

**City of Fraser  
Macomb County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2012**

City of Fraser

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fraser, Michigan, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fraser, Michigan, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress and contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fraser's financial statements as a whole. The combining nonmajor fund financial statements, nonmajor fund budgetary comparison schedules, combining fiduciary financial statements, and component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

As management of the City of Fraser, we offer readers of the financial statements a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012.

**Financial Highlights**

- The assets of the City of Fraser exceeded its liabilities at the close of the recent fiscal year by \$19,571,586. The City had a deficit in unrestricted net assets of \$8,778,692 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 \$4,685,715, a decrease of \$255,328 in comparison with the prior year.
- The City of Fraser's total debt increased by \$3,997,218 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 Assets presents information on all of the City of Fraser's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the recent fiscal year. All changes in net assets 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 component units are reported separately from the financial information presented for the primary government.

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

**Fund Financial Statements**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

***Governmental Funds***

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

The focus of governmental funds is narrower than that of the Government-wide Financial Statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

A budgetary comparison statement has been provided for the general fund, major streets, and gambling forfeiture to demonstrate compliance with the annual appropriated budgets.

***Proprietary Funds***

The City of Fraser maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City of Fraser used enterprise funds to account for its water and sewer system and senior citizen housing. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Fraser's various functions. The City of Fraser uses an internal service fund to account for its fleet of vehicles.

***Fiduciary Funds***

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

***Other information***

The notes provide additional information that is essential to fully understand the data provided in the Government-wide and Fund Financial Statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fraser's progress in funding its obligation to provide pension benefits to its employees. This information can be found on pages 42-43.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Fraser, assets exceeded liabilities by \$19,571,586 at the close of the recent fiscal year.

City of Fraser

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

**Government-wide Financial Analysis - continued**

By far the largest portion of the City of Fraser's net assets 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		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and Other Assets	\$ 6,614	\$ 5,569	\$ 1,521	\$ (496)	\$ 8,135	\$ 5,073
Capital Assets, net	16,979	17,620	30,015	25,967	46,994	43,587
<b>Total Assets</b>	<b>23,593</b>	<b>23,189</b>	<b>31,536</b>	<b>25,471</b>	<b>55,130</b>	<b>48,660</b>
<b>Liabilities</b>						
Current Liabilities	2,400	1,987	1,155	1,388	3,555	3,375
Non-current Liabilities	16,147	13,354	15,855	10,590	32,003	23,944
<b>Total Liabilities</b>	<b>18,547</b>	<b>15,341</b>	<b>17,010</b>	<b>11,978</b>	<b>35,558</b>	<b>17,319</b>
<b>Net Assets</b>						
Invested in Capital Assets -						
Net of Related Debt	11,419	11,197	14,471	15,401	25,889	26,598
Restricted	2,461	2,653	-	25	2,461	2,678
Unrestricted (Deficit)	(8,834)	(6,002)	55	(1,933)	(8,779)	(7,935)
<b>Total Net Assets</b>	<b>\$ 5,045</b>	<b>\$ 7,848</b>	<b>\$ 14,526</b>	<b>\$ 13,493</b>	<b>\$ 19,571</b>	<b>\$ 21,341</b>

Governmental Activities' net assets decreased by \$3,074,543 compared to the prior fiscal year. As the City complies with recent changes to the accounting standards, recognition of post-employment benefit obligations have found its way to our balance sheet. Post-employment benefit obligations for Governmental Activities have increased by \$3,405,813 over the past year. This number will continue to increase in concert with healthcare insurance premium annual rate hikes.

Reviewing the financial data within the Business-Type Activities, the City has been able to make significant progress in alleviating the unrestricted deficit from last fiscal year. The unrestricted net assets have increased by \$1,877,182. 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, 2012

**Government-wide Financial Analysis - continued**

TABLE 2 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenue</b>						
Program Revenue:						
Charges for Service	\$ 3,167	\$ 4,896	\$ 5,857	\$ 5,178	\$ 9,024	\$ 10,074
Operating Grants and Contributions	1,125	91	-	-	1,125	91
Capital Grants and Contributions	-	-	-	19	-	19
General Revenue:						
Property Taxes	9,276	10,093	-	-	9,276	10,093
State-shared Revenue	1,256	1,185	-	-	1,256	1,185
Unrestricted Investment Earnings	18	9	-	-	18	9
Transfers and Other Revenue	844	1	(553)	-	291	1
<b>Total Revenue</b>	<b>15,686</b>	<b>16,275</b>	<b>5,304</b>	<b>5,197</b>	<b>20,990</b>	<b>21,472</b>
<b>Program Expenses</b>						
General Government	3,191	3,037	-	-	3,191	3,037
Public Safety	10,596	11,360	-	-	10,596	11,360
Public Works	3,094	3,234	-	-	3,094	3,234
Health and welfare	617	-	-	-	617	-
Recreation	955	1,003	-	-	955	1,003
Community and Economic Development	32	149	-	-	32	149
Interest on Long-term Debt	275	330	-	-	275	330
Water and Sewer	-	-	5,198	4,758	5,198	4,758
Senior Housing	-	-	375	395	375	395
<b>Total Program Expenses</b>	<b>18,671</b>	<b>19,113</b>	<b>5,573</b>	<b>5,153</b>	<b>24,334</b>	<b>24,266</b>
<b>Change in Net Assets</b>	<b>\$ (3,075)</b>	<b>\$ (2,838)</b>	<b>\$ (269)</b>	<b>\$ 44</b>	<b>\$ (3,344)</b>	<b>\$ (2,794)</b>

**Business-type Activities**

Capital assets for business-type activities increased by \$3,428,420 compared to the prior year. This dramatic increase correlates directly to the gravity flow sewer project.

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

The Water and Sewer Fund has turned the corner with its finances. For the first time in several years, the fund has ended the fiscal year with positive cash. The City is still has considerable work to do to establish a healthy fund. The general rule of thumb is to have two months of expenses in reserve.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

**Financial Analysis of the City of Fraser's Funds**

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

***Governmental funds***

As of the end of the current fiscal year, the City of Fraser's governmental funds reported combined ending fund balances of \$4,685,715. The unassigned general fund balance of \$1,997,012 computes to 17.10% of the 2012-13 general fund budget. A healthy fund balance usually is around 20%.

***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. Unrestricted net assets of the water and sewer fund at the end of the year amounted to a deficit of \$13,262. Last year's deficit within that particular fund was \$2,004,961. The senior citizen housing complex ended with unrestricted net assets totaling \$68,941.

**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 2011-2012, the general fund revenues came in \$75,585 better than expected. In a twelve million dollar budget, expenditures were off a mere \$97,505. The net between budgetary revenue and expenditures for 2011-2012 was \$21,920.

**Capital Assets**

The City of Fraser's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$46,994,758 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, vehicles, equipment, park facilities, intangible assets and streets. A majority of the capital asset activity is associated with the gravity flow sewer project.

**Economic Factors and Next Year's Budgets**

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

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

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

City of Fraser

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 3,788,983	\$ 259,365	\$ 4,048,348	\$ 2,563
Restricted cash and cash equivalents	8,097	86,363	94,460	-
Investments	1,446,424	-	1,446,424	-
Receivables	269,654	1,152,957	1,422,611	-
Due from other governmental units	464,744	-	464,744	-
Prepays	259,196	6,032	265,228	-
Total current assets	6,237,098	1,504,717	7,741,815	2,563
Noncurrent assets				
Net pension asset	376,278	-	376,278	-
Other assets	-	16,623	16,623	-
Capital assets not being depreciated	4,938,136	837,043	5,775,179	-
Capital assets, net	12,041,175	29,178,404	41,219,579	-
Total noncurrent assets	17,355,589	30,032,070	47,387,659	-0-
TOTAL ASSETS	23,592,687	31,536,787	55,129,474	2,563
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	158,582	362,138	520,720	-
Accrued liabilities	1,032,506	5,946	1,038,452	-
Unearned revenue	8,097	4,929	13,026	-
Accrued interest payable	40,950	101,253	142,203	-
Current portion of compensated absences	573,199	8,594	581,793	-
Current portion of long-term debt	586,793	672,502	1,259,295	-
Total current liabilities	2,400,127	1,155,362	3,555,489	-0-
Noncurrent liabilities				
Net other post-employment benefits obligation	10,601,863	982,304	11,584,167	-
Noncurrent portion of compensated absences	571,592	497	572,089	-
Noncurrent portion of long-term debt	4,973,761	14,872,382	19,846,143	-
Total noncurrent liabilities	16,147,216	15,855,183	32,002,399	-0-
TOTAL LIABILITIES	18,547,343	17,010,545	35,557,888	-0-
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,418,757	14,470,563	25,889,320	-
Restricted				
Streets and highways	931,332	-	931,332	-
Infrastructure improvements	603	-	603	-
Ambulance	92,352	-	92,352	-
Public safety	1,436,671	-	1,436,671	-
Unrestricted	(8,834,371)	55,679	(8,778,692)	2,563
TOTAL NET ASSETS	\$ 5,045,344	\$ 14,526,242	\$ 19,571,586	\$ 2,563

See accompanying notes to financial statements.

