	<u>1,564</u>	<u>1,044</u>
Net position, end of year	<u>\$ -0-</u>	<u>\$ 1,564</u>	<u>\$ 1,044</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND 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, 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, Michigan, 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 retirement 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 DDA's governing body, which consists of 10 individuals, is selected by the City Council. The DDA does not have separate issued financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Fiduciary Component Units - continued

Economic Development Corporation - The Economic Development Corporation (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 funds:

- 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.
- b. The Street Construction Fund is used to account for the capital projects financed by the 2015 General Obligation Unlimited tax Bonds.

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 two internal service funds: one to account for the management of motor pool services provided to other departments on a cost-reimbursement basis and one to account for health care costs and the payment of approved claims.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

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. The City transitioned the pension plan administration to the Municipal Employees Retirement System (MERS) during the year.

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 fund balance.

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, 2015

**NOTE A: DESCRIPTION OF CITY AND 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 ninety (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, 2015

**NOTE A: DESCRIPTION OF CITY AND 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, 2015, the City levied 18.2462 mills per \$1,000 of assessed valuation for general governmental services, 0.3884 mills for debt repayment, 0.9818 mills for ambulance services, and 1.2500 mills for city hall debt repayment. The total taxable value for the 2014 levy for property within the City was \$431,757,048.

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, 2015, 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, 2015

**NOTE A: DESCRIPTION OF CITY AND 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 (1) 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
Library collection	7 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 and liabilities, the statement of net position and balance sheet will, when applicable, report a separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will be recognized as an outflow of resources (expenditure/expense) until that time. Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred outflows of resources on the statement of net position which correspond to the City's net pension liability and are related to differences between projected and actual pension plan investment earnings and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

The City also reports deferred inflows of resources on the governmental funds balance sheet related to revenue that is unavailable to finance expenditures of the current period.

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 noncurrent.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

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: 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.
- 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.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

As of June 30, 2015, 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	\$ 8,445,333	\$ 8,622,919
Certificates of deposit	<u>1,678,343</u>	<u>1,678,343</u>
TOTAL PRIMARY GOVERNMENT	10,123,676	10,301,262
FIDUCIARY FUNDS		
Checking and savings	<u>956,348</u>	<u>955,693</u>
TOTAL REPORTING ENTITY	<u>\$ 11,080,024</u>	<u>\$ 11,256,955</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, 2015, the City accounts were insured by the FDIC for \$3,404,253 and the amount of \$7,852,702 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.

<u>Investment Type</u>	<u>Market Value</u>	<u>S&amp;P Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT			
U.S. government bonds	<u>\$ 489,671</u>	AA+	6.44 years

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, 2015, 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.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

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.

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 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, 2015:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 3,423,445	\$ 956,348	\$ 4,379,793
Restricted cash and cash equivalents	5,331,713	-	5,331,713
Investments	<u>1,860,739</u>	<u>-</u>	<u>1,860,739</u>
	<u>\$ 10,615,897</u>	<u>\$ 956,348</u>	<u>\$ 11,572,245</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2015, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 468,169</u>
Due to Water and Sewer Fund from:	
General Fund	<u>\$ 1,722,112</u>
Due to internal service funds from:	
General Fund	<u>\$ 76,105</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, 2015

**NOTE D: 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:		
Nonmajor governmental funds		<u>\$ 365,799</u>
Transfers to nonmajor governmental funds from:		
Internal service funds	\$ 34,501	
Other nonmajor governmental funds	<u>328,086</u>	
		<u>\$ 362,587</u>
Transfers to internal service funds from:		
Nonmajor governmental funds		<u>\$ 16,247</u>

Transfers to the General Fund from the nonmajor governmental fund were to fund general operations. Transfers between nonmajor funds were to fund capital projects. Transfers to the internal service funds from nonmajor governmental funds were for debt service payments related to a dump truck. Transfers to nonmajor governmental funds from internal service funds were for debt service payments related to related to a fire truck and copiers.

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

**Primary Government**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 4,938,136	\$ -	\$ -	\$ 4,938,136
Construction in progress	<u>32,922</u>	<u>255,792</u>	<u>(32,922)</u>	<u>255,792</u>
Capital assets not being depreciated	4,971,058	255,792	(32,922)	5,193,928
Capital assets being depreciated				
Land improvements	162,706	-	-	162,706
Roads and sidewalks	73,773,890	136,528	-	73,910,418
County road improvements	553,414	-	-	553,414
Buildings and improvements	6,514,985	90,900	-	6,605,885
Vehicles	3,819,582	156,492	-	3,976,074
Machinery and equipment	1,486,008	-	-	1,486,008
Library collection	230,651	30,397	-	261,048
Furniture and fixtures	<u>274,291</u>	<u>-</u>	<u>-</u>	<u>274,291</u>
Subtotal	86,815,527	414,317	-0-	87,229,844

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - Continued**

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Governmental Activities - continued</b>				
Less accumulated depreciation for:				
Land improvements	\$ (108,800)	\$ (5,965)	\$ -	\$ (114,765)
Roads and sidewalks	(68,538,385)	(441,897)	-	(68,980,282)
County road improvements	(195,896)	(18,447)	-	(214,343)
Buildings and improvements	(2,258,881)	(139,891)	-	(2,398,772)
Vehicles	(2,789,996)	(174,420)	-	(2,964,416)
Machinery and equipment	(1,067,834)	(78,074)	-	(1,145,908)
Library collection	(135,024)	(36,341)	-	(171,365)
Furniture and fixtures	(274,291)	-	-	(274,291)
Subtotal	<u>(75,369,107)</u>	<u>(895,035)</u>	<u>-0-</u>	<u>(76,264,142)</u>
Net capital assets being depreciated	<u>11,446,420</u>	<u>(480,718)</u>	<u>-0-</u>	<u>10,965,702</u>
Capital assets, net	<u>\$ 16,417,478</u>	<u>\$ (224,926)</u>	<u>\$ (32,922)</u>	<u>\$ 16,159,630</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 265,066
Public safety	148,614
Public works	326,652
Recreation and culture	86,190
Internal Service Fund	68,513
	<u>\$ 895,035</u>

