

**City of Fraser
Macomb County, Michigan**

FINANCIAL STATEMENTS

June 30, 2016

City of Fraser

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Principals

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



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fraser, Michigan (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fraser, Michigan, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, individual nonmajor special revenue fund budgetary comparison schedules, and combining internal service fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, individual nonmajor special revenue fund budgetary comparison schedules, and combining internal service fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, individual nonmajor special revenue fund budgetary comparison schedules, and combining internal service fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

As management of the City of Fraser, Michigan (the City), we offer readers of the financial statements a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016.

Financial Highlights

- The liabilities of the City of Fraser exceeded its assets at the close of the recent fiscal year by \$11,290,448. The City had a deficit in unrestricted net position of \$39,853,544 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 \$7,441,503, a decrease of \$1,508,750 in comparison with the prior year.
- The City of Fraser's total long-term obligations decreased by \$2,252,950 during the current fiscal year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all of the City of Fraser's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Fraser is improving or deteriorating.

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

The Government-wide Financial Statements distinguish functions of the City of Fraser that are mainly supported by taxes and governmental activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Fraser include general government, public safety, public works, and recreation and culture. The business-type activities of the City of Fraser include the water and sewer system and senior citizen housing.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Other Information

The notes provide additional information that is essential to fully understand the data provided in the Government-wide and Fund Financial Statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the changes in the City's net pension liability and schedule of employer contributions. This information can be found on pages 38-39.

City of Fraser

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fraser, liabilities exceeded assets by \$11,290,448 at the close of the recent fiscal year.

By far the largest portion of the City of Fraser's net position reflects its investment in capital assets (for example, land, buildings, vehicles, office equipment, furniture, and other equipment); less any related debt used to acquire those assets that are still outstanding. The City of Fraser used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fraser's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current Assets	\$ 5,171	\$ 4,924	\$ 4,855	\$ 4,007	\$ 10,026	\$ 8,931
Capital Assets, net	21,012	21,397	28,717	29,449	49,729	50,846
Total Assets	26,183	26,321	33,572	33,456	59,755	59,777
Deferred Outflows of Resources	6,815	2,903	736	252	7,551	3,155
Liabilities						
Current Liabilities	2,359	2,723	1,777	1,729	4,136	4,452
Non-current Liabilities	54,321	45,938	20,139	19,495	74,460	65,433
Total Liabilities	56,680	48,661	21,916	21,224	78,596	69,885
Net Position						
Net investment in capital assets	14,477	13,486	12,552	12,419	27,029	25,905
Restricted	1,448	1,490	86	86	1,534	1,576
Unrestricted (Deficit)	(39,607)	(34,413)	(246)	(21)	(39,853)	(34,434)
Total Net Position	\$ (23,682)	\$ (19,437)	\$ 12,392	\$ 12,484	\$ (11,290)	\$ (6,953)

Governmental Activities' net position decreased by \$4,244,754 compared to the prior fiscal year. As the City complies with recent changes to the accounting standards, recognition of the net pension liability has found its way to our balance sheet.

Reviewing the financial data within the Business-Type Activities, the City continues to make significant progress in improving net position over the past few years. The total net position has decreased by \$92,881, while the unrestricted portion of net position has decreased by approximately \$225,000. Within the Water and Sewer Fund, the City is constantly reviewing its rate structure to ensure the system is covering current expenses and as well as preparing for future projects.

City of Fraser

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

TABLE 2 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue						
Program Revenue:						
Charges for Service	\$ 3,402	\$ 3,613	\$ 8,186	\$ 8,086	\$ 11,588	\$ 11,699
Operating Grants and Contribution	1,509	1,071	-	-	1,509	1,071
Capital Grants and Contributions	-	228	151	111	151	339
General Revenue:						
Property Taxes	10,844	9,417	-	-	10,844	9,417
State-shared Revenue	1,300	1,306	-	-	1,300	1,306
Unrestricted Investment Earnings	20	25	2	2	22	27
Transfers and Other Revenue	51	41	-	-	51	41
Total Revenue	17,126	15,701	8,339	8,199	25,465	23,900
Program Expenses						
General Government	3,123	2,970	-	-	3,123	2,970
Public Safety	10,902	11,212	-	-	10,902	11,212
Public Works	4,384	3,185	-	-	4,384	3,185
Health and Welfare	968	803	-	-	968	803
Recreation and Culture	1,824	1,356	-	-	1,824	1,356
Community and Economic Development	37	22	-	-	37	22
Interest on Long-term Debt	133	178	-	-	133	178
Water and Sewer	-	-	8,057	6,797	8,057	6,797
Senior Housing	-	-	375	341	375	341
Total Program Expenses	21,371	19,726	8,432	7,138	29,803	26,864
Change in Net Position	\$ (4,245)	\$ (4,025)	\$ (93)	\$ 1,061	\$ (4,338)	\$ (2,964)

Business-type Activities

Capital assets for business-type activities decreased by \$732,022 compared to the prior year. The change relates to continued work completed by the Oakland Macomb Drainage District and the water main replacement taking place on Utica Road between 13 and 14 Mile Roads offset by depreciation expense and change in estimates related to the construction.

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

Financial Analysis of the City of Fraser's Funds

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

Governmental funds

As of the end of the current fiscal year, the City of Fraser's governmental funds reported combined ending fund balances of \$7,441,503. The unassigned general fund balance of \$1,803,415. The Government Finance Officers Association recommends, at a minimum, that general purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Proprietary funds

The City of Fraser's proprietary funds provide the same type of information found in the Government-wide Financial Statements, but in more detail. Total net position of the Water and Sewer Fund as of June 30, 2016, amount to \$10,270,885, while the unrestricted portion of the net position at the end of the year amounted to a deficit of \$354,525. Last year's unrestricted portion within that particular fund was \$136,324. The senior citizen housing complex ended with unrestricted net position totaling \$108,177, down from \$115,296 in the prior year.

General Fund Budgetary Highlights

City Council, City Administration, and Department Heads continue to work hard to stay on budget and have managed to come in under budget this year. Even as budgetary expenditures have not increased over the past two years, the same level of service continues to be provided by the City. During the course of 2015-16, the general fund revenues came in \$235,712 more than expected. The most significant variances were noted for personal property small taxpayer exemption loss revenue, building permits revenue, and cable fees revenue. In a \$13 million dollar budget, expenditures were significantly less than budgeted. The net between budgetary revenue and expenditures for 2015-16 was \$635,227.

Capital Assets

The City of Fraser's net investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$46,454,434 (net of accumulated depreciation). The net investment in capital assets includes land, buildings and system improvements, vehicles, equipment, park facilities, intangible assets, and streets. A majority of the capital asset activity is associated with the gravity flow sewer project. Further details regarding capital assets may be found in Note E.

Long-Term Debt

At the end of the current fiscal year, the City had totaled bonded debt outstanding of \$21,658,813, backed by the full faith and credit of the government. Its purpose is attributable to both governmental (\$6,335,000) and business-type activities (\$15,323,813) at year end. In addition, the City has entered into various installment purchase agreements for equipment and has accrued liabilities for compensated absences.

During the year, the City issued bonds totaling \$583,704 and made principal payments totaling \$2,591,520. See Note F for additional information regarding long-term debt.