City of Fraser  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities</b>							
General government	\$ 3,190,022	\$ 1,931,822	\$ 277,538	\$ (980,662)	\$ -	\$ (980,662)	\$ -
Public safety	10,596,250	599,235	-	(9,997,015)	-	(9,997,015)	-
Public works	3,094,644	207,125	775,336	(2,112,183)	-	(2,112,183)	-
Health and welfare	617,252	300,472	-	(316,780)	-	(316,780)	-
Community and economic development	32,538	-	66,397	33,859	-	33,859	-
Recreation and culture	955,303	128,069	6,122	(821,112)	-	(821,112)	-
Interest on long-term debt	274,671	-	-	(274,671)	-	(274,671)	-
<b>Total governmental activities</b>	<b>18,760,680</b>	<b>3,166,723</b>	<b>1,125,393</b>	<b>(14,468,564)</b>	<b>-0-</b>	<b>(14,468,564)</b>	<b>-0-</b>
<b>Business-type activities</b>							
Water and Sewer	5,198,016	5,367,602	-	-	169,586	169,586	-
Senior Citizen Housing Complex	375,189	489,559	-	-	114,370	114,370	-
<b>Total business-type activities</b>	<b>5,573,205</b>	<b>5,857,161</b>	<b>-0-</b>	<b>-0-</b>	<b>283,956</b>	<b>283,956</b>	<b>-0-</b>
<b>Total primary government</b>	<b>\$ 24,333,885</b>	<b>\$ 9,023,884</b>	<b>\$ 1,125,393</b>	<b>(14,468,564)</b>	<b>283,956</b>	<b>(14,184,608)</b>	<b>-0-</b>
<b>Component units</b>							
Economic Development Corporation	\$ -	\$ -	\$ -	-	-	-	-
Downtown Development Authority	-	-	-	-	-	-	-
<b>Total component units</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>General revenues and transfers</b>							
Property taxes				9,275,829	-	9,275,829	-
State shared revenues				1,256,324	-	1,256,324	-
Investment earnings				17,634	302	17,936	2
Miscellaneous				291,027	-	291,027	741
Transfers				553,207	(553,207)	-0-	-
<b>Total general revenues and transfers</b>				<b>11,394,021</b>	<b>(552,905)</b>	<b>10,841,116</b>	<b>743</b>
<b>Change in net assets</b>				<b>(3,074,543)</b>	<b>(268,949)</b>	<b>(3,343,492)</b>	<b>743</b>
Restated net assets, beginning of the year				8,119,887	14,795,191	22,915,078	1,820
<b>Net assets, end of the year</b>				<b>\$ 5,045,344</b>	<b>\$ 14,526,242</b>	<b>\$ 19,571,586</b>	<b>\$ 2,563</b>

See accompanying notes to financial statements.

City of Fraser  
Governmental Funds  
BALANCE SHEET  
June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,297,318	\$ 1,192,103	\$ 3,489,421
Restricted cash and cash equivalents	8,097	-	8,097
Investments	1,097,313	349,111	1,446,424
Receivables			
Accounts	43,647	-	43,647
Taxes	212,817	-	212,817
Special assessments	13,190	-	13,190
Due from other governmental units	325,586	139,158	464,744
Due from other funds	310,792	935,628	1,246,420
Prepays	227,745	29,738	257,483
	<b>\$ 4,536,505</b>	<b>\$ 2,645,738</b>	<b>\$ 7,182,243</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 124,011	\$ 25,221	\$ 149,232
Accrued liabilities	1,027,281	4,391	1,031,672
Due to other funds	935,628	310,792	1,246,420
Deferred revenue	12,046	57,158	69,204
	2,098,966	397,562	2,496,528
<b>FUND BALANCES</b>			
Nonspendable			
Prepays	227,745	29,738	257,483
Restricted			
Streets and highways	-	910,670	910,670
Infrastructure improvements	-	603	603
Ambulance	-	83,276	83,276
Public safety	-	1,436,671	1,436,671
Unassigned	2,209,794	(212,782)	1,997,012
	2,437,539	2,248,176	4,685,715
	<b>\$ 4,536,505</b>	<b>\$ 2,645,738</b>	<b>\$ 7,182,243</b>

See accompanying notes to financial statements.

City of Fraser

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

June 30, 2012

**Total fund balances - governmental funds** \$ 4,685,715

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

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

The cost of capital assets is	\$ 88,289,731	
Accumulated depreciation is	<u>(71,656,557)</u>	
Capital assets, net		16,633,174

Net pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.	376,278
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Long-term receivables are not available to pay for current period expenditures and therefore deferred in the funds. These consist of:

Deferred revenues	61,107
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An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the government-wide statement of net assets.	572,036
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Compensated absences	(1,143,171)	
Accrued interest payable	(40,950)	
Long-term obligations	(5,496,982)	
Other post-employment benefits obligation	<u>(10,601,863)</u>	
		<u>(17,282,966)</u>

**Net assets of governmental activities** \$ 5,045,344

City of Fraser

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Taxes	\$ 8,573,202	\$ 897,447	\$ 9,470,649
Licenses and permits	298,972	-	298,972
Intergovernmental			
Federal	300,955	-	300,955
State	1,322,099	739,831	2,061,930
District Court and Violations Bureau	775,174	-	775,174
Charges for services	184,432	300,472	484,904
Fines and forfeitures	158,936	409,232	568,168
Interest and rents	198,241	8,232	206,473
Other	969,489	9,408	978,897
<b>TOTAL REVENUES</b>	<b>12,781,500</b>	<b>2,364,622</b>	<b>15,146,122</b>
<b>EXPENDITURES</b>			
Current			
General government	2,067,889	-	2,067,889
Public safety	6,262,859	514,983	6,777,842
Public works	1,533,264	714,894	2,248,158
Health and welfare	-	525,454	525,454
Community and economic development	27,699	-	27,699
Recreation and culture	674,282	-	674,282
Other	2,152,562	-	2,152,562
Capital outlay	-	364,495	364,495
Debt service	-	1,174,119	1,174,119
<b>TOTAL EXPENDITURES</b>	<b>12,718,555</b>	<b>3,293,945</b>	<b>16,012,500</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>62,945</b>	<b>(929,323)</b>	<b>(866,378)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	223,693	805,892	1,029,585
Transfers out	(90,045)	(368,490)	(458,535)
Bond proceeds	-	1,340,000	1,340,000
Transfers to escrow	-	(1,300,000)	(1,300,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>133,648</b>	<b>477,402</b>	<b>611,050</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>196,593</b>	<b>(451,921)</b>	<b>(255,328)</b>
Fund balances, beginning of year	2,240,946	2,428,160	4,669,106
Prior period adjustment	-	271,937	271,937
<b>Fund balances, end of year</b>	<b>\$ 2,437,539</b>	<b>\$ 2,248,176</b>	<b>\$ 4,685,715</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, 2012

**Net change in fund balances - total governmental funds** \$ (255,328)

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	\$ 220,257	
Depreciation expense	<u>(768,098)</u>	
Excess of depreciation expense over capital outlay		(547,841)

An internal service fund is used by management to charge the costs of certain activities to individual funds. The net assets of the internal service fund decreased in the current period. (70,423)

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 deferred revenue (13,191)

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 assets. In the current period, these amounts consist of:

Debt principal retirement	2,187,998
Debt proceeds	<u>(1,340,000)</u>

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 asset	240,714	
Decrease in accrued interest payable	11,450	
Decrease in accrued compensated absences	117,891	
(Increase) in other post-employment benefit obligations	<u>(3,405,813)</u>	
		<u>(3,035,758)</u>

**Change in net assets of governmental activities** \$ (3,074,543)

City of Fraser

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2012

	Business-type Activities			Governmental
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 151,014	\$ 108,351	\$ 259,365	\$ 299,562
Restricted cash and cash equivalents	86,363	-	86,363	-
Customer receivables	1,152,957	-	1,152,957	-
Prepaid expenses	5,918	114	6,032	1,713
Total current assets	1,396,252	108,465	1,504,717	301,275
Noncurrent assets				
Other assets	-	16,623	16,623	-
Capital assets not being depreciated	12,043	825,000	837,043	-
Capital assets, net	26,868,240	2,310,164	29,178,404	346,137
Total noncurrent assets	26,880,283	3,151,787	30,032,070	346,137
TOTAL ASSETS	28,276,535	3,260,252	31,536,787	647,412
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	319,701	42,437	362,138	9,350
Accrued liabilities	5,402	544	5,946	834
Unearned revenue	4,929	-	4,929	-
Accrued interest payable	88,087	13,166	101,253	-
Current portion of compensated absences	8,594	-	8,594	-
Current portion of long-term debt	483,990	188,512	672,502	14,795
Total current liabilities	910,703	244,659	1,155,362	24,979
Noncurrent liabilities				
Net other post-employment benefits obligation	982,304	-	982,304	-
Noncurrent portion of compensated absences	497	-	497	1,620
Noncurrent portion of long-term debt	13,456,521	1,415,861	14,872,382	48,777
Total noncurrent liabilities	14,439,322	1,415,861	15,855,183	50,397
TOTAL LIABILITIES	15,350,025	1,660,520	17,010,545	75,376
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	12,939,772	1,530,791	14,470,563	282,565
Unrestricted	(13,262)	68,941	55,679	289,471
TOTAL NET ASSETS	\$ 12,926,510	\$ 1,599,732	\$ 14,526,242	\$ 572,036