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 837,043	\$ -	\$ -	\$ 837,043
Capital assets being depreciated				
Water and sewer distribution systems	38,647,846	2,234,743	-	40,882,589
Buildings and building improvements	<u>3,911,052</u>	<u>-</u>	<u>-</u>	<u>3,911,052</u>
Subtotal	42,558,898	2,234,743	-0-	44,793,641

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - Continued**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Business-type Activities - continued</b>				
Less accumulated depreciation for:				
Water and sewer distribution systems	\$(12,057,871)	\$ (1,335,124)	\$ -	\$(13,392,995)
Buildings and building improvements	(1,767,973)	(91,147)	-	(1,859,120)
Subtotal	(13,825,844)	(1,426,271)	-0-	(15,252,115)
Net capital assets being depreciated	28,733,054	808,472	-0-	29,541,526
Capital assets, net	<u>\$ 29,570,097</u>	<u>\$ 808,472</u>	<u>\$ -0-</u>	<u>\$ 30,378,569</u>

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

Water and Sewer	\$ 1,335,124
Senior Citizen Housing Complex	91,147
	<u>\$ 1,426,271</u>

**NOTE F: 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, 2015:

	Restated Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amount Due in One Year
<b>Governmental Activities</b>					
2010 Refunding Bonds	\$ 2,860,000	\$ -	\$ (420,000)	\$ 2,440,000	\$ 410,000
2015 General Obligation Unlimited Tax Bonds	-	5,135,000	-	5,135,000	830,000
2015 Bond premium	-	140,564	-	140,564	23,427
Lease purchase agreement - Aerial Platform Fire Truck	188,995	-	(62,998)	125,997	62,998
Lease purchase agreement - Dump Truck	33,273	-	(16,247)	17,026	17,026
Installment purchase agreement - Copier	31,991	-	(16,000)	15,991	15,991
Installment purchase agreement - E911 phones	52,363	-	(15,952)	36,411	16,484
Compensated absences	1,086,901	525,358	(595,639)	1,016,620	557,432
	4,253,523	5,800,922	(1,126,836)	8,927,609	1,933,358

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT - CONTINUED**

	Restated Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amount Due in One Year
<b>Business-type Activities</b>					
2012A Refunding Bonds	\$ 1,230,000	\$ -	\$ (115,000)	\$ 1,115,000	\$ 115,000
2012B Refunding Bonds	1,300,000	-	(270,000)	1,030,000	255,000
2008 North Gratiot Interceptor Drainage District	327,509	-	(12,860)	314,649	12,860
2010B OMID Drainage District	135,135	-	(5,808)	129,327	6,042
2010A MID Drainage District	3,409,971	-	(121,715)	3,288,256	123,684
2010 North Gratiot Drainage District	31,639	-	(1,123)	30,516	1,144
2010A OMID Drainage District	533,228	-	(25,446)	507,782	26,144
2009 Clean Water Revolving Loan Fund	6,195,000	-	(320,000)	5,875,000	325,000
2011 OMID Drainage District	728,420	-	(28,531)	699,889	29,245
2011 MID Drainage District	1,319,906	-	(40,615)	1,279,291	45,125
2013A OMID Drainage District	1,589,514	-	-	1,589,514	65,396
2014A OMID Drainage District	-	232,405	-	232,405	8,994
2015A OMID Drainage District	-	464,881	-	464,881	-
2015 SAW Loan OMID Drainage District	-	232,390	-	232,390	9,063
2015 Public OMID Drainage District	-	232,390	-	232,390	9,063
Installment purchase agreement - Sewer vacuum equipment	285,000	-	(30,000)	255,000	30,000
Installment purchase agreement - Backhoe	56,000	-	(10,000)	46,000	10,000
Installment purchase agreement - Water meters	-	637,036	-	637,036	56,645
Compensated absences	2,640	7,623	(7,203)	3,060	3,060
	<u>17,143,962</u>	<u>1,806,725</u>	<u>(988,301)</u>	<u>17,962,386</u>	<u>1,131,465</u>
	<u>\$ 21,397,485</u>	<u>\$ 7,607,647</u>	<u>\$ (2,115,137)</u>	<u>\$ 26,889,995</u>	<u>\$ 3,064,823</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. \$ 2,440,000

\$5,135,000 2015 General Obligation Limited Tax Refunding Bonds dated June 16, 2015, due in annual installments ranging from \$830,000 to \$880,000 through October 1, 2020, with interest ranging from 2.00 to 3.00 percent. 5,135,000

\$ 7,575,000

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: 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. \$ 125,997

\$109,005 Installment Purchase Agreement for a dump truck dated December 22, 2009, due in annual installments ranging from \$13,472 to \$17,027 through April 1, 2016, with interest of 4.79 percent. 17,026

\$61,991 Installment Purchase Agreement for a copier dated June 9, 2011, due in an annual installments ranging from \$14,000 to \$16,000 through October 1, 2015, with interest of 2.745 percent. 15,991

\$129,049 Installment Purchase Agreement for Emergency 911 Telephone System dated September 20, 2012, due in monthly installments of \$1,453, including interest of 3.287 percent through August 20, 2017. 36,411

36,411

\$ 195,425

**Business-type Activities**

General Obligation Bonds

\$1,340,000 2012A General Obligation Limited Tax Refunding Bonds dated June 12, 2012, due in annual installments ranging from \$115,000 to \$165,000 through October 1, 2022, with interest of 2.0 percent. \$ 1,115,000