Economic Factors and Next Year's Budgets

The economy continues to be a prominent factor in the City of Fraser's financial condition and upcoming budgets. Property values sharply declined over the past few years, and the City's revenue garnered by property taxes has grown considerably smaller. The good news is that property values are starting to stabilize. The City is still projecting a slight increase in property values for the upcoming 2015-16 budget cycle. The Headlee Amendment limits this increase to 0.3 percent, and with cost of goods and services increasing 1 to 2 percent in 2017, this dynamic will presents a continuous challenge in the future.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Fraser

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,689,290	\$ 3,216,828	\$ 6,906,118
Restricted cash and cash equivalents	8,097	86,363	94,460
Receivables	308,108	1,563,935	1,872,043
Due from other governmental units	532,387	5,129	537,516
Internal balances	19,283	(19,283)	-0-
Prepays	614,006	1,904	615,910
Total current assets	5,171,171	4,854,876	10,026,047
Noncurrent assets			
Restricted cash and cash equivalents	3,274,106	-	3,274,106
Capital assets not being depreciated	5,752,916	1,129,417	6,882,333
Capital assets being depreciated, net	11,984,632	27,587,469	39,572,101
Total noncurrent assets	21,011,654	28,716,886	49,728,540
TOTAL ASSETS	26,182,825	33,571,762	59,754,587
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	6,814,928	736,239	7,551,167
LIABILITIES			
Current liabilities			
Accounts payable	400,984	465,530	866,514
Accrued liabilities	161,163	-	161,163
Due to other governmental units	2,233	-	2,233
Unearned revenue	11,652	-	11,652
Accrued interest payable	43,853	109,001	152,854
Current portion of compensated absences	295,559	24,879	320,438
Current portion of long-term debt	1,443,460	1,177,626	2,621,086
Total current liabilities	2,358,904	1,777,036	4,135,940
Noncurrent liabilities			
Net pension liability	23,826,688	2,574,074	26,400,762
Net other post-employment benefits obligation	24,744,895	2,548,745	27,293,640
Noncurrent portion of compensated absences	657,808	28,871	686,679
Noncurrent portion of long-term debt	5,091,603	14,987,578	20,079,181
Total noncurrent liabilities	54,320,994	20,139,268	74,460,262
TOTAL LIABILITIES	56,679,898	21,916,304	78,596,202
NET POSITION			
Net investment in capital assets	14,476,591	12,551,682	27,028,273
Restricted			
Streets and highways	329,582	-	329,582
Public safety	1,067,589	-	1,067,589
Debt service	51,289	-	51,289
Capital replacement	-	86,363	86,363
Unrestricted	(39,607,196)	(246,348)	(39,853,544)
TOTAL NET POSITION	<u>\$(23,682,145)</u>	<u>\$ 12,391,697</u>	<u>\$(11,290,448)</u>

See accompanying notes to financial statements.

City of Fraser

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 3,123,118	\$ 1,804,274	\$ 347,729	\$ -	\$ (971,115)	\$ -	\$ (971,115)
Public safety	10,902,610	723,981	18,246	-	(10,160,383)	-	(10,160,383)
Public works	4,383,699	481,212	1,106,114	-	(2,796,373)	-	(2,796,373)
Health and welfare	967,619	332,039	-	-	(635,580)	-	(635,580)
Community and economic development	37,039	-	28,227	-	(8,812)	-	(8,812)
Recreation and culture	1,823,864	60,442	9,046	-	(1,754,376)	-	(1,754,376)
Interest on long-term debt	132,773	-	-	-	(132,773)	-	(132,773)
Total governmental activities	21,370,722	3,401,948	1,509,362	-0-	(16,459,412)	-0-	(16,459,412)
Business-type activities							
Water and Sewer	8,056,669	7,652,360	-	151,256	-	(253,053)	(253,053)
Senior Citizen Housing Complex	375,487	533,941	-	-	-	158,454	158,454
Total business-type activities	8,432,156	8,186,301	-0-	151,256	-0-	(94,599)	(94,599)
Total primary government	<u>\$ 29,802,878</u>	<u>\$ 11,588,249</u>	<u>\$ 1,509,362</u>	<u>\$ 151,256</u>	(16,459,412)	(94,599)	(16,554,011)
General revenues							
Property taxes					10,843,565	-	10,843,565
State shared revenues					1,300,231	-	1,300,231
Investment earnings					19,671	1,718	21,389
Miscellaneous					51,191	-	51,191
Total general revenues					12,214,658	1,718	12,216,376
Change in net position					(4,244,754)	(92,881)	(4,337,635)
Restated net position, beginning of the year					(19,437,391)	12,484,578	(6,952,813)
Net position, end of the year					<u>\$(23,682,145)</u>	<u>\$ 12,391,697</u>	<u>\$(11,290,448)</u>

See accompanying notes to financial statements.

City of Fraser
Governmental Funds

BALANCE SHEET

June 30, 2016

	General Fund	Street Construction Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,511,999	\$ -	\$ 1,837,466	\$ 3,349,465
Restricted cash and cash equivalents	8,097	3,274,106	-	3,282,203
Receivables				
Accounts	67,109	-	100	67,209
Taxes	229,297	-	-	229,297
Special assessments	4,477	-	-	4,477
Due from other governmental units	365,314	-	167,073	532,387
Due from other funds	201,281	-	11,904	213,185
Prepays	612,778	380	638	613,796
TOTAL ASSETS	\$ 3,000,352	\$ 3,274,486	\$ 2,017,181	\$ 8,292,019
LIABILITIES				
Accounts payable	\$ 267,229	\$ 96,046	\$ 8,620	\$ 371,895
Accrued liabilities	157,018	-	4,145	161,163
Due to other funds	11,904	-	155,313	167,217
Due to other governmental units	-	-	2,233	2,233
Unearned revenue	11,652	-	-	11,652
TOTAL LIABILITIES	447,803	96,046	170,311	714,160
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	136,356	-	-	136,356
FUND BALANCES				
Nonspendable				
Prepays	612,778	380	638	613,796
Restricted				
Streets and highways	-	3,178,060	328,944	3,507,004
Public safety	-	-	1,067,589	1,067,589
Debt service	-	-	95,142	95,142
Assigned				
Health and welfare	-	-	325,499	325,499
Debt service	-	-	29,058	29,058
Unassigned	1,803,415	-	-	1,803,415
TOTAL FUND BALANCES	2,416,193	3,178,440	1,846,870	7,441,503
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,000,352	\$ 3,274,486	\$ 2,017,181	\$ 8,292,019

See accompanying notes to financial statements.

City of Fraser

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

June 30, 2016

Total fund balances - governmental funds \$ 7,441,503

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

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

The cost of capital assets is	\$ 92,386,681	
Accumulated depreciation is	<u>(74,923,351)</u>	
Capital assets, net		17,463,330

Long-term receivables are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.	136,356
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the government-wide statement of net position.	565,014
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	6,814,928
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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	(952,777)	
Accrued interest payable	(43,853)	
Long-term obligations	(6,535,063)	
Net pension liability	(23,826,688)	
Net other post-employment benefits obligation	<u>(24,744,895)</u>	
		<u>(56,103,276)</u>

Net position of governmental activities \$ (23,682,145)

City of Fraser

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2016

	General Fund	Street Construction Fund	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 9,281,731	\$ -	\$ 1,850,733	\$ 11,132,464
Licenses and permits	425,758	-	-	425,758
Intergovernmental				
Federal	468,991	-	-	468,991
State	1,378,369	-	951,498	2,329,867
District Court and Violations Bureau	689,308	-	-	689,308
Charges for services	500,589	-	330,888	831,477
Fines and forfeitures	100,134	-	368,178	468,312
Interest and rents	181,428	-	3,008	184,436
Other	694,009	-	4,960	698,969
TOTAL REVENUES	13,720,317	-0-	3,509,265	17,229,582
EXPENDITURES				
Current				
General government	2,115,572	38,791	-	2,154,363
Public safety	6,711,280	-	337,772	7,049,052
Public works	1,556,591	-	806,469	2,363,060
Health and welfare	-	-	668,708	668,708
Community and economic development	25,597	-	-	25,597
Recreation and culture	1,257,739	-	-	1,257,739
Other	1,660,988	-	-	1,660,988
Capital outlay	-	1,938,047	134,586	2,072,633
Debt service	-	-	1,487,009	1,487,009
TOTAL EXPENDITURES	13,327,767	1,976,838	3,434,544	18,739,149
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	392,550	(1,976,838)	74,721	(1,509,567)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	311,570	311,570
Transfers out	(182,319)	-	(128,434)	(310,753)
TOTAL OTHER FINANCING SOURCES (USES)	(182,319)	-0-	183,136	817
NET CHANGE IN FUND BALANCES	210,231	(1,976,838)	257,857	(1,508,750)
Restated fund balances, beginning of year	2,205,962	5,155,278	1,589,013	8,950,253
Fund balances, end of year	\$ 2,416,193	\$ 3,178,440	\$ 1,846,870	\$ 7,441,503

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, 2016

Net change in fund balances - total governmental funds \$ (1,508,750)

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	\$ 2,542,715	
Depreciation expense	<u>(992,300)</u>	
Excess of capital outlay over depreciation expense		1,550,415

An internal service fund is used by management to charge the costs of certain activities to individual funds. The net position of the internal service fund increased in the current period.