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

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

Year Ended June 30, 2012

	Business-type Activities			Governmental
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,307,290	\$ 8,385	\$ 5,315,675	\$ -
Interest and penalties	49,342	2,740	52,082	-
Rentals	-	478,434	478,434	620,295
Other	1,690	-	1,690	4,270
<b>TOTAL OPERATING REVENUES</b>	<b>5,358,322</b>	<b>489,559</b>	<b>5,847,881</b>	<b>624,565</b>
<b>OPERATING EXPENSES</b>				
Salaries	413,909	34,502	448,411	51,498
Fringe benefits	551,925	-	551,925	41,045
Materials and supplies	94,553	10,693	105,246	-
Equipment rental	279,900	-	279,900	-
Repairs and maintenance	78,938	79,825	158,763	482,179
Cost of water	916,534	-	916,534	-
Cost of sewage disposal	1,939,497	-	1,939,497	-
Utilities	5,954	41,639	47,593	-
Postage	19,451	-	19,451	-
Miscellaneous	40,454	21,449	61,903	10,632
Amortization	-	2,525	2,525	-
Depreciation	591,195	90,730	681,925	78,713
<b>TOTAL OPERATING EXPENSES</b>	<b>4,932,310</b>	<b>281,363</b>	<b>5,213,673</b>	<b>664,067</b>
<b>OPERATING INCOME (LOSS)</b>	<b>426,012</b>	<b>208,196</b>	<b>634,208</b>	<b>(39,502)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Tap-in fees	9,280	-	9,280	-
Interest and other revenue	49	253	302	24,488
Interest expense	(265,706)	(93,826)	(359,532)	-
Loss on disposal of capital assets	-	-	-0-	(37,566)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(256,377)</b>	<b>(93,573)</b>	<b>(349,950)</b>	<b>(13,078)</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>169,635</b>	<b>114,623</b>	<b>284,258</b>	<b>(52,580)</b>
Transfers out	(538,207)	(15,000)	(553,207)	(17,843)
<b>CHANGE IN NET ASSETS</b>	<b>(368,572)</b>	<b>99,623</b>	<b>(268,949)</b>	<b>(70,423)</b>
Restated net assets, beginning of year	13,295,082	1,500,109	14,795,191	642,459
<b>Net assets, end of year</b>	<b>\$ 12,926,510</b>	<b>\$ 1,599,732</b>	<b>\$ 14,526,242</b>	<b>\$ 572,036</b>

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 5,303,297	\$ 489,559	\$ 5,792,856	\$ 624,565
Cash paid to suppliers	(3,625,344)	(155,785)	(3,781,129)	(507,592)
Cash paid to employees	(690,623)	(35,128)	(725,751)	(94,157)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>987,330</b>	<b>298,646</b>	<b>1,285,976</b>	<b>22,816</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer out	(538,207)	(15,000)	(553,207)	(17,843)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital acquisitions	(3,428,420)	-	(3,428,420)	(23,662)
Tap-in fees	9,280	-	9,280	-
Payments on long-term borrowing	(482,670)	(205,000)	(687,670)	(14,118)
Proceeds from debt issuance	5,655,441	-	5,655,441	-
Interest and fees paid	(239,257)	(83,859)	(323,116)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>1,514,374</b>	<b>(288,859)</b>	<b>1,225,515</b>	<b>(37,780)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	49	253	302	24,488
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,963,546</b>	<b>(4,960)</b>	<b>1,958,586</b>	<b>(8,319)</b>
Cash and cash equivalents, beginning of year	(1,726,169)	113,311	(1,612,858)	307,881
Cash and cash equivalents, end of year	<u>\$ 237,377</u>	<u>\$ 108,351</u>	<u>\$ 345,728</u>	<u>\$ 299,562</u>

City of Fraser

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2012

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 426,012	\$ 208,196	\$ 634,208	\$ (39,502)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	591,195	93,255	684,450	78,713
(Increase) in:				
Receivables	(55,025)	-	(55,025)	-
Prepays	(5,918)	(114)	(6,032)	(1,713)
Increase (decrease) in:				
Accounts payable	(244,145)	(2,065)	(246,210)	(13,068)
Accrued liabilities	(38,295)	(626)	(38,921)	(1,636)
Compensated absences	(2,056)	-	(2,056)	22
Other post-employment benefits obligation	315,562	-	315,562	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 987,330</b>	<b>\$ 298,646</b>	<b>\$ 1,285,976</b>	<b>\$ 22,816</b>

See accompanying notes to financial statements.

City of Fraser

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Pension and Retiree Healthcare Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,401,099	\$ 707,617
Investments		
U.S. government bonds	913,992	-
U.S. government securities	1,323,404	-
Equity securities	9,405,861	-
Corporate bonds	2,927,615	-
Commercial mortgage obligations	349,404	-
Municipal bonds	432,656	-
Real estate partnerships	1,005,376	-
Mutual funds	5,783,468	-
	<u>23,542,875</u>	<u>\$ 707,617</u>
<b>TOTAL ASSETS</b>	<b>23,542,875</b>	<b>\$ 707,617</b>
<b>LIABILITIES</b>		
Accrued and other liabilities	<u>-</u>	<u>\$ 707,617</u>
<b>NET ASSETS</b>		
Held in trust for pension and other post-employment benefits	<u>\$ 23,542,875</u>	

See accompanying notes to financial statements.

City of Fraser

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2012

	<u>Pension and Retiree Healthcare Trust Funds</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 557,036
Net decrease in fair value of investments	(322,238)
Investment related expenses	<u>(108,271)</u>
Net investment income	126,527
Contributions	
Employer	1,856,664
Employee	<u>254,039</u>
Total contributions	<u>2,110,703</u>
TOTAL ADDITIONS	2,237,230
DEDUCTIONS	
Benefit payments	3,099,330
Administrative expenses	<u>31,694</u>
TOTAL DEDUCTIONS	<u>3,131,024</u>
CHANGE IN NET ASSETS	(893,794)
Net assets, beginning of year	<u>24,436,669</u>
Net assets, end of year	<u><u>\$ 23,542,875</u></u>

See accompanying notes to financial statements.

City of Fraser

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2012

	<u>Economic Development Corporation</u>	<u>Downtown Development Authority</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,564	\$ 999	\$ 2,563
LIABILITIES	<u>-</u>	<u>-</u>	<u>-0-</u>
NET ASSETS			
Unrestricted	<u>\$ 1,564</u>	<u>\$ 999</u>	<u>\$ 2,563</u>

See accompanying notes to financial statements.



City of Fraser

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	<u>Economic Development Corporation</u>	<u>Downtown Development Authority</u>	<u>Total</u>
Program expenses			
Community and economic development	\$ -	\$ -	\$ -0-
Program revenues	<u>-</u>	<u>-</u>	<u>-0-</u>
NET PROGRAM EXPENSES	-0-	-0-	-0-
General revenues			
Investment earnings	2	-	2
Other	<u>-</u>	<u>741</u>	<u>741</u>
TOTAL GENERAL REVENUES	<u>2</u>	<u>741</u>	<u>743</u>
CHANGE IN NET ASSETS	2	741	743
Net assets, beginning of the year	<u>1,562</u>	<u>258</u>	<u>1,820</u>
Net assets, end of the year	<u>\$ 1,564</u>	<u>\$ 999</u>	<u>\$ 2,563</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements present the financial activities of the City of Fraser (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

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

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

2. Blended Component Units

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

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

3. Discretely Presented Component Units

The component units are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for these entities or the nature and significance of the relationship between the entities and the City is such that exclusion of the entity would render the financial statements misleading or incomplete. The financial statements contain the following discretely presented component units:

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - continued

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

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide 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 its component units 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.

The City reports the following major enterprise funds:

- 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.
- b. The Senior Citizens Housing Complex Fund accounts for activities of the Senior Citizens Housing Center.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE A: 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 employee.

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 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 and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

6. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting - continued

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.

7. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. 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 90 days or less.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

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 mills (\$20 per \$1,000 of taxable valuation) for general governmental services. They are also permitted to levy additional mills specifically designated for debt repayment, ambulance services, and city hall debt repayment. For the year ended June 30, 2012, the City levied 16.4962 mills per \$1,000 of taxable valuation for general governmental services, 0.3884 mills for debt repayment, 0.6000 mills for ambulance services, 0.6536 mills for city hall debt repayment. The total taxable value for the 2011 levy for property within the City was \$472,739,860.