\$1,525,000 2012B General Obligation Building Authority Refunding Bonds dated September 20, 2012, due in annual installments ranging from \$250,000 to \$265,000 through November 1, 2018, with interest at 1.45 percent. 1,030,000

1,030,000

\$ 2,145,000

Macomb County Water Disposal District

\$383,067 2008 North Gratiot Interceptor Drainage District Bonds dated June 1, 2008, due in annual installments ranging from \$8,402 to \$20,577 through May 1, 2033, with interest ranging from 3.25 to 5.00 percent. \$ 314,649

\$155,701 2010B Oakland-Macomb Interceptor Drainage District Bonds dated April 1, 2010, due in annual installments ranging from \$4,415 to \$12,084 through April 1, 2030, with interest ranging from 1.15 to 5.90 percent. 129,327

\$3,766,448 2010A Macomb Interceptor Drainage District Bonds dated August 30, 2010, due in annual installments ranging from \$117,578 to \$221,764 through May 1, 2035, with interest ranging from 1.25 to 5.50 percent. 3,288,256

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Business-type Activities - Continued**

Macomb County Water Disposal District - continued

\$35,618 2010 North Gratiot Drainage District Bonds dated May 11, 2010, due in annual installments ranging from \$682 to \$2,047 through May 1, 2035, with interest ranging from 1.00 to 6.35 percent.	\$ 30,516
\$605,990 2010A Oakland-Macomb Interceptor Drainage District Bonds dated February 1, 2010, due in annual installments ranging from \$23,611 to \$37,996 through April 1, 2031, with interest of 2.50 percent.	507,782
\$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.	699,889
\$1,389,850 2011 Macomb Interceptor Drainage District Bonds dated October 18, 2011, due in annual installments ranging from \$31,588 to \$112,813 through October 1, 2031, with interest of 5.00 percent.	1,279,291
\$1,589,514 2013A Oakland-Macomb Interceptor Drainage District Bonds dated July 1, 2013, due in estimated annual installments ranging from \$65,396 to \$95,287 through October 1, 2034, with interest of 2.00 percent.	1,589,514
\$232,405 2014A Oakland-Macomb Interceptor Drainage District Bonds dated October 1, 2014, due in annual installments ranging from \$8,994 to \$15,258 through October 1, 2034, with interest ranging from 2.00 to 3.125 percent.	232,405
\$464,881 2015A Oakland-Macomb Interceptor Drainage District Bonds dated April 1, 2015, due in annual installments ranging from \$18,070 to \$29,295 through April 1, 2036, with interest of 2.50 percent.	464,881
\$232,390 2015 SAW Oakland-Macomb Interceptor Drainage District Bonds dated April 1, 2015, due in estimated annual installments ranging from \$9,063 to \$14,524 through April 1, 2035, with interest of 2.50 percent.	232,390
\$232,390 2015 Public Oakland-Macomb Interceptor Drainage District Bonds dated April 1, 2015, due in estimated annual installments ranging from \$9,063 to \$15,338 through October 1, 2034, with interest ranging from 2.00 to 3.50 percent.	232,390
	<u>\$ 9,001,290</u>

Revenue Bond

\$7,398,000 2009 Clean Water Revolving Loan Fund, dated April 17, 2009, due in annual installments ranging from \$293,000 to \$460,000 through October 1, 2029, with interest of 2.50 percent.	<u>\$ 5,875,000</u>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Business-type Activities - Continued**

Lease Purchase Agreements

\$330,934 Lease Purchase Agreement for sewer vacuum equipment dated December 7, 2011, due in annual installments ranging from \$20,934 to \$45,000 through October 1, 2021, with interest of 2.97 percent.	\$ 255,000
\$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.	46,000
\$637,036 Lease Purchase Agreement for Water Meters dated March 12, 2015, due in annual installments ranging from \$56,645 to \$71,259 through October 1, 2024, with interest of 2.49 percent.	<u>637,036</u>
	<u>\$ 938,036</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 \$1,019,680 at June 30, 2015.

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 1,352,499	\$ 167,218	\$ 1,128,405	\$ 474,550
2017	1,420,032	155,421	1,190,257	447,768
2018	1,337,894	115,362	1,228,371	420,153
2019	1,375,000	77,088	1,246,158	391,583
2020	1,410,000	40,056	1,013,135	363,850
2021-2025	875,000	10,937	5,457,330	1,406,597
2026-2030	-	-	4,427,151	727,555
2031-2035	-	-	2,239,224	176,404
2036	-	-	29,295	732
	<u>\$ 7,770,425</u>	<u>\$ 566,082</u>	<u>\$ 17,959,326</u>	<u>\$ 4,409,192</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT - CONTINUED**

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.

**NOTE G: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Summary of Significant Accounting Policies

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

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Benefits Provided

Benefits provided by the City's pension plan vary by division, as summarized in the following table:

	Police Deferred and Retired	Supervisor/ Management	Clerical/ Court	POLC	POAM	Dispatch	DPW
Open or closed to new hires	Closed	Open	Open	Open	Open	Open	Open
Benefit multiplier	Service x (1.00% times FAC < \$4,200, plus 1.50% times FAC > \$4,200)	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)	2.50% Multiplier (75% max)	2.50% Multiplier (no max)	2.75% Multiplier (80% max)
Normal retirement age	60	60	60	55	55	60	60
Vesting	10 years	6 years	6 years	10 years	10 years	6 years	6 years
Early retirement (unreduced)	-	Age 50/25 years of service; Age 55/10 years of service	Age 50/25 years of service; Age 55/15 years of service	Age 50/25 years of service	Age 50/25 years of service	Age 50/25 years of service; Age 55/10 years of service	Age 50/25 years of service; Age 55/10 years of service
Early retirement (reduced)	Age 50/25 years of service; Age 55/15 years of service	-	-	-	-	-	-
Final average compensation	5 years	5 years	5 years	3 years	5 years	5 years	5 years
COLA for future retirees	-	-	-	-	2% (non- compound)	-	-
Employee contributions	3% under \$4,200; 5% over \$4,200	5%	7%	7%	7%	7%	7%

At the December 31, 2014, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	98
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>66</u>
Total employees covered by MERS	<u><u>182</u></u>

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City has also established contribution rates to be paid by its covered employees. Such contribution rates vary by division.