117,901

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

Change in unavailable revenue (103,610)

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

Debt principal retirement 1,358,900

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in net pension liability	(5,416,998)	
(Increase) in accrued interest payable	(4,664)	
Decrease in compensated absences	61,509	
(Increase) in other post-employment benefits obligation	(4,211,123)	
Increase in deferred outflows of resources related to pensions	<u>3,911,666</u>	
		<u>(5,659,610)</u>

Change in net position of governmental activities \$ (4,244,754)

City of Fraser

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2016

	Business-type Activities			Governmental
	Nonmajor			Activities
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,056,591	\$ 160,237	\$ 3,216,828	\$ 339,825
Restricted cash and cash equivalents	86,363	-	86,363	-
Accounts receivable	-	555	555	7,125
Customer receivables	1,563,380	-	1,563,380	-
Due from other governmental units	5,129	-	5,129	-
Prepaid expenses	1,788	116	1,904	210
Total current assets	4,713,251	160,908	4,874,159	347,160
Noncurrent assets				
Capital assets not being depreciated	304,417	825,000	1,129,417	-
Capital assets being depreciated, net	25,624,834	1,962,635	27,587,469	274,218
Total noncurrent assets	25,929,251	2,787,635	28,716,886	274,218
TOTAL ASSETS	30,642,502	2,948,543	33,591,045	621,378
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	736,239	-	736,239	-
LIABILITIES				
Current liabilities				
Accounts payable	417,217	48,313	465,530	29,089
Due to other funds	19,283	-	19,283	26,685
Accrued interest payable	107,128	1,873	109,001	-
Current portion of compensated absences	24,879	-	24,879	590
Current portion of long-term debt	927,626	250,000	1,177,626	-
Total current liabilities	1,496,133	300,186	1,796,319	56,364
Noncurrent liabilities				
Net pension liability	2,574,074	-	2,574,074	-
Net other post-employment benefits obligation	2,548,745	-	2,548,745	-
Noncurrent portion of compensated absences	26,326	2,545	28,871	-
Noncurrent portion of long-term debt	14,462,578	525,000	14,987,578	-
Total noncurrent liabilities	19,611,723	527,545	20,139,268	-0-
TOTAL LIABILITIES	21,107,856	827,731	21,935,587	56,364
NET POSITION				
Net investment in capital assets	10,539,047	2,012,635	12,551,682	274,218
Restricted for capital replacement	86,363	-	86,363	-
Unrestricted	(354,525)	108,177	(246,348)	290,796
TOTAL NET POSITION	\$ 10,270,885	\$ 2,120,812	\$ 12,391,697	\$ 565,014

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2016

	Business-type Activities			Governmental
	Nonmajor			Activities
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 7,587,504	\$ 6,665	\$ 7,594,169	\$ 1,003,598
Interest and penalties	64,856	376	65,232	-
Rentals	-	526,900	526,900	730,720
Other	-	-	-0-	14,251
TOTAL OPERATING REVENUES	7,652,360	533,941	8,186,301	1,748,569
OPERATING EXPENSES				
Salaries	517,454	34,243	551,697	59,404
Fringe benefits	1,502,427	-	1,502,427	48,134
Administrative charges	285,000	50,000	335,000	-
Materials and supplies	113,020	33,962	146,982	-
Equipment rental	85,000	-	85,000	-
Repairs and maintenance	79,282	78,834	158,116	500,219
Cost of water	1,172,535	-	1,172,535	-
Cost of sewage disposal	2,549,404	-	2,549,404	-
Utilities	6,228	36,977	43,205	-
Postage	35,451	-	35,451	-
Claims paid	-	-	-0-	1,050,795
Miscellaneous	31,796	39,477	71,273	3,722
Depreciation	1,294,293	89,296	1,383,589	34,664
TOTAL OPERATING EXPENSES	7,671,890	362,789	8,034,679	1,696,938
OPERATING INCOME (LOSS)	(19,530)	171,152	151,622	51,631
NONOPERATING REVENUES (EXPENSES)				
Tap-in fees	35,628	-	35,628	-
Intergovernmental - State	115,628	-	115,628	-
Interest and other revenue	1,587	131	1,718	19,890
Rebates and refunds	-	-	-0-	47,197
Interest expense	(384,779)	(12,698)	(397,477)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(231,936)	(12,567)	(244,503)	67,087
NET INCOME (LOSS) BEFORE TRANSFERS	(251,466)	158,585	(92,881)	118,718
Transfers out	-	-	-0-	(817)
CHANGE IN NET POSITION	(251,466)	158,585	(92,881)	117,901
Net position, beginning of year	10,522,351	1,962,227	12,484,578	447,113
Net position, end of year	<u>\$ 10,270,885</u>	<u>\$ 2,120,812</u>	<u>\$ 12,391,697</u>	<u>\$ 565,014</u>

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	Business-type Activities			Governmental
	Nonmajor			Activities
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 7,673,765	\$ 533,386	\$ 8,207,151	\$ 1,828,443
Cash receipts from other governmental units	1,722,112	-	1,722,112	-
Cash paid to suppliers	(4,774,833)	(237,749)	(5,012,582)	(1,692,517)
Cash paid to employees	(492,013)	(32,585)	(524,598)	(61,148)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,129,031	263,052	4,392,083	74,778
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	-	-	-0-	(817)
Rebates and refunds	-	-	-0-	47,197
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-0-	-0-	-0-	46,380
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital acquisitions	(651,567)	-	(651,567)	(62,167)
Capital grant	115,628	-	115,628	-
Tap-in fees	35,628	-	35,628	-
Payments on long-term borrowing	(1,193,165)	(255,000)	(1,448,165)	(17,026)
Proceeds from debt issuance	583,704	-	583,704	-
Interest and fees paid	(395,013)	(13,314)	(408,327)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,504,785)	(268,314)	(1,773,099)	(79,193)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,587	131	1,718	19,890
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,625,833	(5,131)	2,620,702	61,855
Cash and cash equivalents, beginning of year	517,121	165,368	682,489	277,970
Cash and cash equivalents, end of year	<u>\$ 3,142,954</u>	<u>\$ 160,237</u>	<u>\$ 3,303,191</u>	<u>\$ 339,825</u>

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2016

	Business-type Activities			Governmental
	Nonmajor			Activities
	Water and Sewer Fund	Senior Citizen Housing Complex Fund	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (19,530)	\$ 171,152	\$ 151,622	\$ 51,631
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	1,294,293	89,296	1,383,589	34,664
Decrease (increase) in:				
Receivables	26,534	(555)	25,979	(4,966)
Due from other funds	1,722,112	-	1,722,112	76,105
Due from other governmental units	(5,129)	-	(5,129)	-
Prepays	10,491	(116)	10,375	(210)
Deferred outflows related to pensions	(483,783)	-	(483,783)	-
Increase (decrease) in:				
Accounts payable	(8,157)	1,617	(6,540)	(107,387)
Accrued liabilities	(22,704)	(887)	(23,591)	-
Due to other funds	19,283	-	19,283	26,685
Compensated absences	48,145	2,545	50,690	(1,744)
Net pension liability	973,232	-	973,232	-
Other post-employment benefits obligation	574,244	-	574,244	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,129,031	\$ 263,052	\$ 4,392,083	\$ 74,778

City of Fraser

Fiduciary Funds

STATEMENT OF NET POSITION

June 30, 2016

	<u>Economic Development Corporation</u>	<u>Downtown Development Authority</u>	<u>Agency Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,564	\$ 1,449	\$ 860,012
Due from other governmental units	<u>-</u>	<u>-</u>	<u>1,958</u>
TOTAL ASSETS	1,564	1,449	<u><u>\$ 861,970</u></u>
LIABILITIES			
Due to individuals and agencies	<u>-</u>	<u>-</u>	<u><u>\$ 861,970</u></u>
NET POSITION			
Unrestricted	<u><u>\$ 1,564</u></u>	<u><u>\$ 1,449</u></u>	

See accompanying notes to financial statements.