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 net current assets. 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 net current assets.

14. Deferred and Unearned Revenue

Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide financial statements report unearned revenues that are unavailable to liquidate liabilities of the current period.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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, 2012, 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.

17. Capital Assets

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

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

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

18. Long-term Liabilities

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

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

19. Other Assets

Other assets consist of bond issuance costs that are amortized over the life of the bond and are reflected as a noncurrent asset in the Statement of Net Assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

20. 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.

21. Comparative Data

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

**NOTE B: POOLING OF CASH AND INVESTMENTS**

The City utilizes pooled depository accounts for approximately fourteen (14) funds. The City's pooled depository accounts consist of a common checking, savings, certificates of deposit, and money market accounts. The City's balance sheet reflects cash and investments with negative balances in certain funds. These amounts do not represent actual bank overdrafts; rather, they merely reflect that specific funds have disbursed amounts from the City's common cash accounts in excess of the amount recorded as an asset. In total, the bank accounts have positive balances.

Cash disbursed in excess of amounts recorded as assets as of June 30, 2012, are as follows:

<u>Fund</u>	<u>Negative Pooled Cash</u>
PRIMARY GOVERNMENT	
Governmental Funds	
Debt Service Funds	
General Obligation Fund	\$ (182,763)
Motor Vehicle Highway Fund	(851)
	<u>                    </u>
TOTAL REPORTING ENTITY	<u>\$ (183,614)</u>

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.



NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

- 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.

As of June 30, 2012, 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	\$ 4,140,458	\$ 3,968,134
Certificates of deposit	1,084,249	1,084,249
	<hr/>	<hr/>
TOTAL PRIMARY GOVERNMENT	5,224,707	5,052,383
FIDUCIARY FUNDS		
Checking and savings	2,108,716	2,395,521
COMPONENT UNITS		
Checking and savings	2,563	2,563
	<hr/>	<hr/>
TOTAL REPORTING ENTITY	<u>\$ 7,335,986</u>	<u>\$ 7,450,467</u>

The primary government cash and cash equivalents caption on the basic financial statements included \$2,350 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, 2012, the City accounts were insured by the FDIC for \$2,423,208 and the amount of \$5,027,259 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.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Investments

As of June 30, 2012, the City had the following investments:

<u>Investment Type</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
<b>PRIMARY GOVERNMENT</b>			
Governmental agencies	\$ 241,214	AAA	4.25 years
Corporate bonds	120,961	AAA	1.13 years
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 362,175</b>		
<b>FIDUCIARY FUNDS</b>			
U.S. government bonds	\$ 913,992	AAA	7.5 years
U.S. government securities	1,323,404	N/A	8.48 years
Equity securities	9,405,861	N/A	N/A
Corporate bonds	2,927,615	BBB to AAA	8.35 years
Commercial mortgage obligations	349,404	A to AAA	2.76 years
Municipal bonds	432,656	AA2 to AAA	1.76 years
Real estate partnerships	1,005,376	N/A	N/A
Mutual funds	5,783,468	N/A	N/A
<b>TOTAL FIDUCIARY FUNDS</b>	<b>\$ 22,141,776</b>		

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, 2012, is presented above.

Interest rate risk

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

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

Concentration of credit risk

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

Diversifying investments of the City's funds. The City shall diversify 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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

Custodial credit risk

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

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

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents or investments captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2012:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 4,048,348	\$ 2,108,716	\$ 2,563	\$ 6,159,627
Restricted cash and cash equivalents	94,460	-	-	94,460
Investments	1,446,424	22,141,776	-	23,588,200
	<u>\$ 5,589,232</u>	<u>\$ 24,250,492</u>	<u>\$ 2,563</u>	<u>\$ 29,842,287</u>

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2012, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 310,792</u>
Due to nonmajor governmental funds from:	
General Fund	<u>\$ 935,628</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, 2012

**NOTE E: INTERFUND TRANSFERS**

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

Transfers to General Fund from:		
Nonmajor governmental funds	\$	208,693
Senior Citizen Housing Complex Fund		<u>15,000</u>
	\$	<u><u>223,693</u></u>
Transfers to nonmajor governmental funds from:		
General Fund	\$	90,045
Water and Sewer Fund		538,207
Nonmajor governmental funds		159,797
Internal service fund		<u>17,843</u>
	\$	<u><u>805,892</u></u>

Transfers from the nonmajor governmental funds and the Senior Citizen Housing Complex Fund to the General Fund were to fund current year operations. Transfers to nonmajor governmental funds from the General Fund, Water and Sewer Fund, other nonmajor governmental funds, and the internal service fund were to fund current year operations and to fund debt service payments.

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

**Primary Government**

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 4,938,136	\$ -	\$ -	\$ 4,938,136
Capital assets being depreciated				
Land improvements	162,706	-	-	162,706
Roads and sidewalks	73,182,236	106,150	(60,720)	73,227,666
County road improvements	553,414	-	-	553,414
Buildings and improvements	6,514,985	-	-	6,514,985
Vehicles	4,399,824	98,674	(630,249)	3,868,249
Machinery and equipment	1,389,618	39,095	(32,762)	1,395,951
Furniture and fixtures	<u>274,291</u>	<u>-</u>	<u>-</u>	<u>274,291</u>
Subtotal	86,477,074	243,919	(723,731)	85,997,262

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Governmental Activities - continued</b>				
Less accumulated depreciation for:				
Land improvements	\$ (89,126)	\$ (7,561)	\$ -	\$ (96,687)
Roads and sidewalks	(67,353,800)	(402,460)	60,720	(67,695,540)
County road improvements	(140,555)	(18,447)	-	(159,002)
Buildings and improvements	(1,832,065)	(143,022)	-	(1,975,087)
Vehicles	(3,174,820)	(157,143)	592,683	(2,739,280)
Machinery and equipment	(976,454)	(101,704)	32,762	(1,045,396)
Furniture and fixtures	(228,621)	(16,474)	-	(245,095)
Subtotal	<u>(73,795,441)</u>	<u>(846,811)</u>	<u>686,165</u>	<u>(73,956,087)</u>
Net capital assets being depreciated	<u>12,681,633</u>	<u>(602,892)</u>	<u>(37,566)</u>	<u>12,041,175</u>
Capital assets, net	<u>\$ 17,619,769</u>	<u>\$ (602,892)</u>	<u>\$ (37,566)</u>	<u>\$ 16,979,311</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 247,080
Public safety	125,540
Public works	306,765
Recreation and culture	88,713
Internal Service Fund	78,713
	<u>\$ 846,811</u>

	Restated Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 837,043	\$ -	\$ -	\$ 837,043
Construction in progress	12,389,014	-	(12,389,014)	-0-
Capital assets not being depreciated	13,226,057	-0-	(12,389,014)	837,043
Capital assets being depreciated				
Water and sewer distribution systems	20,570,068	15,817,434	-	36,387,502
Buildings and building improvements	3,895,652	-	-	3,895,652
Subtotal	24,465,720	15,817,434	-0-	40,283,154

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Restated Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Business-type Activities - continued</b>				
Less accumulated depreciation for:				
Water and sewer distribution systems	\$ (8,928,067)	\$ (591,195)	\$ -	\$ (9,519,262)
Buildings and building improvements	(1,494,758)	(90,730)	-	(1,585,488)
Subtotal	(10,422,825)	(681,925)	-0-	(11,104,750)
Net capital assets being depreciated	14,042,895	15,135,509	-0-	29,178,404
Capital assets, net	<u>\$ 27,268,952</u>	<u>\$ 15,135,509</u>	<u>\$ (12,389,014)</u>	<u>\$ 30,015,447</u>

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

Water and Sewer	\$ 591,195
Senior Citizen Housing Complex	90,730
	<u>\$ 681,925</u>

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2012.