Net Pension Liability

The net pension liability reported at June 30, 2015, was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The total pension liability was determined by an annual actuarial valuation as of that date.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUED**Net Pension Liability - continued

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2013	\$ 44,609,106	\$ 27,772,869	\$ 16,836,237
Service cost	896,348	-	896,348
Interest on total pension liability	3,636,330	-	3,636,330
Employer contributions	-	878,683	(878,683)
Employee contributions	-	149,899	(149,899)
Net investment income	-	348,982	(348,982)
Benefit payments, including employee refunds	(1,961,048)	(1,961,048)	-0-
Administrative expense	-	(19,181)	19,181
Net changes	<u>2,571,630</u>	<u>(602,665)</u>	<u>3,174,295</u>
Balances at December 31, 2014	<u>\$ 47,180,736</u>	<u>\$ 27,170,204</u>	<u>\$ 20,010,532</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$2,530,559. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,522,420	\$ -
Contributions subsequent to the measurement date*	<u>1,633,298</u>	<u>-</u>
Total	<u>\$ 3,155,718</u>	<u>\$ -0-</u>

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2016	\$ 380,605
2017	380,605
2018	380,605
2019	380,605

Actuarial Assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively).

Investment rate of return: 8.0%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008.

Discount Rate

The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Projected Cash Flows - continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rates of 8.25%, as well as what the City's net pension liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability of the City	\$ 25,304,285	\$ 20,010,532	\$ 15,504,309

**NOTE H: 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 GASB Statement No. 45 required disclosures.

During the year ended June 30, 2015, 97 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

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, 2015, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of June 30, 2012. 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.

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

Annual required contribution (ARC)	\$ 5,466,892
Interest on net OPEB obligation	<u>545,276</u>
Annual OPEB cost (expense)	6,012,168
Amounts contributed:	
Payments of current premiums	<u>(1,679,764)</u>
Increase in net OPEB obligation	4,332,404
OPEB obligation - beginning of year	<u>18,175,869</u>
OPEB obligation - end of year	<u><u>\$ 22,508,273</u></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>
2013	\$ 5,424,148	30.4%	\$ 15,361,518
2014	4,653,906	39.5%	18,175,869
2015	6,012,168	27.9%	22,508,273

The funding progress of the plan as is as follows:

	<u>2006</u>	<u>2009</u>	<u>2012</u>
Actuarial value of assets	\$ 340,018	\$ 677,886	\$ 416,750
Actuarial accrued liability (AAL) (entry age)	49,708,098	58,822,957	68,263,560
Unfunded AAL (UAAL)	49,368,080	58,145,071	67,846,810
Funded ratio	0.7%	1.2%	0.6%
Annual covered payroll	\$ 6,020,985	\$ 5,966,282	\$ 4,955,687
UAAL as a percentage of covered payroll	819.9%	974.6%	1369.1%

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

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.

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, 2012 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 (10) 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, 2015, was twenty-three (23) years.

**NOTE I: 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. Settled claims have not exceeded this commercial coverage in any of the past three years.

**NOTE J: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established 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 (5) 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, 2015

**NOTE J: 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 K: 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, 2015:

REVENUES	
Permits	\$ 98,779
EXPENDITURES	
Salaries and fringe benefits	196,333
Supplies and other	<u>23,602</u>
TOTAL EXPENDITURES	<u>219,935</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(121,156)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(478,003)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u><u>\$ (599,159)</u></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE L: 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 has been named as 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.

**NOTE M: RESTATEMENT OF BEGINNING NET POSITION AND PRIOR PERIOD ADJUSTMENT**

Beginning net position has been restated for governmental activities and business-type activities due to changes in accounting principles and correction of errors.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water and Sewer Fund</u>
Beginning net position	\$ (2,614,020)	\$ 14,249,342	\$ 12,473,367
Deferred outflows of resources	790,815	87,868	87,868
Net pension liability	(15,152,613)	(1,683,624)	(1,683,624)
Long-term debt reclassification	1,230,000	(1,230,000)	(1,230,000)
State shared revenue adjustment	<u>214,509</u>	<u>-</u>	<u>-</u>
Restated beginning net position	<u><u>\$ (15,531,309)</u></u>	<u><u>\$ 11,423,586</u></u>	<u><u>\$ 9,647,611</u></u>

A prior period adjustment was also recorded in the General Fund to correct previously understated State Shared Revenue in the amount of \$214,509.

**NOTE N: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE N: CHANGES IN ACCOUNTING PRINCIPLES - CONTINUED**

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses and issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

**NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money weighted rates of return on plan investments. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. 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 during the 2017-2018 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2016-2017 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Fraser