City of Fraser

Fiduciary Funds

STATEMENT OF CHANGES IN NET POSITION

Year Ended June 30, 2016

	<u>Economic Development Corporation</u>	<u>Downtown Development Authority</u>
GENERAL REVENUES		
Investment earnings	<u>\$ -</u>	<u>\$ 405</u>
CHANGE IN NET POSITION	-0-	405
Net position, beginning of year	<u>1,564</u>	<u>1,044</u>
Net position, end of year	<u><u>\$ 1,564</u></u>	<u><u>\$ 1,449</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fraser, Michigan, (the City) is located in Macomb County, Michigan, and has a population of approximately 14,602. The City operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, and utilities services.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City of Fraser (primary government) and its component units, entities for which the government is considered to be financially accountable. The component units are legally separate from the City; however, they are not discretely presented because they are immaterial to the financial statements as a whole. Therefore, the component units are included in the fiduciary funds financial statements.

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

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

2. Blended Component Units

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

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

3. Fiduciary Component Units

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

3. Fiduciary Component Units - continued

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

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Street Construction Fund is used to account for the capital projects financed by the 2015 General Obligation Unlimited tax Bonds.

The City reports the following major enterprise fund:

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The City also reports fiduciary funds for the Economic Development Corporation and Downtown Development Authority, respectively.

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

5. Measurement Focus

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

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

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

6. Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

7. Budgets and Budgetary Accounting

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

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

8. Cash and Cash Equivalents

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 consists of checking, savings, and money market accounts. Cash equivalents consist of temporary investments in money market mutual funds and certificates of deposit with original maturities of ninety (90) days or less.

9. Restricted Cash and Cash Equivalents

The City's restricted cash and cash equivalents consist of unspent bond proceeds and amounts earmarked for debt service 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

12. Property Tax

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

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

The City is permitted by charter to levy taxes up to \$20 per \$1,000 of assessed valuation for general governmental services and additional amounts specifically designated for refuse services, ambulance services, city hall debt repayment, and streets. For the year ended June 30, 2016, the City levied 18.2462 mills per \$1,000 of assessed valuation for general governmental services, 1.0000 mills for refuse services, 0.9818 mills for ambulance services, 2.0000 for streets, and 1.0300 mills for city hall debt repayment. The total taxable value for the 2015 levy for property within the City was \$478,700,746.

13. Prepays

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

14. Unearned Revenue

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

15. Compensated Absences

Certain City employees are granted vacation and sick leave in varying amounts and are permitted to accumulate these benefits. In the event of termination, an employee is paid for accumulated vacation and sick time. All employees with accumulated unused vacation and sick time pay at June 30, 2016, along with related payroll taxes, are recorded in the government-wide and proprietary fund financial statements.

16. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

17. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition cost on the date received.

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

Land improvements	15 years
Buildings and improvements	20 - 50 years
Vehicles	5 - 20 years
Machinery and equipment	5 - 20 years
Library collection	7 years
County road improvements	5 - 20 years
Roads and sidewalks	20 - 30 years
Water and sewer distribution systems	25 - 30 years
Furniture and fixtures	5 - 15 years

18. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet will, when applicable, report a separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will be recognized as an outflow of resources (expenditure/expense) until that time. Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

19. Long-term Liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

20. Restrictions of Net Position

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

21. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those expected.

22. Comparative Data

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

NOTE B: DEPOSITS

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

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

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: DEPOSITS - CONTINUED

As of June 30, 2016, 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	\$ 9,963,572	\$ 10,391,867
Certificates of deposit	<u>308,562</u>	<u>308,562</u>
TOTAL PRIMARY GOVERNMENT	10,272,134	10,700,429
FIDUCIARY FUNDS		
Checking and savings	<u>863,025</u>	<u>797,300</u>
TOTAL REPORTING ENTITY	<u>\$ 11,135,159</u>	<u>\$ 11,497,729</u>

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

Deposits

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2016, the City accounts were insured by the FDIC for \$1,748,317 and the amount of \$9,749,412 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.

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). As of June 30, 2016, the City had no investments.

Interest Rate Risk

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

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

Concentration of Credit Risk

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

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

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: DEPOSITS - CONTINUED

Custodial Credit Risk

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

Requiring that deposits and investments held by a third-party custodian be evidenced by a safekeeping receipt.

The 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, 2016:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 6,906,118	\$ 863,025	\$ 7,769,143
Restricted cash and cash equivalents	3,368,566	-	3,368,566
	<u>\$ 10,274,684</u>	<u>\$ 863,025</u>	<u>\$ 11,137,709</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2016, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ 155,313
Nonmajor enterprise fund	26,685
Water and Sewer Fund	19,283
	<u>\$ 201,281</u>
Due to nonmajor governmental funds from:	
General Fund	<u>\$ 11,904</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.

NOTE D: INTERFUND TRANSFERS

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

Transfers to nonmajor governmental funds from:	
General Fund	\$ 182,319
Internal service funds	817
Other nonmajor governmental funds	128,434
	<u>\$ 311,570</u>

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to the nonmajor governmental funds from the General Fund were to fund the replacement of ambulances and operations. Transfers between nonmajor governmental funds were to fund street projects and debt service payments related to a dump truck, fire truck, and copiers. Transfers to the nonmajor governmental funds from the internal service funds were for debt service payments related to a dump truck.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,938,136	\$ -	\$ -	\$ 4,938,136
Construction in progress	255,792	814,780	(255,792)	814,780
Capital assets not being depreciated	5,193,928	814,780	(255,792)	5,752,916
Capital assets being depreciated				
Land improvements	162,706	669,912	-	832,618
Roads and sidewalks	73,910,418	1,097,374	-	75,007,792
County road improvements	553,414	-	-	553,414
Buildings and improvements	6,605,885	6,800	-	6,612,685
Vehicles	3,976,074	138,603	(46,140)	4,068,537
Machinery and equipment	1,486,008	97,248	(7,602)	1,575,654
Library collection	261,048	35,957	-	297,005
Furniture and fixtures	274,291	-	(10,626)	263,665
Subtotal	87,229,844	2,045,894	(64,368)	89,211,370
Less accumulated depreciation for:				
Land improvements	(114,765)	(37,843)	-	(152,608)
Roads and sidewalks	(68,980,282)	(496,767)	-	(69,477,049)
County road improvements	(214,343)	(18,447)	-	(232,790)
Buildings and improvements	(2,398,772)	(145,230)	-	(2,544,002)
Vehicles	(2,964,416)	(201,903)	46,140	(3,120,179)
Machinery and equipment	(1,145,908)	(96,391)	7,602	(1,234,697)
Library collection	(171,365)	(30,383)	-	(201,748)
Furniture and fixtures	(274,291)	-	10,626	(263,665)
Subtotal	(76,264,142)	(1,026,964)	64,368	(77,226,738)
Net capital assets being depreciated	10,965,702	1,018,930	-0-	11,984,632
Capital assets, net	<u>\$ 16,159,630</u>	<u>\$ 1,833,710</u>	<u>\$ (255,792)</u>	<u>\$ 17,737,548</u>

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

Depreciation expense was charged to the following governmental activities:

General government	\$ 318,231
Public safety	178,423
Public works	392,169
Recreation and culture	103,477
Internal service fund	34,664
	<u>\$ 1,026,964</u>

	Restated Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 837,043	\$ -	\$ -	\$ 837,043
Construction in progress	-	292,374	-	292,374
	<u>837,043</u>	<u>292,374</u>	<u>-0-</u>	<u>1,129,417</u>
Capital assets being depreciated				
Water and sewer distribution systems	39,952,928	255,831	-	40,208,759
Machinery & equipment	-	103,362	-	103,362
Buildings and building improvements	3,911,052	-	-	3,911,052
	<u>43,863,980</u>	<u>359,193</u>	<u>-0-</u>	<u>44,223,173</u>
Subtotal				
Less accumulated depreciation for:				
Water and sewer distribution systems	\$(13,392,995)	\$ (1,288,998)	\$ -	\$(14,681,993)
Machinery & equipment	-	(5,295)	-	(5,295)
Buildings and building improvements	(1,859,120)	(89,296)	-	(1,948,416)
	<u>(15,252,115)</u>	<u>(1,383,589)</u>	<u>-0-</u>	<u>(16,635,704)</u>
Subtotal				
Net capital assets being depreciated	<u>28,611,865</u>	<u>(1,024,396)</u>	<u>-0-</u>	<u>27,587,469</u>
Capital assets, net	<u>\$ 29,448,908</u>	<u>\$ (732,022)</u>	<u>\$ -0-</u>	<u>\$ 28,716,886</u>

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

Water and Sewer	\$ 1,294,293
Senior Citizen Housing Complex	89,296
	<u>\$ 1,383,589</u>

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2016:

	Restated Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due in One Year
Governmental Activities					
2010 Refunding Bonds	\$ 2,440,000	\$ -	\$ (410,000)	\$ 2,030,000	\$ 500,000
2015 General Obligation Unlimited Tax Bonds	5,135,000	-	(830,000)	4,305,000	840,000
2015 Bond premium	140,564	-	(23,427)	117,137	23,427
Lease purchase agreement - Aerial Platform Fire Truck	125,997	-	(62,998)	62,999	62,999
Lease purchase agreement - Dump Truck	17,026	-	(17,026)	-0-	-
Installment purchase agreement - Copier	15,991	-	(15,991)	-0-	-
Installment purchase agreement - E911 phones	36,411	-	(16,484)	19,927	17,034
Compensated absences	1,016,620	494,179	(557,432)	953,367	295,559
	8,927,609	494,179	(1,933,358)	7,488,430	1,739,019
Business-type Activities					
2012A Refunding Bonds	1,115,000	-	(115,000)	1,000,000	135,000
2012B Refunding Bonds	1,030,000	-	(255,000)	775,000	250,000
2008 North Gratiot Interceptor Drainage District	314,649	-	(314,649)	-0-	-
2010B OMID Drainage District	129,327	-	(6,042)	123,285	6,275
2010A MID Drainage District	3,288,256	-	(123,684)	3,164,572	126,244
2010 North Gratiot Drainage District	30,516	-	(1,144)	29,372	1,165
2010A OMID Drainage District	507,782	-	(26,144)	481,638	26,841
2009 Clean Water Revolving Loan Fund	5,875,000	-	(325,000)	5,550,000	335,000
2011 OMID Drainage District	699,889	-	(29,245)	670,644	29,959
2011 MID Drainage District	1,279,291	-	(81,222)	1,198,069	49,637
2013A OMID Drainage District	1,589,514	-	(65,396)	1,524,118	66,738
2014A OMID Drainage District	232,405	-	(8,994)	223,411	9,155
2015 Public OMID Drainage District	-	275,602	-	275,602	18,070
2015 North Gratiot Interceptor Refunding	-	291,330	-	291,330	12,003
2015A MID CWRP Project	-	16,772	-	16,772	6,431
Installment purchase agreement - Sewer vacuum equipment	255,000	-	(30,000)	225,000	35,000
Installment purchase agreement - Backhoe	46,000	-	(10,000)	36,000	12,000
Installment purchase agreement - Water meters	637,036	-	(56,645)	580,391	58,108
Compensated absences	3,060	53,750	(3,060)	53,750	24,879
	17,032,725	637,454	(1,451,225)	16,218,954	1,202,505
	<u>\$ 25,960,334</u>	<u>\$ 1,131,633</u>	<u>\$ (3,384,583)</u>	<u>\$ 23,707,384</u>	<u>\$ 2,941,524</u>

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

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

Governmental Activities

General Obligation Bonds

\$3,960,000 2010 General Obligation Unlimited Tax Refunding Bonds dated August 25, 2010, due in annual installments ranging from \$490,000 to \$530,000 through October 1, 2019, with interest ranging from 2.50 to 4.00 percent. \$ 2,030,000

\$5,135,000 2015 General Obligation Limited Tax Refunding Bonds dated June 16, 2015, due in annual installments ranging from \$840,000 to \$880,000 through October 1, 2020, with interest ranging from 2.00 to 3.00 percent. 4,305,000

\$ 6,335,000

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 \$62,999 through October 1, 2016, with interest of 4.43 percent. \$ 62,999

\$129,049 Installment Purchase Agreement for Emergency 911 Telephone System dated September 20, 2012, due in monthly installments of \$1,453, including interest of 3.287 percent through August 20, 2017. 19,927

\$ 82,926

Business-type Activities

General Obligation Bonds

\$1,340,000 2012A General Obligation Limited Tax Refunding Bonds dated June 12, 2012, due in annual installments ranging from \$135,000 to \$165,000 through October 1, 2022, with interest of 2.0 percent. \$ 1,000,000

\$1,525,000 2012B General Obligation Building Authority Refunding Bonds dated September 20, 2012, due in annual installments ranging from \$250,000 to \$265,000 through November 1, 2018, with interest at 1.45 percent. 775,000

\$ 1,775,000

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

Business-type Activities - Continued

Macomb County Water Disposal District

\$155,701 2010B Oakland-Macomb Interceptor Drainage District Bonds dated April 1, 2010, due in annual installments ranging from \$6,275 to \$12,084 through April 1, 2030, with interest ranging from 3.90 to 5.90 percent.	\$ 123,285
\$3,766,448 2010A Macomb Interceptor Drainage District Bonds dated August 30, 2010, due in annual installments ranging from \$126,244 to \$221,764 through May 1, 2035, with interest ranging from 2.75 to 5.50 percent.	3,164,572
\$35,618 2010 North Gratiot Drainage District Bonds dated May 11, 2010, due in annual installments ranging from \$1,165 to \$2,047 through May 1, 2035, with interest ranging from 3.85 to 6.35 percent.	29,372
\$605,990 2010A Oakland-Macomb Interceptor Drainage District Bonds dated February 1, 2010, due in annual installments ranging from \$26,841 to \$37,996 through April 1, 2031, with interest of 2.50 percent.	481,638
\$728,420 2011 Oakland-Macomb Interceptor Drainage District Bonds dated January 1, 2012, due in annual installments ranging from \$29,959 to \$45,508 through October 1, 2033, with interest of 2.50 percent.	\$ 670,644
\$1,389,850 2011 Macomb Interceptor Drainage District Bonds dated October 18, 2011, due in annual installments ranging from \$49,637 to \$112,813 through October 1, 2031, with interest of 5.00 percent.	1,198,069
\$1,589,514 2013A Oakland-Macomb Interceptor Drainage District Bonds dated July 1, 2013, due in estimated annual installments ranging from \$66,738 to \$95,287 through October 1, 2034, with interest of 2.00 percent.	1,524,118
\$232,405 2014A Oakland-Macomb Interceptor Drainage District Bonds dated October 1, 2014, due in annual installments ranging from \$9,155 to \$15,258 through October 1, 2034, with interest ranging from 2.00 to 3.125 percent.	223,411
\$275,602 2015 Public Oakland-Macomb Interceptor Drainage District Bonds dated April 1, 2015, due in annual installments ranging from \$18,070 to \$29,295 through April 1, 2036, with interest of 2.50 percent. The full amount of \$464,881 has yet to be drawn.	275,602
\$291,330 2015 North Gratiot Interceptor Refunding Drainage District Bonds dated July 1, 2015, due in annual installments ranging from \$12,003 to \$19,290 through November 1, 2033, with interest ranging from 3.50 to 5.00 percent.	291,330
\$16,772 2015A MID CWRP Drainage District Bonds dated October 1, 2016, due in annual installments ranging from \$6,431 to \$10,201 through October 1, 2035, with interest of 2.50 percent. The full amount of \$163,001 has yet to be drawn.	16,772
	<u>\$ 7,998,813</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