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amount Due in One Year
<b>Governmental Activities</b>					
1996 Special Assessment Bonds	\$ 95,000	\$ -	\$ (95,000)	\$ -0-	\$ -0-
2002 Capital Improvement Bonds	1,475,000	-	(1,375,000)	100,000	100,000
2003A Refunding Bonds	245,000	-	(245,000)	-0-	-0-
2003 Capital Improvement Bonds	130,000	-	(70,000)	60,000	60,000
2010 Refunding Bonds	3,960,000	-	(340,000)	3,620,000	335,000
2012A Refunding Bonds	-	1,340,000	-	1,340,000	-0-
Lease purchase agreement - Aerial Platform Fire Truck	377,989	-	(62,998)	314,991	62,998
Lease purchase agreement - Dump Truck	77,690	-	(14,118)	63,572	14,795
Installment purchase agreement - copier	61,991	-	-	61,991	14,000
Compensated absences	1,262,660	455,684	(573,553)	1,144,791	573,199
	7,685,330	1,795,684	(2,775,669)	6,705,345	1,159,992

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due in One Year
<b>Business-type Activities</b>					
1999 Building Authority Bonds	\$ 1,885,000	\$ -	\$ (205,000)	\$ 1,680,000	\$ 200,000
Unamortized discount and deferred charges	(87,115)	-	11,488	(75,627)	(11,488)
2008 North Gratiot Interceptor Drainage District	357,517	-	(8,574)	348,943	8,574
2010B OMID Drainage District	151,286	-	(5,229)	146,057	5,345
2010A MID Drainage District	3,766,448	-	(117,578)	3,648,870	118,760
2010 North Gratiot Drainage District	34,936	-	(1,092)	33,844	1,092
2010A OMID Drainage District	605,990	-	(23,611)	582,379	24,285
2009 Clean Water Revolving Loan Fund	3,851,563	3,206,237	(295,000)	6,762,800	305,000
2011 OMID Drainage District	-	728,420	-	728,420	-
2011 MID Drainage District	-	1,389,850	(31,586)	1,358,264	-
Installment purchase agreement - Sewer vacuum equipment	-	330,934	-	330,934	20,934
Compensated absences	11,147	10,232	(12,288)	9,091	8,594
	<u>10,576,772</u>	<u>5,665,673</u>	<u>(688,470)</u>	<u>15,553,975</u>	<u>681,096</u>
	<u>\$ 18,262,102</u>	<u>\$ 7,461,357</u>	<u>\$ (3,464,139)</u>	<u>\$ 22,259,320</u>	<u>\$ 1,841,088</u>

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

**Governmental Activities**

General Obligation Bonds

\$1,900,000 2002 General Obligation Limited Tax Capital Improvement Bonds dated May 21, 2002, due in an annual installment of \$100,000 through October 1, 2012, with interest of 4.30 percent. A portion of these bonds were advance refunded in June 2012 by the 2012A General Obligation Limited Tax Refunding Bonds (see below).	\$ 100,000
\$510,000 2003 General Obligation Limited Tax Capital Improvement Bonds dated September 1, 2003, due in an annual installment of \$60,000 through May 1, 2013, with interest of 4.5 percent.	60,000
\$3,960,000 2010 General Obligation Unlimited Tax Refunding Bonds dated August 25, 2010, due in annual installments ranging from \$335,000 to \$530,000 through October 1, 2019, with interest ranging from 2.00 to 4.00 percent.	3,620,000
\$1,340,000 2012A General Obligation Limited Tax Refunding Bonds dated June 12, 2012, due in annual installments ranging from \$110,000 to \$165,000 through October 1, 2022, with interest of 2.0 percent.	<u>1,340,000</u>
	<u>\$ 5,120,000</u>

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE G: LONG-TERM DEBT - 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.	\$ 314,991
\$109,005 Installment Purchase Agreement for a dump truck dated December 22, 2009, due in annual installments ranging from \$13,472 to \$17,828 through April 1, 2016, with interest of 4.79 percent.	63,572
\$61,991 Installment Purchase Agreement for a copier dated June 9, 2011, due in an annual installments beginning October 1, 2012, ranging from \$14,000 to \$16,000 through October 1, 2015, with interest of 2.745 percent.	61,991
	<u>\$ 440,554</u>

**Business-type Activities**

General Obligation Bonds

\$3,235,000 1999 General Obligation Building Authority Refunding Bonds dated January 15, 1999, due in annual installments ranging from \$155,000 to \$270,000 through November 1, 2018, with interest ranging from 3.85 to 4.80 percent.	<u>\$ 1,680,000</u>
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Macomb County Water Disposal District

\$383,067 2008 North Gratiot Interceptor Drainage District Bonds dated June 1, 2008 due in annual installments ranging from \$8,402 to \$20,577 through May 1, 2033, with interest ranging from 3.25 to 5.0 percent.	\$ 348,943
\$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.	146,057
\$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 April 1, 2035, with interest ranging from 1.25 to 5.50 percent.	3,648,870
\$35,618 2010 North Gratiot Drainage District Bonds dated May 11, 2010 due in annual installments ranging from \$682 to \$2,047 through April 1, 2035, with interest ranging from 1.0 to 6.35 percent.	33,844
\$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.	582,379
\$728,420 2011 Oakland-Macomb Interceptor Drainage District Bonds dated January 1, 2012 due in annual installments ranging from \$28,532 to \$45,508 through October 1, 2033, with interest of 2.50 percent.	728,420



City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

**Business-type Activities - continued**

Macomb County Water Disposal District - continued

\$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 5.0 percent.

\$ 1,358,264

\$ 6,846,777

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.

\$ 6,762,800

Installment Lease Agreement

\$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.

\$ 330,934

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 \$1,153,882 at June 30, 2012.

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 586,793	\$ 134,985	\$ 683,990	\$ 421,816
2014	629,502	122,783	735,655	418,656
2015	630,245	108,084	833,843	429,916
2016	621,015	93,449	839,733	403,844
2017	697,999	76,743	863,469	376,181
2018-2022	2,230,000	130,744	3,941,036	1,475,899
2023-2027	165,000	1,650	3,721,864	927,805
2028-2032	-	-	3,241,556	354,515
2033-2036	-	-	759,365	41,064
	<u>\$ 5,560,554</u>	<u>\$ 668,438</u>	<u>\$ 15,620,511</u>	<u>\$ 4,849,696</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Defeased Debt

During prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2012, \$3,620,000 of bonds outstanding are considered defeased.

During fiscal year 2012, the City defeased the 2002 Capital Improvement Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The City issued 2012A Refunding Bonds in the amount of \$1,340,000 to provide resources to fund the escrow amounts and pay the cost of the refunding bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2012, \$1,300,000 of bonds outstanding are considered defeased.

As a result of the advance refunding, the City decreased its total debt service requirements by \$208,604, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$190,179.

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 H: RETIREMENT PLAN**

Plan Description

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

**Public Safety** - The plan covers all full-time public safety employees who are members of POAM or POLC. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2011, the date of the most recent actuarial valuation, public safety membership consisted of 39 retirees and beneficiaries currently receiving benefits, one terminated employee entitled to benefits but not yet receiving them, and 43 current active employees.

**Department of Public Works** - The plan covers all full-time Department of Public Works employees of the City. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2011, the date of the most recent actuarial valuation, public works membership consisted of 8 retirees currently receiving benefits, five terminated employees entitled to benefits but not yet receiving them, and 11 current active employees.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE H: RETIREMENT PLAN - CONTINUED**

**Management Employees** - The plan covers all full-time management employees of the City. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2011, the date of the most recent actuarial valuation, management membership consisted of 13 retirees and beneficiaries currently receiving benefits, three terminated employees entitled to benefits but not yet receiving them, and one current active employee.

**Office and Clerical Workers** - The plan covers all full-time office and clerical employees who are members of the collective bargaining unit. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2011, the date of the most recent actuarial valuation, office and clerical membership consisted of nine retirees and beneficiaries currently receiving benefits, four terminated employees entitled to benefits but not yet receiving them, and 10 current active employees.

**Dispatchers** - The plan covers all full-time dispatcher employees of the City. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2011, the date of the most recent actuarial valuation, dispatcher membership consisted of one terminated employee entitled to benefits but not yet receiving them, and four current active employees.

**Supervisors** - The plan covers full-time supervisory employees of the City who are not considered management or are not covered by any other collectively bargained plan. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2011, the date of the most recent actuarial valuation, supervisors' membership consisted of 15 retirees and beneficiaries currently receiving benefits, four terminated employees entitled to benefits but not yet receiving them, and one current active employee.

Funding Policy

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

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

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

Annual Pension Cost

The estimated annual required contribution was determined as part of an actuarial valuation at June 30, 2011, using the entry-age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) payroll was assumed to grow by 4% per year for the Office, Clerical and 35<sup>th</sup> District Court group and by 5% per year for all other groups.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE H: RETIREMENT PLAN - CONTINUED**

Annual Pension Cost - continued

The annual pension cost and net pension asset for the year ending June 30, 2012 are as follows:

Annual required contribution (ARC)	\$ 1,691,326
Interest on net pension asset	(10,845)
Adjustment to annual required contribution	<u>(93,544)</u>
Annual net pension cost	1,586,937
Amounts contributed:	
Annual contributions	<u>(1,827,651)</u>
Increase in net pension asset	(240,714)
Net pension asset - beginning of year	<u>(135,564)</u>
Net pension asset - end of year	<u><u>\$ (376,278)</u></u>

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

Three (3) year trend information

	Year Ended June 30,		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Actuarial value of assets	\$ 25,680,593	\$ 25,659,474	\$ 25,354,191
Actuarial accrued liability (AAL) (entry age)	42,852,937	45,195,585	46,667,079
Unfunded AAL (UAAL)	17,172,344	19,536,111	21,312,888
Funded ratio	60%	57%	54%
Annual covered payroll	5,966,282	5,488,321	5,359,314
UAAL as a percentage of covered payroll	288%	356%	398%
	Year Ended June 30,		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual pension cost	\$ 1,598,712	\$ 1,698,599	\$ 1,586,937
Percentage of ARC contributed	100%	80.0%	108.1%
Net pension (asset)	(369,202)	(135,564)	(376,278)

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

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

During the year ended June 30, 2012, 86 retirees (which includes active employees, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits) were eligible to receive benefits. Expenditures for post-employment benefits are recognized when claims are paid.