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 8,733,478	\$ 8,748,978	\$ 8,612,058	\$ (136,920)
Licenses and permits				
Franchise fees	135,000	135,000	138,080	3,080
Other	186,750	186,750	223,373	36,623
Total license and permits	321,750	321,750	361,453	39,703
Intergovernmental				
Federal	192,241	192,241	114,649	(77,592)
State	1,376,215	1,376,215	1,379,465	3,250
District Court and Violations Bureau	883,250	883,250	683,088	(200,162)
Total intergovernmental	2,451,706	2,451,706	2,177,202	(274,504)
Charges for services	167,200	511,600	489,523	(22,077)
Fines and forfeitures	135,000	135,000	85,249	(49,751)
Interest and rents	140,500	153,000	181,126	28,126
Other				
Library	6,750	7,750	9,706	1,956
Miscellaneous	464,346	464,346	417,825	(46,521)
Total other	471,096	472,096	427,531	(44,565)
<b>TOTAL REVENUES</b>	<b>12,420,730</b>	<b>12,794,130</b>	<b>12,334,142</b>	<b>(459,988)</b>
<b>EXPENDITURES</b>				
Current				
General government				
City Council	78,975	78,975	67,483	11,492
City administration	208,808	208,808	203,227	5,581
City clerk	176,448	176,448	110,598	65,850
District Court	678,858	678,858	654,714	24,144
Finance	259,641	272,141	342,361	(70,220)
Assessor	141,234	141,234	134,975	6,259
Legal	55,500	55,500	72,177	(16,677)
Building and grounds	451,248	467,748	442,324	25,424
Total general government	2,050,712	2,079,712	2,027,859	51,853
Public safety	6,122,585	6,122,585	6,084,481	38,104

City of Fraser

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Public works				
Building inspections	\$ 235,704	\$ 235,704	\$ 220,996	\$ 14,708
Other	560,722	564,772	451,764	113,008
Total public works	796,426	800,476	672,760	127,716
Community and economic development				
Planning committee	18,891	18,891	19,252	(361)
Recreation and culture				
City parks and recreation	471,599	479,449	627,408	(147,959)
Historical commission	1,500	1,500	1,586	(86)
Library	346,775	347,775	341,556	6,219
Total recreation and culture	819,874	828,724	970,550	(141,826)
Other				
Insurance	175,000	175,000	185,650	(10,650)
Retiree health insurance contributions	1,600,000	1,600,000	1,533,957	66,043
Refunds and reimbursements	239,741	239,741	243,266	(3,525)
Total other	2,014,741	2,014,741	1,962,873	51,868
TOTAL EXPENDITURES	11,823,229	11,865,129	11,737,775	127,354
EXCESS OF REVENUES OVER EXPENDITURES	597,501	929,001	596,367	(332,634)
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	365,799	350,799
Transfers out	(612,500)	(612,500)	(710,467)	(97,967)
TOTAL OTHER FINANCING SOURCES (USES)	(597,500)	(597,500)	(344,668)	252,832
Net change in fund balance (budgetary basis)	\$ 1	\$ 331,501	251,699	\$ (79,802)
Budgetary perspective differences			97,005	
Net change in fund balance (GAAP basis)			\$ 348,704	

City of Fraser

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Last Two Fiscal Years (Ultimately ten fiscal years will be displayed)

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 896,348	\$ 931,721
Interest	3,636,330	4,169,985
Benefit payments, including refunds of member contributions	<u>(1,961,048)</u>	<u>(2,845,047)</u>
Net change in total pension liability	2,571,630	2,256,659
Total Pension Liability, beginning	<u>44,609,106</u>	<u>53,081,473</u>
Total Pension Liability, ending	<u>\$ 47,180,736</u>	<u>\$ 55,338,132</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 878,683	\$ 1,261,394
Contributions - employee	149,899	211,899
Net investment income	348,982	2,281,019
Benefit payments, including employee refunds	(1,961,048)	(2,845,047)
Administrative expenses	(19,181)	(49,193)
Other	<u>-</u>	<u>1,633,520</u>
Net change in plan fiduciary net position	(602,665)	2,493,592
Plan Fiduciary Net Position, beginning	<u>27,772,869</u>	<u>24,741,607</u>
Plan Fiduciary Net Position, ending	<u>\$ 27,170,204</u>	<u>\$ 27,235,199</u>
City's Net Pension Liability	<u>\$ 20,010,532</u>	<u>\$ 28,102,933</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	58%	49%
Covered Employee Payroll	\$ 5,019,636	\$ 5,092,610
City's Net Pension Liability as a percentage of Covered Employee Payroll	399%	552%

Note: The City transitioned the pension plan from a single employer plan to an agent multiple-employer plan during the fiscal year ended June 30, 2015. As part of that transition, the beginning total pension liability, plan fiduciary net position, and net pension liability were remeasured and restated.

City of Fraser

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Two Fiscal Years (Ultimately ten fiscal years will be displayed)

	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 2,383,976	\$ 1,923,228
Contributions in relation to the actuarially determined contribution	<u>1,633,298</u>	<u>1,531,586</u>
Contribution deficiency (excess)	<u>\$ 750,678</u>	<u>\$ 391,642</u>
Covered Employee Payroll	\$ 5,019,636	\$ 5,092,610
Contributions as a percentage of covered employee payroll	33%	30%

City of Fraser

Other Post-Employment Benefits

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2015

Schedule of Funding Progress

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]
2006	\$ 340,018	\$ 49,708,098	\$ 49,368,080	0.7%	\$ 6,020,985	819.9%
2009	677,886	58,822,957	58,145,071	1.2%	5,966,282	974.6%
2012	416,750	68,263,560	67,846,810	0.6%	4,955,687	1369.1%

Schedule of Employer Contributions

Year Ended June 30,	Annual OPEB Cost	Annual Actual Contribution	Percent Contributed
2013	\$ 5,424,148	\$ 1,646,797	30.4%
2014	4,653,906	1,839,555	39.5%
2015	6,012,168	1,679,764	27.9%

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of June 30, 2012, the date of the latest actuarial valuation, is as follows:

Valuation date	June 30, 2012
Actuarial cost method	Individual Entry Age
Amortization method	Level Dollar
Remaining amortization period	23
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	3.00%
Projected salary increases	3.00%

City of Fraser

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

**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, 2015, the City incurred expenditures in the General Fund, Major Streets Fund, Local Streets Fund, Ambulance Fund, and Gambling Forfeiture Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
General government			
Finance	\$ 272,141	\$ 342,361	\$ 70,220
Legal	55,500	72,177	16,677
Community and economic development			
Planning committee	18,891	19,252	361
Recreation and culture			
City parks and recreation	479,449	627,408	147,959
Historical commission	1,500	1,586	86
Other			
Insurance	175,000	185,650	10,650
Refunds and reimbursements	239,741	243,266	3,525
Transfers out	612,500	710,467	97,967
Major Streets Fund	736,926	785,306	48,380
Local Streets Fund	419,753	527,082	107,329
Ambulance Fund	917,269	1,059,375	142,106
Gambling Forfeiture Fund	275,729	332,926	57,197

The amended budget for the Local Streets Fund reflected a deficit fund balance as of June 30, 2015. Budgeting for a fund deficit is also considered noncompliance with the Budget Act.