Business-type Activities - Continued

Revenue Bond

\$7,398,000 2009 Clean Water Revolving Loan Fund, dated April 17, 2009, due in annual installments ranging from \$335,000 to \$460,000 through October 1, 2029, with interest of 2.50 percent. \$ 5,550,000

Lease Purchase Agreements

\$330,934 Lease Purchase Agreement for sewer vacuum equipment dated December 7, 2011, due in annual installments ranging from \$35,000 to \$45,000 through October 1, 2021, with interest of 2.97 percent. \$ 225,000

\$76,164 Lease Purchase Agreement for a backhoe dated July 11, 2012, due in annual installments of \$12,000 through October 1, 2018, with interest of 3.25 percent. 36,000

\$637,036 Lease Purchase Agreement for Water Meters dated March 12, 2015, due in annual installments ranging from \$58,108 to \$71,259 through October 1, 2024, with interest of 2.49 percent. 580,391

\$ 841,391

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 \$1,007,117 at June 30, 2016.

The annual requirements to pay the debt principal and interest outstanding for the bonds and installment and lease purchase agreements are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 1,420,033	\$ 155,421	\$ 1,177,626	\$ 430,752
2018	1,337,893	115,362	1,215,092	403,374
2019	1,375,000	77,088	1,230,095	375,024
2020	1,410,000	40,056	992,751	347,593
2021-2025	875,000	10,937	4,934,756	1,332,963
2026-2030	-	-	4,654,826	668,908
2031-2035	-	-	1,960,058	150,185
	<u>\$ 6,417,926</u>	<u>\$ 398,864</u>	<u>\$ 16,165,204</u>	<u>\$ 3,708,799</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

Business-type Activities - Continued

Water and Sewer Obligations

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

NOTE G: DEFINED BENEFIT PENSION PLAN

Plan Description

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

Summary of Significant Accounting Policies

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

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUED

Benefits Provided

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

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

At the December 31, 2015, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	104
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>64</u>
Total employees covered by MERS	<u><u>187</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer has also established contribution rates to be paid by its covered employees. Such contribution rates vary by division.

Net Pension Liability

The net pension liability reported at June 30, 2016, was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The total pension liability was determined by an annual actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUEDNet Pension Liability - continued

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2014	\$ 47,180,736	\$ 27,170,204	\$ 20,010,532
Service cost	859,087	-	859,087
Interest on total pension liability	3,768,012	-	3,768,012
Changes in benefits	(852)	-	(852)
Difference between expected and actual experience	1,095,026	-	1,095,026
Changes in assumptions	2,184,098	-	2,184,098
Employer contributions	-	3,407,010	(3,407,010)
Employee contributions	-	744,496	(744,496)
Net investment (loss)	-	(425,297)	425,297
Benefit payments, including employee refunds	(3,869,714)	(3,869,714)	-0-
Administrative expense	-	(60,463)	60,463
Other changes	2,150,605	-	2,150,605
Net changes	6,186,262	(203,968)	6,390,230
Balances at December 31, 2015	\$ 53,366,998	\$ 26,966,236	\$ 26,400,762

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

For the year ended June 30, 2016, the City recognized pension expense of \$5,197,124. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,095,028	\$ -
Changes in assumptions	2,184,100	-
Net difference between projected and actual earnings on pension plan investments	3,282,589	-
Contributions subsequent to the measurement date*	989,450	-
Total	\$ 7,551,167	\$ -0-

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2017	\$ 1,735,581
2018	1,735,581
2019	1,735,581
2020	1,354,974

Actuarial Assumptions

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

Inflation: 2.5%

Salary increases: 3.75% in the long-term.

Investment rate of return: 7.75%, net of investment expenses, including inflation.

Mortality rates used were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; RP-2014 Juvenile Mortality Tables all with a 50% male and 50% female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50% male and 50% female blend is used to reflect the higher expected the mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUED

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	8.52%
Global Fixed Income	20.00%	5.68%
Real Assets	12.50%	7.73%
Diversifying Strategies	10.00%	10.06%

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

The following presents the net pension liability of the City, calculated using the discount rates of 8.00%, as well as what the City's net pension liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability of the City	\$ 32,408,832	\$ 26,400,762	\$ 21,317,102

NOTE H: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

During the year ended June 30, 2016, 161 participants (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.

City of Fraser

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress

For the year ended June 30, 2016, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of June 30, 2012. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

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

Annual required contribution (ARC)	\$ 5,466,568
Interest on net OPEB obligation	<u>675,248</u>
Annual OPEB cost (expense)	6,141,816
Amounts contributed:	
Payments of current premiums	<u>(1,356,449)</u>
Increase in net OPEB obligation	4,785,367
OPEB obligation - beginning of year	<u>22,508,273</u>
OPEB obligation - end of year	<u><u>\$ 27,293,640</u></u>

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 OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 4,653,906	39.5%	\$ 18,175,869
2015	6,012,168	27.9%	22,508,273
2016	6,141,816	22.1%	27,293,640

The funding progress of the plan as is as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Actuarial Methods and Assumptions

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

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

In the June 30, 2012 actuarial valuation the entry age normal cost method was used. The actuarial assumptions include a 3.0 percent per year rate of investment return (net of administrative expenses, which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate 3.0 percent after ten (10) years. Both rates include a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar on a closed basis. The remaining amortization period at June 30, 2016, was twenty-two (22) years.

NOTE I: RISK MANAGEMENT

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

The City is exposed to various risks of loss for liability, property, inland marine, crime, automobile, law enforcement liability, public officials, excess liability, and employer liability for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE J: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) classifications of fund balance under this standard.

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE J: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

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

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

Fund Balance Classification Policies and Procedures

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

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

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

NOTE K: CONSTRUCTION CODE ACTIVITY

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

As required under provisions of the Act, the City adopted this accounting treatment effective January 1, 2000. The following is a summary of the activity for the year ended June 30, 2016:

REVENUES	
Permits	\$ 97,310
EXPENDITURES	
Salaries and fringe benefits	212,772
Supplies and other	<u>33,293</u>
TOTAL EXPENDITURES	<u>246,065</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(148,755)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(599,159)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u><u>\$ (747,914)</u></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE L: CONTINGENT LIABILITIES

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

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

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

NOTE M: RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCE

Beginning net position has been restated for governmental activities and beginning fund balance has been restated for the General Fund due to the correction of an accounting error.

	Governmental Activities	General Fund
Beginning net position	\$(19,556,861)	\$ 2,086,492
Overstated IFT payable	119,470	119,470
Restated beginning net position	<u><u>\$(19,437,391)</u></u>	<u><u>\$ 2,205,962</u></u>

NOTE N: SUBSEQUENT EVENT

In September 2016, the City issued 2016 Limited Tax General Obligation Bonds in the amount of \$3,230,000. Bonds proceeds are planned to be used for all or part of the costs of acquiring and constructing water and sewer improvements.