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

Funding Policy

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

Funding Progress

For the year ended June 30, 2012, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of June 30, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

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

Annual required contribution (ARC)	\$ 5,119,785
Interest on net OPEB obligation	235,884
Adjustment to annual required contribution	<u>(60,529)</u>
Annual OPEB cost (expense)	5,295,140
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>(1,573,765)</u>
Increase in net OPEB obligation	3,721,375
OPEB obligation - beginning of year	<u>7,862,792</u>
OPEB obligation - end of year	<u><u>\$ 11,584,167</u></u>

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Funding Progress - continued

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

Year Ended June 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
2010	\$ 3,541,096	40%	\$ 4,189,024
2011	5,121,774	30%	7,189,024
2012	5,119,785	31%	11,584,167

The funding progress of the plan as is as follows:

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

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

Actuarial Methods and Assumptions

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

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

In the June 30, 2009 actuarial valuation the entry age normal cost method was used. The actuarial assumptions include a 3.0 percent per year rate of investment return (net of administrative expenses, which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate 3.0 percent after ten years. Both rates include a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar on a closed basis. The remaining amortization period at June 30, 2012 was 27 years.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE J: RISK MANAGEMENT**

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

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

During the year ended June 30, 2012, the City participated in a self-insured prescription coverage program through a third party service provider. The City determined subsequent to year end not to continue this self-insured plan and the program is currently going through a final audit to ensure that all claims have been paid. The city will receive either a return of their \$56,500 deposit or will need to pay in additional funds upon finalization of the program.

**NOTE K: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS**

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

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

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

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

*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.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE L: FUND BALANCE DEFICITS**

The following funds had a fund balance or unrestricted net asset deficit at June 30, 2012:

<u>Fund</u>	<u>Deficit</u>
PRIMARY GOVERNMENT	
Governmental Funds	
Debt Service Funds	
General Obligation Fund	\$ (182,763)
Motor Vehicle Highway Fund	(851)
Special Assessment Fund	(29,168)
Proprietary Fund	
Water and Sewer Fund	(13,262)

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

The Gambling Forfeiture Fund has been adjusted for a transfer to cash that wasn't properly recorded in the prior year. The Gambling Forfeiture Fund's fund balance was increased by \$271,937 to properly record this adjustment. Beginning net assets of the governmental activities were also increased by \$271,937. The Water and Sewer Fund and business-type activities, respectively, have been adjusted for capital assets that were not properly recorded in the prior year. Net assets of the Water and Sewer Fund and business-type activities, respectively, were increased by \$1,302,208 to properly record this adjustment.

**NOTE N: CONSTRUCTION CODE NOTE**

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, 2012:

REVENUES	
Permits	\$ 54,196
EXPENDITURES	
Salaries and fringe benefits	204,658
Supplies and other	9,649
	<hr/>
TOTAL EXPENDITURES	214,307
	<hr/>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$ (160,111)</u>



NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE O: CONTINGENT LIABILITIES**

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

**NOTE P: SUBSEQUENT EVENTS**

During September 2012, the City entered into a capital lease for the purchase of telephones for the emergency 911 system for 60 months with monthly payments of \$1,453. The lease is secured by the equipment.

During July 2012, the City entered into an installment agreement for approximately \$76,000 for a piece of equipment. The lease has a term of 7 years expiring in October 2018. Payments including principal of \$10,000 to \$12,000 and interest of 3.25% are due in October of each year beginning on October 1, 2012. Interest only payments are due on April 1 each year.

During September 2012, the City Council approved the refunding of the 1999 Refunding Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The City issued 2012B Refunding Bonds in the amount of \$1,525,000 to provide resources to fund the escrow amounts and pay the cost of the refunding bonds.

**NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 39, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Fraser

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 8,559,847	\$ 8,609,847	\$ 8,573,202	\$ (36,645)
Licenses and permits				
Franchise fees	120,000	130,000	128,567	(1,433)
Other	169,428	169,428	170,405	977
Total license and permits	289,428	299,428	298,972	(456)
Intergovernmental				
Federal	303,295	303,295	300,955	(2,340)
State	1,254,541	1,326,521	1,322,099	(4,422)
District Court and Violations Bureau	798,962	805,462	775,174	(30,288)
Total intergovernmental	2,356,798	2,435,278	2,398,228	(37,050)
Charges for services	95,750	103,850	78,346	(25,504)
Fines and forfeitures	141,956	141,956	158,936	16,980
Interest and rents	188,500	231,690	198,241	(33,449)
Other				
Parks and recreation	100,000	109,000	77,111	(31,889)
Library	15,000	15,000	20,221	5,221
Miscellaneous	309,280	653,780	872,157	218,377
Total other	424,280	777,780	969,489	191,709
<b>TOTAL REVENUES</b>	<b>12,056,559</b>	<b>12,599,829</b>	<b>12,675,414</b>	<b>75,585</b>
<b>EXPENDITURES</b>				
Current				
General government				
City Council	87,186	87,186	72,075	15,111
City administration	174,219	184,219	172,190	12,029
City clerk	172,534	172,534	172,372	162
District Court	695,755	695,755	697,103	(1,348)
Finance	297,529	297,529	277,706	19,823
Assessor	175,087	175,087	175,984	(897)
Legal	30,500	60,500	57,925	2,575
Building and grounds	385,019	450,519	442,534	7,985
Total general government	2,017,829	2,123,329	2,067,889	55,440
Public safety	6,147,360	6,147,360	6,262,859	(115,499)

City of Fraser

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Public works				
Building inspections	\$ 215,384	\$ 215,384	\$ 216,292	\$ (908)
Other	581,095	631,095	645,006	(13,911)
Total public works	796,479	846,479	861,298	(14,819)
Community and economic development				
Planning committee	27,815	27,815	27,699	116
Recreation and culture				
City parks and recreation	310,377	310,377	307,164	3,213
Historical commission	2,700	2,700	2,071	629
Library	368,401	368,401	365,047	3,354
Total recreation and culture	681,478	681,478	674,282	7,196
Other				
Insurance	191,750	171,750	170,191	1,559
Retiree health insurance contributions	1,438,113	1,538,113	1,544,751	(6,638)
Refunds and reimbursements	100,000	412,760	437,620	(24,860)
Total other	1,729,863	2,122,623	2,152,562	(29,939)
TOTAL EXPENDITURES	11,400,824	11,949,084	12,046,589	(97,505)
EXCESS OF REVENUES OVER EXPENDITURES	655,735	650,745	628,825	(21,920)
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	223,693	208,693
Transfers out	(670,735)	(665,745)	(558,919)	106,826
TOTAL OTHER FINANCING SOURCES (USES)	(655,735)	(650,745)	(335,226)	315,519
Net change in fund balance (budgetary basis)	\$ -0-	\$ -0-	293,599	\$ 293,599
Budgetary perspective differences			(97,006)	
Net change in fund balance (GAAP basis)			\$ 196,593	

City of Fraser

SCHEDULE OF PENSION FUNDING PROGRESS

Year Ended June 30, 2012

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]
2002	\$ 21,639,532	\$ 27,389,118	\$ 5,749,586	79%	\$ 5,721,710	100%
2003	21,099,962	30,356,332	9,256,370	70%	6,169,116	150%
2004	20,898,722	33,433,540	12,534,818	63%	6,226,887	201%
2005	20,665,129	35,628,009	14,962,880	58%	5,984,715	250%
2006	22,404,843	37,425,616	15,020,773	60%	6,020,985	249%
2007	24,446,647	38,753,657	14,307,010	63%	5,995,408	239%
2008	25,738,595	40,814,234	15,075,639	63%	6,369,746	237%
2009	25,680,593	42,852,937	17,172,344	60%	5,966,282	288%
2010	25,659,474	45,195,585	19,536,111	57%	5,488,321	356%
2011	25,354,191	46,667,079	21,312,888	54%	5,359,314	398%

City of Fraser

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2012

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2003	\$ 958,170	99.6%	\$ 487,402
2004	1,112,070	98.8%	474,024
2005	1,267,078	98.2%	451,278
2006	1,515,796	95.6%	385,124
2007	1,770,286	99.5%	375,390
2008	1,703,256	100.5%	383,934
2009	1,650,729	99.3%	373,000
2010	1,602,510	99.8%	369,202
2011	1,698,599	80.0%	135,564
2012	1,691,326	108.1%	376,278

City of Fraser

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012

**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, 2012, the City incurred expenditures in the General Fund, Local Streets 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			
General government			
District Court	\$ 695,755	\$ 697,103	\$ 1,348
Assessor	175,087	175,984	897
Public safety	6,147,360	6,262,859	115,499
Public works			
Building inspections	215,384	216,292	908
Other	631,095	645,006	13,911
Other			
Retiree health insurance contributions	1,538,113	1,544,751	6,638
Refunds and reimbursements	412,760	437,620	24,860
Local Streets Fund	294,025	340,501	46,476
Gambling Forfeiture Fund	626,220	777,872	151,652