City of Fraser

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

**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)	\$ 251,699
Garbage Collection Fund	
Charges for services	79,718
Transfers in from other funds	710,467
Public works expenditures	<u>(693,180)</u>
Net change in General Fund fund balance (GAAP basis)	<u>\$ 348,704</u>

## **OTHER SUPPLEMENTARY INFORMATION**

City of Fraser

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2015

	Special Revenue			
	Major Streets Fund	Local Streets Fund	Ambulance Fund	Gambling Forfeiture Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 60,149	\$ -	\$ 367,534	\$ 862,341
Investments	-	-	-	107,257
Due from other governmental units	87,933	55,116	23,750	-
Prepays	1,856	-	11,555	-
<b>TOTAL ASSETS</b>	<b>\$ 149,938</b>	<b>\$ 55,116</b>	<b>\$ 402,839</b>	<b>\$ 969,598</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 301	\$ 2,572	\$ 176	\$ 6,668
Accrued liabilities	-	-	6,801	-
Due to other governmental units	-	-	-	-
Due to other funds	-	-	365,799	-
<b>TOTAL LIABILITIES</b>	<b>301</b>	<b>2,572</b>	<b>372,776</b>	<b>6,668</b>
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	1,856	-	11,555	-
Restricted				
Streets and highways	147,781	52,544	-	-
Public safety	-	-	-	962,930
Debt service	-	-	-	-
Assigned				
Health and welfare	-	-	18,508	-
Debt service	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>149,637</b>	<b>52,544</b>	<b>30,063</b>	<b>962,930</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 149,938</b>	<b>\$ 55,116</b>	<b>\$ 402,839</b>	<b>\$ 969,598</b>

Funds	Debt Service Funds			
Drug Forfeiture Fund	General Obligation Fund	Motor Vehicle Highway Fund	Special Assessment Fund	Total
\$ 139,544	\$ 97,287	\$ -	\$ 31,291	\$ 1,558,146
230,344	-	-	-	337,601
-	817	-	-	167,616
-	-	-	-	13,411
<u>\$ 369,888</u>	<u>\$ 98,104</u>	<u>\$ -0-</u>	<u>\$ 31,291</u>	<u>\$ 2,076,774</u>
\$ 50	\$ -	\$ -	\$ -	\$ 9,767
791	-	-	-	7,592
-	-	-	2,233	2,233
102,370	-	-	-	468,169
103,211	-0-	-0-	2,233	487,761
-	-	-	-	13,411
-	-	-	-	200,325
266,677	-	-	-	1,229,607
-	98,104	-	-	98,104
-	-	-	-	18,508
-	-	-	29,058	29,058
266,677	98,104	-0-	29,058	1,589,013
<u>\$ 369,888</u>	<u>\$ 98,104</u>	<u>\$ -0-</u>	<u>\$ 31,291</u>	<u>\$ 2,076,774</u>

City of Fraser

Nonmajor Governmental Funds

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

Year Ended June 30, 2015

	Special Revenue			
	Major Streets Fund	Local Streets Fund	Ambulance Fund	Gambling Forfeiture Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 436,890	\$ -
Intergovernmental				
Federal	-	-	-	86,869
State	548,587	305,333	-	-
Charges for services	-	-	320,148	-
Fines and forfeitures	-	-	-	507,717
Interest	-	-	-	1,198
Other	47,641	-	-	-
<b>TOTAL REVENUES</b>	<b>596,228</b>	<b>305,333</b>	<b>757,038</b>	<b>595,784</b>
<b>EXPENDITURES</b>				
Current				
Public safety	-	-	-	237,194
Public works	473,175	348,013	-	-
Health and welfare	-	-	693,576	-
Capital outlay	37,838	179,069	-	25,692
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>511,013</b>	<b>527,082</b>	<b>693,576</b>	<b>262,886</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>85,215</b>	<b>(221,749)</b>	<b>63,462</b>	<b>332,898</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	274,293	-	-
Transfers out	(274,293)	-	(365,799)	(70,040)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(274,293)</b>	<b>274,293</b>	<b>(365,799)</b>	<b>(70,040)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(189,078)</b>	<b>52,544</b>	<b>(302,337)</b>	<b>262,858</b>
Fund balances (deficit), beginning of year	338,715	-	332,400	700,072
Fund balances, end of year	\$ 149,637	\$ 52,544	\$ 30,063	\$ 962,930

Funds	Debt Service Funds			
Drug Forfeiture Fund	General Obligation Fund	Motor Vehicle Highway Fund	Special Assessment Fund	Total
\$ -	\$ 632,752	\$ -	\$ -	\$ 1,069,642
-	-	-	-	86,869
-	-	-	-	853,920
-	-	-	-	320,148
169,525	-	-	-	677,242
1,717	-	-	-	2,915
112	-	-	-	47,753
171,354	632,752	-0-	-0-	3,058,489
230,110	-	-	-	467,304
-	-	-	-	821,188
-	-	-	-	693,576
-	-	-	-	242,599
-	496,588	88,294	-	584,882
230,110	496,588	88,294	-0-	2,809,549
(58,756)	136,164	(88,294)	-0-	248,940
-	-	88,294	-	362,587
-	-	-	-	(710,132)
-0-	-0-	88,294	-0-	(347,545)
(58,756)	136,164	-0-	-0-	(98,605)
325,433	(38,060)	-	29,058	1,687,618
\$ 266,677	\$ 98,104	\$ -0-	\$ 29,058	\$ 1,589,013