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

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

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fraser

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 8,861,111	\$ 8,861,111	\$ 8,820,929	\$ (40,182)
Licenses and permits				
Franchise fees	135,000	135,000	147,618	12,618
Other	172,700	172,700	278,140	105,440
Total license and permits	307,700	307,700	425,758	118,058
Intergovernmental				
Federal	12,000	340,227	468,991	128,764
State	1,439,067	1,439,067	1,378,369	(60,698)
District court and violations bureau	752,250	752,250	689,308	(62,942)
Total intergovernmental	2,203,317	2,531,544	2,536,668	5,124
Charges for services	712,650	344,650	395,666	51,016
Fines and forfeitures	85,875	85,875	100,134	14,259
Interest and rents	121,500	121,500	181,428	59,928
Other				
Library	6,750	6,750	7,727	977
Miscellaneous	291,750	659,750	686,282	26,532
Total other	298,500	666,500	694,009	27,509
TOTAL REVENUES	12,590,653	12,918,880	13,154,592	235,712
EXPENDITURES				
Current				
General government				
City council	89,435	94,935	84,944	9,991
City administration	212,805	216,555	216,525	30
City clerk	133,946	151,946	142,869	9,077
District court	677,627	677,627	632,255	45,372
Finance	288,840	453,726	423,043	30,683
Assessor	142,554	101,183	96,695	4,488
Legal	80,500	82,753	82,753	-0-
Building and grounds	457,306	491,828	436,488	55,340
Total general government	2,083,013	2,270,553	2,115,572	154,981
Public safety	6,388,839	6,717,639	6,711,280	6,359

City of Fraser

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Public works				
Building inspections	\$ 258,025	\$ 258,365	\$ 252,813	\$ 5,552
Other	648,361	648,021	555,394	92,627
Total public works	906,386	906,386	808,207	98,179
Community and economic development				
Planning committee	18,891	25,612	25,597	15
Recreation and culture				
City parks and recreation	550,559	937,774	892,011	45,763
Historical commission	2,100	2,100	1,699	401
Library	360,292	364,679	364,029	650
Total recreation and culture	912,951	1,304,553	1,257,739	46,814
Other				
Insurance	199,570	199,570	199,570	-0-
Retiree health insurance contributions	1,444,085	1,444,085	1,356,451	87,634
Refunds and reimbursements	90,000	110,500	104,967	5,533
Total other	1,733,655	1,754,155	1,660,988	93,167
TOTAL EXPENDITURES	12,043,735	12,978,898	12,579,383	399,515
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	546,918	(60,018)	575,209	635,227
OTHER FINANCING (USES)				
Transfers out	(182,534)	(363,378)	(365,000)	(1,622)
Net change in fund balance (budgetary basis)	\$ 364,384	\$ (423,396)	210,209	\$ 633,605
Budgetary perspective differences			22	
Net change in fund balance (GAAP basis)			\$ 210,231	

City of Fraser

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

Last Three Measurement Dates (Amounts determined as of 12/31 of each fiscal year)

(Ultimately ten measurement dates will be displayed)

	2015	2014	2013
Total Pension Liability			
Service cost	\$ 859,087	\$ 896,348	\$ 931,721
Interest	3,768,012	3,636,330	4,169,985
Changes of benefit terms	(852)	-	-
Difference between expected and actual experience	1,095,026	-	-
Changes of assumptions	2,184,098	-	-
Benefit payments, including refunds of member contributions	(3,869,714)	(1,961,048)	(2,845,047)
Other	2,150,605	-	-
Net change in total pension liability	6,186,262	2,571,630	2,256,659
Total Pension Liability, beginning	47,180,736	44,609,106	53,081,473
Total Pension Liability, ending	<u>\$ 53,366,998</u>	<u>\$ 47,180,736</u>	<u>\$ 55,338,132</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 3,407,010	\$ 878,683	\$ 1,261,394
Contributions - employee	744,496	149,899	211,899
Net investment income (loss)	(425,297)	348,982	2,281,019
Benefit payments, including employee refunds	(3,869,714)	(1,961,048)	(2,845,047)
Administrative expenses	(60,463)	(19,181)	(49,193)
Other	-	-	1,633,520
Net change in plan fiduciary net position	(203,968)	(602,665)	2,493,592
Plan Fiduciary Net Position, beginning	27,170,204	27,772,869	24,741,607
Plan Fiduciary Net Position, ending	<u>\$ 26,966,236</u>	<u>\$ 27,170,204</u>	<u>\$ 27,235,199</u>
City's Net Pension Liability	<u>\$ 26,400,762</u>	<u>\$ 20,010,532</u>	<u>\$ 28,102,933</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	51%	58%	49%
Covered Employee Payroll	\$ 4,824,059	\$ 5,019,636	\$ 5,092,610
City's Net Pension Liability as a percentage of Covered Employee Payroll	547%	399%	552%

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

City of Fraser

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Three Fiscal Years (Amounts determined as of 6/30 of each fiscal year)

(Ultimately ten fiscal years will be displayed)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 2,010,203	\$ 2,383,976	\$ 1,923,228
Contributions in relation to the actuarially determined contribution	<u>2,010,203</u>	<u>1,633,298</u>	<u>1,531,586</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ 750,678</u>	<u>\$ 391,642</u>
Covered Employee Payroll	\$ 4,952,333	\$ 5,019,636	\$ 5,092,610
Contributions as a percentage of covered employee payroll	41%	33%	30%

City of Fraser

Other Post-Employment Benefits

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
2006	\$ 340,018	\$ 49,708,098	\$ 49,368,080	0.7%	\$ 6,020,985	819.9%
2009	677,886	58,822,957	58,145,071	1.2%	5,966,282	974.6%
2012	416,750	68,263,560	67,846,810	0.6%	4,955,687	1369.1%

Schedule of Employer Contributions

Year Ended June 30,	Annual OPEB Cost	Annual Actual Contribution	Percent Contributed
2014	\$ 4,653,906	\$ 1,839,555	39.5%
2015	6,012,168	1,679,764	27.9%
2016	6,141,816	1,356,449	22.1%

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

Valuation date	June 30, 2012
Actuarial cost method	Individual Entry Age
Amortization method	Level Dollar, Closed
Remaining amortization period	22
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	3.00%
Projected salary increases	3.00%
Medical care cost trend rate	9.00% year 1 graded to 3.00% year 10

City of Fraser

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

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, 2016, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Transfers out	\$ 363,378	\$ 365,000	\$ 1,622

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 Garbage Collection Fund are combined with the General Fund.

Net change in General Fund fund balance (budgetary basis)	\$ 210,209
Garbage Collection Fund	
Property taxes	460,802
Charges for services	104,923
Transfers in from other funds	182,681
Public works expenditures	<u>(748,384)</u>
Net change in General Fund fund balance (GAAP basis)	<u>\$ 210,231</u>

NOTE C: CHANGES IN THE CITY'S NET PENSION LIABILITY

The main assumption and method changes for the defined benefit pension plan actuarial valuation were:

- The mortality table was adjusted to reflect longer lifetimes.
- The assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75%.
- The asset smoothing was changed from 10 to 5 years.
- The amortization period was moved to a fixed period amortization for the December 31, 20014 annual valuations.