**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.



## **OTHER SUPPLEMENTARY INFORMATION**

City of Fraser

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2012

	Special Revenue			
	Major Streets Fund	Local Streets Fund	Ambulance Fund	Gambling Forfeiture Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 646,078	\$ 157,650	\$ 66,921	\$ 327,108
Investments	-	-	-	-
Due from other governmental units	85,237	36,728	16,871	-
Due from other funds	-	-	-	935,628
Prepays	16,468	4,194	9,076	-
<b>TOTAL ASSETS</b>	<b><u>\$ 747,783</u></b>	<b><u>\$ 198,572</u></b>	<b><u>\$ 92,868</u></b>	<b><u>\$ 1,262,736</u></b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,874	\$ 9,634	\$ 502	\$ 7,258
Accrued liabilities	3,515	-	14	-
Due to other funds	-	-	-	247,515
Deferred revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>5,389</b>	<b>9,634</b>	<b>516</b>	<b>254,773</b>
<b>FUND BALANCES (DEFICITS)</b>				
<b>Nonspendable</b>				
Prepays	16,468	4,194	9,076	-
<b>Restricted</b>				
Streets and highways	725,926	184,744	-	-
Ambulance	-	-	83,276	-
Infrastructure improvements	-	-	-	-
Public safety	-	-	-	1,007,963
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b><u>742,394</u></b>	<b><u>188,938</u></b>	<b><u>92,352</u></b>	<b><u>1,007,963</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b><u>\$ 747,783</u></b>	<b><u>\$ 198,572</u></b>	<b><u>\$ 92,868</u></b>	<b><u>\$ 1,262,736</u></b>

Funds	Debt Service Funds			Capital Projects Fund	
Drug Forfeiture Fund	General Obligation Fund	Motor Vehicle Highway Fund	Special Assessment Fund	Special Assessments Fund	Total
\$ 149,689	\$ (182,763)	\$ (851)	\$ 27,668	\$ 603	\$ 1,192,103
349,111	-	-	-	-	349,111
-	-	-	322	-	139,158
-	-	-	-	-	935,628
-	-	-	-	-	29,738
<u>\$ 498,800</u>	<u>\$ (182,763)</u>	<u>\$ (851)</u>	<u>\$ 27,990</u>	<u>\$ 603</u>	<u>\$ 2,645,738</u>
\$ 5,953	\$ -	\$ -	\$ -	\$ -	\$ 25,221
862	-	-	-	-	4,391
63,277	-	-	-	-	310,792
-	-	-	57,158	-	57,158
70,092	-0-	-0-	57,158	-0-	397,562
-	-	-	-	-	29,738
-	-	-	-	-	910,670
-	-	-	-	-	83,276
-	-	-	-	603	603
428,708	-	-	-	-	1,436,671
-	(182,763)	(851)	(29,168)	-	(212,782)
<u>428,708</u>	<u>(182,763)</u>	<u>(851)</u>	<u>(29,168)</u>	<u>603</u>	<u>2,248,176</u>
<u>\$ 498,800</u>	<u>\$ (182,763)</u>	<u>\$ (851)</u>	<u>\$ 27,990</u>	<u>\$ 603</u>	<u>\$ 2,645,738</u>

City of Fraser

Nonmajor Governmental Funds

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

Year Ended June 30, 2012

	Special Revenue			
	Major Streets Fund	Local Streets Fund	Ambulance Fund	Gambling Forfeiture Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 467,323	\$ -
Intergovernmental - State	516,926	222,905	-	-
Charges for services	-	-	300,472	-
Fines and forfeitures	-	-	-	222,522
Interest	911	255	320	4,017
Other	-	1,985	-	6,283
<b>TOTAL REVENUES</b>	<b>517,837</b>	<b>225,145</b>	<b>768,115</b>	<b>232,822</b>
<b>EXPENDITURES</b>				
Current				
Public safety	-	-	-	307,383
Public works	433,308	281,586	-	-
Health and welfare	-	-	525,454	-
Capital outlay	53,272	58,915	150,309	101,999
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>486,580</b>	<b>340,501</b>	<b>675,763</b>	<b>409,382</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>31,257</b>	<b>(115,356)</b>	<b>92,352</b>	<b>(176,560)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(368,490)
Bond proceeds	-	-	-	-
Transfer to escrow agent	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(368,490)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>31,257</b>	<b>(115,356)</b>	<b>92,352</b>	<b>(545,050)</b>
Fund balances (deficits), beginning of year	711,137	304,294	-	1,281,076
Prior period adjustment	-	-	-	271,937
Fund balances (deficits), end of year	<u>\$ 742,394</u>	<u>\$ 188,938</u>	<u>\$ 92,352</u>	<u>\$ 1,007,963</u>

Funds	Debt Service Funds			Capital Projects Fund	
Drug Forfeiture Fund	General Obligation Fund	Motor Vehicle Highway Fund	Special Assessment Fund	Special Assessments Fund	Total
\$ -	\$ 430,124	\$ -	\$ -	\$ -	\$ 897,447
-	-	-	-	-	739,831
-	-	-	-	-	300,472
186,710	-	-	-	-	409,232
2,728	-	-	-	1	8,232
60	-	-	1,080	-	9,408
189,498	430,124	-0-	1,080	1	2,364,622
207,600	-	-	-	-	514,983
-	-	-	-	-	714,894
-	-	-	-	-	525,454
-	-	-	-	-	364,495
-	978,996	97,184	97,939	-	1,174,119
207,600	978,996	97,184	97,939	-0-	3,293,945
(18,102)	(548,872)	(97,184)	(96,859)	1	(929,323)
-	628,252	177,640	-	-	805,892
-	-	-	-	-	(368,490)
-	1,340,000	-	-	-	1,340,000
-	(1,300,000)	-	-	-	(1,300,000)
-0-	668,252	177,640	-0-	-0-	477,402
(18,102)	119,380	80,456	(96,859)	1	(451,921)
446,810	(302,143)	(81,307)	67,691	602	2,428,160
-	-	-	-	-	271,937
<u>\$ 428,708</u>	<u>\$ (182,763)</u>	<u>\$ (851)</u>	<u>\$ (29,168)</u>	<u>\$ 603</u>	<u>\$ 2,248,176</u>

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2012

	<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	\$ 501,607	\$ 561,607	\$ 516,926	\$ (44,681)
Interest	3,500	3,500	911	(2,589)
TOTAL REVENUES	505,107	565,107	517,837	(47,270)
EXPENDITURES				
Current				
Public works				
Salaries and fringe benefits	194,459	254,459	262,819	(8,360)
Materials and supplies	35,000	35,000	21,621	13,379
Repairs and maintenance	35,000	35,000	45,237	(10,237)
Equipment rental	75,000	75,000	75,000	-0-
Other	34,000	34,000	28,631	5,369
Capital outlay	81,648	81,648	53,272	28,376
TOTAL EXPENDITURES	455,107	515,107	486,580	28,527
EXCESS OF REVENUES OVER EXPENDITURES	50,000	50,000	31,257	(18,743)
OTHER FINANCING SOURCES (USES)				
Transfers out	(50,000)	(50,000)	-	50,000
NET CHANGE IN FUND BALANCE	-0-	-0-	31,257	31,257
Fund balance, beginning of year	711,137	711,137	711,137	-0-
Fund balance, end of year	<u>\$ 711,137</u>	<u>\$ 711,137</u>	<u>\$ 742,394</u>	<u>\$ 31,257</u>

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2012

	<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	\$ 217,025	\$ 237,025	\$ 222,905	\$ (14,120)
Interest	500	500	255	(245)
Other	6,500	6,500	1,985	(4,515)
TOTAL REVENUES	224,025	244,025	225,145	(18,880)
EXPENDITURES				
Current				
Public works				
Salaries and fringe benefits	80,570	100,570	144,473	(43,903)
Materials and supplies	69,955	69,955	26,685	43,270
Repairs and maintenance	42,500	42,500	34,428	8,072
Equipment rental	75,000	75,000	75,000	-0-
Other	1,000	1,000	1,000	-0-
Capital outlay	5,000	5,000	58,915	(53,915)
TOTAL EXPENDITURES	274,025	294,025	340,501	(46,476)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(50,000)	(50,000)	(115,356)	(65,356)
OTHER FINANCING SOURCES				
Transfers in	50,000	50,000	-	(50,000)
NET CHANGE IN FUND BALANCE	-0-	-0-	(115,356)	(115,356)
Fund balance, beginning of year	304,294	304,294	304,294	-0-
Fund balance, end of year	<u>\$ 304,294</u>	<u>\$ 304,294</u>	<u>\$ 188,938</u>	<u>\$ (115,356)</u>