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2015

	<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	\$ 527,726	\$ 527,726	\$ 548,587	\$ 20,861
Interest	2,000	2,000	-	(2,000)
Other revenue	-	-	47,641	47,641
<b>TOTAL REVENUES</b>	<b>529,726</b>	<b>529,726</b>	<b>596,228</b>	<b>66,502</b>
EXPENDITURES				
Current				
Public works				
Salaries and fringe benefits	191,777	191,777	219,376	(27,599)
Materials and supplies	35,000	35,000	19,357	15,643
Repairs and maintenance	75,000	75,000	77,672	(2,672)
Equipment rental	75,000	75,000	75,000	-0-
Other	41,000	138,200	81,770	56,430
Capital outlay	59,949	59,949	37,838	22,111
<b>TOTAL EXPENDITURES</b>	<b>477,726</b>	<b>574,926</b>	<b>511,013</b>	<b>63,913</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>52,000</b>	<b>(45,200)</b>	<b>85,215</b>	<b>130,415</b>
OTHER FINANCING (USES)				
Transfers out	(52,000)	(162,000)	(274,293)	(112,293)
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>(207,200)</b>	<b>(189,078)</b>	<b>18,122</b>
Fund balance, beginning of year	338,715	338,715	338,715	-0-
Fund balance, end of year	<u>\$ 338,715</u>	<u>\$ 131,515</u>	<u>\$ 149,637</u>	<u>\$ 18,122</u>

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2015

	<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	\$ 246,521	\$ 246,521	\$ 305,333	\$ 58,812
Interest	500	500	-	(500)
TOTAL REVENUES	247,021	247,021	305,333	58,312
EXPENDITURES				
Current				
Public works				
Salaries and fringe benefits	79,504	79,504	165,657	(86,153)
Materials and supplies	30,000	30,000	21,075	8,925
Repairs and maintenance	90,549	90,549	69,128	21,421
Equipment rental	75,000	75,000	75,000	-0-
Other	500	29,700	17,153	12,547
Capital outlay	5,000	115,000	179,069	(64,069)
TOTAL EXPENDITURES	280,553	419,753	527,082	(107,329)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(33,532)	(172,732)	(221,749)	(49,017)
OTHER FINANCING SOURCES				
Transfers in	52,000	162,000	274,293	112,293
NET CHANGE IN FUND BALANCE	18,468	(10,732)	52,544	63,276
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	\$ 18,468	\$ (10,732)	\$ 52,544	\$ 63,276

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2015

	<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	\$ 439,769	\$ 439,769	\$ 436,890	\$ (2,879)
Charges for services	305,000	305,000	320,148	15,148
Other	500	500	-	(500)
TOTAL REVENUES	745,269	745,269	757,038	11,769
EXPENDITURES				
Current				
Health and welfare				
Salaries and fringe benefits	655,088	655,088	443,824	211,264
Materials and supplies	14,250	14,250	22,494	(8,244)
Equipment rental	26,520	26,520	26,520	-0-
Professional services	25,400	25,400	28,419	(3,019)
Other	-	172,000	172,319	(319)
Capital outlay	24,011	24,011	-	24,011
TOTAL EXPENDITURES	745,269	917,269	693,576	223,693
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(172,000)	63,462	235,462
OTHER FINANCING (USES)				
Transfers out	-	-	(365,799)	(365,799)
NET CHANGE IN FUND BALANCE	-0-	(172,000)	(302,337)	(130,337)
Fund balance, beginning of year	332,400	332,400	332,400	-0-
Fund balance, end of year	\$ 332,400	\$ 160,400	\$ 30,063	\$ (130,337)

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2015

Gambling Forfeiture Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental - Federal	\$ -	\$ -	\$ 86,869	\$ 86,869
Fines and forfeitures	55,000	55,000	507,717	452,717
Interest	5,000	5,000	1,198	(3,802)
Other	7,500	7,500	-	(7,500)
<b>TOTAL REVENUES</b>	<b>67,500</b>	<b>67,500</b>	<b>595,784</b>	<b>528,284</b>
<b>EXPENDITURES</b>				
Current				
Public safety				
Salaries and fringe benefits	3,768	3,768	-	3,768
Materials and supplies	91,420	91,420	206,367	(114,947)
Professional services	500	500	827	(327)
Other	5,000	35,000	30,000	5,000
Capital outlay	75,000	75,000	25,692	49,308
<b>TOTAL EXPENDITURES</b>	<b>175,688</b>	<b>205,688</b>	<b>262,886</b>	<b>(57,198)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(108,188)</b>	<b>(138,188)</b>	<b>332,898</b>	<b>471,086</b>
<b>OTHER FINANCING (USES)</b>				
Transfers out	(70,041)	(70,041)	(70,040)	1
<b>NET CHANGE IN FUND BALANCE</b>	<b>(178,229)</b>	<b>(208,229)</b>	<b>262,858</b>	<b>471,087</b>
Fund balance, beginning of year	700,072	700,072	700,072	-0-
Fund balance, end of year	<u>\$ 521,843</u>	<u>\$ 491,843</u>	<u>\$ 962,930</u>	<u>\$ 471,087</u>

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2015

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	\$ 150,000	\$ 150,000	\$ 169,525	\$ 19,525
Interest	1,000	1,000	1,717	717
Other	250	250	112	(138)
TOTAL REVENUES	151,250	151,250	171,354	20,104
EXPENDITURES				
Current				
Public safety				
Salaries and fringe benefits	61,855	61,855	52,126	9,729
Materials and supplies	187,103	187,103	93,971	93,132
Repairs and maintenance	25,074	25,074	24,171	903
Professional services	15,000	15,000	59,842	(44,842)
TOTAL EXPENDITURES	289,032	289,032	230,110	58,922
NET CHANGE IN FUND BALANCE	(137,782)	(137,782)	(58,756)	79,026
Fund balance, beginning of year	325,433	325,433	325,433	-0-
Fund balance, end of year	\$ 187,651	\$ 187,651	\$ 266,677	\$ 79,026