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2012

	<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	\$ 478,299	\$ 478,299	\$ 467,323	\$ (10,976)
Charges for services	275,000	325,000	300,472	(24,528)
Interest	-	-	320	320
Other	500	500	-	(500)
	<u>753,799</u>	<u>803,799</u>	<u>768,115</u>	<u>(35,684)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Health and welfare				
Salaries and fringe benefits	675,059	673,559	457,886	215,673
Materials and supplies	9,000	10,500	11,279	(779)
Equipment rental	27,923	27,923	27,900	23
Professional services	26,000	26,000	28,389	(2,389)
Capital outlay	15,817	65,817	150,309	(84,492)
	<u>753,799</u>	<u>803,799</u>	<u>675,763</u>	<u>128,036</u>
TOTAL EXPENDITURES				
NET CHANGE IN FUND BALANCE	-0-	-0-	92,352	92,352
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 92,352</u>	<u>\$ 92,352</u>



City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2012

Gambling Forfeiture Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 74,307	\$ 222,525	\$ 222,522	\$ (3)
Interest	5,000	5,000	4,017	(983)
Other	-	6,285	6,283	(2)
TOTAL REVENUES	79,307	233,810	232,822	(988)
EXPENDITURES				
Current				
Public safety				
Salaries and fringe benefits	184	162,730	162,541	189
Materials and supplies	633	67,000	66,968	32
Professional services	-	15,000	14,161	839
Other	-	13,000	63,713	(50,713)
Capital outlay	-	-	101,999	(101,999)
TOTAL EXPENDITURES	817	257,730	409,382	(151,652)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	78,490	(23,920)	(176,560)	(152,640)
OTHER FINANCING (USES)				
Transfers out	(78,490)	(368,490)	(368,490)	-0-
NET CHANGE IN FUND BALANCE	-0-	(392,410)	(545,050)	(152,640)
Fund balance, beginning of year	1,281,076	1,281,076	1,281,076	-0-
Prior period adjustment	-	-	271,937	271,937
Fund balance, end of year	<u>\$ 1,281,076</u>	<u>\$ 888,666</u>	<u>\$ 1,007,963</u>	<u>\$ 119,297</u>

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2012

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	\$ 179,500	\$ 69,500	\$ 186,710	\$ 117,210
Interest	5,000	5,000	2,728	(2,272)
Other	500	500	60	(440)
	<u>185,000</u>	<u>75,000</u>	<u>189,498</u>	<u>114,498</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public safety				
Salaries and fringe benefits	62,437	72,437	50,392	22,045
Materials and supplies	40,200	95,200	143,852	(48,652)
Repairs and maintenance	17,000	17,000	9,900	7,100
Professional services	25,000	25,000	3,456	21,544
Capital outlay	40,363	40,363	-	40,363
	<u>185,000</u>	<u>250,000</u>	<u>207,600</u>	<u>42,400</u>
TOTAL EXPENDITURES				
NET CHANGE IN FUND BALANCE	-0-	(175,000)	(18,102)	156,898
Fund balance, beginning of year	<u>446,810</u>	<u>446,810</u>	<u>446,810</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 446,810</u>	<u>\$ 271,810</u>	<u>\$ 428,708</u>	<u>\$ 156,898</u>

City of Fraser

Fiduciary Funds

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	<u>Public Safety</u>	<u>Management Employees</u>	<u>Department of Public Works</u>
ASSETS			
Cash and investments	\$ 14,352,308	\$ 933,266	\$ 3,322,073
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Held in trust for pension and other post-employment benefits	<u>\$ 14,352,308</u>	<u>\$ 933,266</u>	<u>\$ 3,322,073</u>

<u>Office and Clerical Workers</u>	<u>Dispatchers</u>	<u>Supervisors</u>	<u>Total Pension Trust Fund</u>	<u>Retiree Health Care Trust Fund</u>	<u>Total</u>
\$ 2,051,192	\$ 753,828	\$ 1,713,458	\$ 23,126,125	\$ 416,750	\$ 23,542,875
-	-	-	-0-	-	-0-
<u>\$ 2,051,192</u>	<u>\$ 753,828</u>	<u>\$ 1,713,458</u>	<u>\$ 23,126,125</u>	<u>\$ 416,750</u>	<u>\$ 23,542,875</u>

City of Fraser

Fiduciary Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2012

	<u>Public Safety</u>	<u>Management Employees</u>	<u>Department of Public Works</u>
<b>ADDITIONS</b>			
Investment income			
Interest and dividends	\$ 344,084	\$ 27,120	\$ 77,978
Net (decrease) in fair value of investments	(187,126)	(29,646)	(40,925)
Investment related expenses	<u>(66,932)</u>	<u>(5,313)</u>	<u>(15,152)</u>
Net investment income (loss)	90,026	(7,839)	21,901
Contributions			
Employer	1,181,088	25,558	243,466
Employee	<u>185,058</u>	<u>3,149</u>	<u>30,402</u>
Total contributions	<u>1,366,146</u>	<u>28,707</u>	<u>273,868</u>
<b>TOTAL ADDITIONS</b>	<b>1,456,172</b>	<b>20,868</b>	<b>295,769</b>
<b>DEDUCTIONS</b>			
Benefit payments	1,791,064	416,975	295,874
Administrative expenses	<u>19,623</u>	<u>1,520</u>	<u>4,442</u>
<b>TOTAL DEDUCTIONS</b>	<u><b>1,810,687</b></u>	<u><b>418,495</b></u>	<u><b>300,316</b></u>
<b>CHANGE IN NET ASSETS</b>	<b>(354,515)</b>	<b>(397,627)</b>	<b>(4,547)</b>
Net assets, beginning of year	<u>14,706,823</u>	<u>1,330,893</u>	<u>3,326,620</u>
Net assets, end of year	<u><b>\$ 14,352,308</b></u>	<u><b>\$ 933,266</b></u>	<u><b>\$ 3,322,073</b></u>

<u>Office and Clerical Workers</u>	<u>Dispatchers</u>	<u>Supervisors</u>	<u>Total Pension Trust Fund</u>	<u>Retiree Health Care Trust Fund</u>	<u>Total</u>
\$ 45,778 (20,227) (8,874)	\$ 16,434 (5,961) (3,183)	\$ 45,177 (38,353) (8,817)	\$ 556,571 (322,238) (108,271)	\$ 465 - -	\$ 557,036 (322,238) (108,271)
16,677	7,290	(1,993)	126,062	465	126,527
250,447 22,104	100,649 10,468	26,442 2,858	1,827,650 254,039	29,014 -	1,856,664 254,039
<u>272,551</u>	<u>111,117</u>	<u>29,300</u>	<u>2,081,689</u>	<u>29,014</u>	<u>2,110,703</u>
289,228	118,407	27,307	2,207,751	29,479	2,237,230
158,374 2,614	40,041 939	397,002 2,556	3,099,330 31,694	- -	3,099,330 31,694
<u>160,988</u>	<u>40,980</u>	<u>399,558</u>	<u>3,131,024</u>	<u>-0-</u>	<u>3,131,024</u>
128,240	77,427	(372,251)	(923,273)	29,479	(893,794)
<u>1,922,952</u>	<u>676,401</u>	<u>2,085,709</u>	<u>24,049,398</u>	<u>387,271</u>	<u>24,436,669</u>
<u>\$ 2,051,192</u>	<u>\$ 753,828</u>	<u>\$ 1,713,458</u>	<u>\$ 23,126,125</u>	<u>\$ 416,750</u>	<u>\$ 23,542,875</u>

City of Fraser

Component Unit Fund

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2012

ASSETS	
Cash and cash equivalents	<u>\$ 1,564</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ -
FUND BALANCE	
Unassigned	<u>1,564</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,564</u>

NOTE: Reconciliation of the governmental fund balance sheet to the statement of net assets for the component unit is not required as the fund balance was equal to the net assets as of June 30, 2012.

City of Fraser

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
ECONOMIC DEVELOPMENT CORPORATION (EDC)

Year Ended June 30, 2012

REVENUES	
Interest	\$           2
EXPENDITURES	<u>                  -</u>
NET CHANGE IN FUND BALANCE	2
Fund balance, beginning of year	<u>          1,562</u>
Fund balance, end of year	<u><u>          \$   1,564</u></u>

NOTE: Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities for the component unit is not required as the net change in fund balance was equal to the change in net assets for the year ended June 30, 2012.



City of Fraser

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

June 30, 2012

ASSETS	
Cash and cash equivalents	<u>\$          999</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$          -0-
FUND BALANCE	
Unassigned	<u>          999</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$          999</u>

NOTE: Reconciliation of the governmental fund balance sheet to the statement of net assets for the component unit is not required as the fund balance was equal to the net assets as of June 30, 2012.

City of Fraser

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

Year Ended June 30, 2012

REVENUES	
Other	\$ 741
EXPENDITURES	<u>-</u>
NET CHANGE IN FUND BALANCE	741
Fund balance, beginning of year	<u>258</u>
Fund balance, end of year	<u><u>\$ 999</u></u>

NOTE: Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities for the component unit is not required as the net change in fund balance was equal to the change in net assets for the year ended June 30, 2012.