City of Fraser

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	Motor Pool Fund	Health Care Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 277,970	\$ -	\$ 277,970
Accounts receivable	2,159	-	2,159
Due from other funds	76,105	-	76,105
Total current assets	356,234	-0-	356,234
Noncurrent assets			
Capital assets being depreciated, net	246,715	-	246,715
<b>TOTAL ASSETS</b>	<b>602,949</b>	<b>-0-</b>	<b>602,949</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	136,476	-	136,476
Current portion of compensated absences	2,334	-	2,334
Current portion of long-term debt	17,026	-	17,026
<b>TOTAL LIABILITIES</b>	<b>155,836</b>	<b>-0-</b>	<b>155,836</b>
<b>NET POSITION</b>			
Net investment in capital assets	229,689	-	229,689
Unrestricted	217,424	-	217,424
<b>TOTAL NET POSITION</b>	<b>\$ 447,113</b>	<b>\$ -0-</b>	<b>\$ 447,113</b>

City of Fraser

Internal Service Funds

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

Year Ended June 30, 2015

	Motor Pool Fund	Health Care Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ 1,859,515	\$ 1,859,515
Rentals	673,015	-	673,015
Other	8,636	-	8,636
	<u>681,651</u>	<u>1,859,515</u>	<u>2,541,166</u>
<b>OPERATING EXPENSES</b>			
Salaries	30,214	-	30,214
Fringe benefits	23,281	-	23,281
Repairs and maintenance	537,054	-	537,054
Claims paid	-	1,859,515	1,859,515
Miscellaneous	2,825	-	2,825
Depreciation	68,513	-	68,513
	<u>661,887</u>	<u>1,859,515</u>	<u>2,521,402</u>
<b>OPERATING INCOME</b>			
	19,764	-0-	19,764
<b>NONOPERATING REVENUES</b>			
Interest and other revenue	15,673	-	15,673
	<u>15,673</u>	<u>-</u>	<u>15,673</u>
<b>NET INCOME BEFORE TRANSFERS</b>			
	35,437	-0-	35,437
Transfers in	16,247	-	16,247
Transfers out	(34,501)	-	(34,501)
	<u>(18,254)</u>	<u>-0-</u>	<u>(18,254)</u>
<b>CHANGE IN NET POSITION</b>			
	17,183	-0-	17,183
Net position, beginning of year	429,930	-0-	429,930
	<u>429,930</u>	<u>-0-</u>	<u>429,930</u>
Net position, end of year	<u>\$ 447,113</u>	<u>\$ -0-</u>	<u>\$ 447,113</u>

City of Fraser

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Motor Pool Fund	Health Care Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 616,117	\$ 1,859,515	\$ 2,475,632
Cash paid to suppliers	(438,408)	(1,859,515)	(2,297,923)
Cash paid to employees	(32,501)	-	(32,501)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>145,208</b>	<b>-0-</b>	<b>145,208</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	16,247	-	16,247
Transfers out	(34,501)	-	(34,501)
<b>NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(18,254)</b>	<b>-0-</b>	<b>(18,254)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital acquisitions	(130,800)	-	(130,800)
Payments on long-term borrowing	(16,247)	-	(16,247)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(147,047)</b>	<b>-0-</b>	<b>(147,047)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	15,673	-	15,673
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,420)</b>	<b>-0-</b>	<b>(4,420)</b>
Cash and cash equivalents, beginning of year	282,390	-	282,390
Cash and cash equivalents, end of year	<u>\$ 277,970</u>	<u>\$ -0-</u>	<u>\$ 277,970</u>

City of Fraser

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2015

	Motor Pool Fund	Health Care Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 19,764	\$ -	\$ 19,764
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	68,513	-	68,513
Decrease (increase) in:			
Receivables	8,071	-	8,071
Due from other funds	(73,605)	-	(73,605)
Prepays	100	-	100
Increase (decrease) in:			
Accounts payable	124,652	-	124,652
Accrued liabilities	(1,215)	-	(1,215)
Compensated absences	(1,072)	-	(1,072)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 145,208</u>	 <u>\$ -0-</u>	 <u>\$ 145,208</u>

City of Fraser

Fiduciary Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	Pension Trust Fund	Retiree Health Care Trust Fund	Total
ASSETS			
Cash and investments	\$ -	\$ -	\$ -0-
LIABILITIES	-	-	-0-
NET POSITION			
Held in trust for pension and other post-employment benefits	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

City of Fraser

Fiduciary Funds

COMBINING STATEMENT OF CHANGES IN NET POSITION

Year Ended June 30, 2015

	Pension Trust Fund	Retiree Health Care Trust Fund	Total
ADDITIONS			
Investment income			
Interest and dividends	\$ 108,746	\$ -	\$ 108,746
Net depreciation in fair value of investments	(496,675)	-	(496,675)
	<u>(387,929)</u>	<u>-0-</u>	<u>(387,929)</u>
TOTAL ADDITIONS			
DEDUCTIONS			
Benefit payments	18,575	7,938	26,513
Transfer to MERS	27,105,031	-	27,105,031
Administrative expenses	55,277	-	55,277
	<u>27,178,883</u>	<u>7,938</u>	<u>27,186,821</u>
TOTAL DEDUCTIONS			
CHANGE IN NET POSITION	(27,566,812)	(7,938)	(27,574,750)
Net position, beginning of year	<u>27,566,812</u>	<u>7,938</u>	<u>27,574,750</u>
Net position, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>