OTHER SUPPLEMENTARY INFORMATION

City of Fraser

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2016

	Special Revenue Funds			
	Major Streets Fund	Local Streets Fund	Ambulance Fund	Gambling Forfeiture Fund
ASSETS				
Cash and cash equivalents	\$ 93,132	\$ 65,124	\$ 340,738	\$ 865,932
Accounts receivable	-	100	-	-
Due from other governmental units	95,070	72,003	-	-
Due from other funds	-	10,429	-	-
Prepays	363	275	-	-
TOTAL ASSETS	\$ 188,565	\$ 147,931	\$ 340,738	\$ 865,932
LIABILITIES				
Accounts payable	\$ 716	\$ 336	\$ 2,319	\$ 672
Accrued liabilities	-	-	4,145	-
Due to other governmental units	-	-	-	-
Due to other funds	5,862	-	8,775	-
TOTAL LIABILITIES	6,578	336	15,239	672
FUND BALANCES				
Nonspendable				
Prepays	363	275	-	-
Restricted				
Streets and highways	181,624	147,320	-	-
Public safety	-	-	-	865,260
Debt service	-	-	-	-
Assigned				
Health and welfare	-	-	325,499	-
Debt service	-	-	-	-
TOTAL FUND BALANCES	181,987	147,595	325,499	865,260
TOTAL LIABILITIES AND FUND BALANCES	\$ 188,565	\$ 147,931	\$ 340,738	\$ 865,932

Debt Service Funds

Drug Forfeiture Fund	General Obligation Fund	Motor Vehicle Highway Fund	Special Assessment Fund	2015 General Obligation Fund	Total
\$ 346,107	\$ 95,142	\$ -	\$ 31,291	\$ -	\$ 1,837,466
-	-	-	-	-	100
-	-	-	-	-	167,073
-	-	-	-	1,475	11,904
-	-	-	-	-	638
<u>\$ 346,107</u>	<u>\$ 95,142</u>	<u>\$ -0-</u>	<u>\$ 31,291</u>	<u>\$ 1,475</u>	<u>\$ 2,017,181</u>
\$ 4,577	\$ -	\$ -	\$ -	\$ -	\$ 8,620
-	-	-	-	-	4,145
-	-	-	2,233	-	2,233
139,201	-	-	-	1,475	155,313
143,778	-0-	-0-	2,233	1,475	170,311
-	-	-	-	-	638
-	-	-	-	-	328,944
202,329	-	-	-	-	1,067,589
-	95,142	-	-	-	95,142
-	-	-	-	-	325,499
-	-	-	29,058	-	29,058
<u>202,329</u>	<u>95,142</u>	<u>-0-</u>	<u>29,058</u>	<u>-</u>	<u>1,846,870</u>
<u>\$ 346,107</u>	<u>\$ 95,142</u>	<u>\$ -0-</u>	<u>\$ 31,291</u>	<u>\$ 1,475</u>	<u>\$ 2,017,181</u>

City of Fraser

Nonmajor Governmental Funds

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

Year Ended June 30, 2016

	Special Revenue Funds			
	Major Streets Fund	Local Streets Fund	Ambulance Fund	Gambling Forfeiture Fund
REVENUES				
Taxes	\$ -	\$ -	\$ 452,412	\$ -
Intergovernmental - State	578,093	373,405	-	-
Charges for services	-	-	330,888	-
Fines and forfeitures	-	-	-	235,876
Interest	-	-	-	2,057
Other	-	20	-	-
TOTAL REVENUES	578,093	373,425	783,300	237,933
EXPENDITURES				
Current				
Public safety	-	-	-	135,231
Public works	483,145	323,324	-	-
Health and welfare	-	-	668,708	-
Capital outlay	17,598	50	-	116,938
Debt service	-	-	-	-
TOTAL EXPENDITURES	500,743	323,374	668,708	252,169
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	77,350	50,051	114,592	(14,236)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	45,000	180,844	-
Transfers out	(45,000)	-	-	(83,434)
TOTAL OTHER FINANCING SOURCES (USES)	(45,000)	45,000	180,844	(83,434)
NET CHANGE IN FUND BALANCES	32,350	95,051	295,436	(97,670)
Fund balances, beginning of year	149,637	52,544	30,063	962,930
Fund balances (deficit), end of year	\$ 181,987	\$ 147,595	\$ 325,499	\$ 865,260

Debt Service Funds

Drug Forfeiture Fund	General Obligation Fund	Motor Vehicle Highway Fund	Special Assessment Fund	2015 General Obligation Fund	Total
\$ -	\$ 475,326	\$ -	\$ -	\$ 922,995	\$ 1,850,733
-	-	-	-	-	951,498
-	-	-	-	-	330,888
132,302	-	-	-	-	368,178
951	-	-	-	-	3,008
4,940	-	-	-	-	4,960
138,193	475,326	-0-	-0-	922,995	3,509,265
202,541	-	-	-	-	337,772
-	-	-	-	-	806,469
-	-	-	-	-	668,708
-	-	-	-	-	134,586
-	478,288	84,251	-	924,470	1,487,009
202,541	478,288	84,251	-0-	924,470	3,434,544
(64,348)	(2,962)	(84,251)	-0-	(1,475)	74,721
-	-	84,251	-	1,475	311,570
-	-	-	-	-	(128,434)
-0-	-0-	84,251	-0-	1,475	183,136
(64,348)	(2,962)	-0-	-0-	-0-	257,857
266,677	98,104	-	29,058	-	1,589,013
<u>\$ 202,329</u>	<u>\$ 95,142</u>	<u>\$ -0-</u>	<u>\$ 29,058</u>	<u>\$ -0-</u>	<u>\$ 1,846,870</u>

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2016

	<u>Major Streets Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - State	\$ 527,726	\$ 527,726	\$ 578,093	\$ 50,367
Interest	2,000	2,000	-	(2,000)
TOTAL REVENUES	529,726	529,726	578,093	48,367
EXPENDITURES				
Current				
Public works				
Salaries and fringe benefits	212,771	212,771	198,214	14,557
Materials and supplies	35,000	35,000	27,262	7,738
Repairs and maintenance	75,000	75,000	64,633	10,367
Equipment rental	124,000	124,000	124,000	-0-
Other	92,900	94,900	69,036	25,864
Capital outlay	59,949	57,949	17,598	40,351
TOTAL EXPENDITURES	599,620	599,620	500,743	98,877
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(69,894)	(69,894)	77,350	147,244
OTHER FINANCING (USES)				
Transfers out	(45,000)	(45,000)	(45,000)	-0-
NET CHANGE IN FUND BALANCE	(114,894)	(114,894)	32,350	147,244
Fund balance, beginning of year	149,637	149,637	149,637	-0-
Fund balance, end of year	\$ 34,743	\$ 34,743	\$ 181,987	\$ 147,244

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2016

	<u>Local Streets Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - State	\$ 246,521	\$ 246,521	\$ 373,405	\$ 126,884
Interest	500	500	-	(500)
Other	-	-	20	20
TOTAL REVENUES	247,021	247,021	373,425	126,404
EXPENDITURES				
Current				
Public works				
Salaries and fringe benefits	88,164	151,764	169,253	(17,489)
Materials and supplies	30,000	30,000	29,851	149
Repairs and maintenance	75,000	11,350	10,019	1,331
Equipment rental	120,000	120,000	85,001	34,999
Other	29,200	29,200	29,200	-0-
Capital outlay	-	50	50	-0-
TOTAL EXPENDITURES	342,364	342,364	323,374	18,990
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(95,343)	(95,343)	50,051	145,394
OTHER FINANCING SOURCES				
Transfers in	45,000	45,000	45,000	-0-
NET CHANGE IN FUND BALANCE	(50,343)	(50,343)	95,051	145,394
Fund balance, beginning of year	52,544	52,544	52,544	-0-
Fund balance, end of year	\$ 2,201	\$ 2,201	\$ 147,595	\$ 145,394

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2016

	<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	\$ 454,843	\$ 454,843	\$ 452,412	\$ (2,431)
Charges for services	305,000	305,000	330,888	25,888
Other	500	500	-	(500)
TOTAL REVENUES	760,343	760,343	783,300	22,957
EXPENDITURES				
Current				
Health and welfare				
Salaries and fringe benefits	804,559	802,997	484,316	318,681
Materials and supplies	16,750	16,750	25,147	(8,397)
Equipment rental	50,000	50,000	50,000	-0-
Professional services	99,400	25,402	33,726	(8,324)
Other	540	76,100	75,519	581
TOTAL EXPENDITURES	971,249	971,249	668,708	302,541
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(210,906)	(210,906)	114,592	325,498
OTHER FINANCING SOURCES				
Transfers in	-	180,844	180,844	-0-
NET CHANGE IN FUND BALANCE	(210,906)	(30,062)	295,436	325,498
Fund balance, beginning of year	30,063	30,063	30,063	-0-
Fund balance, end of year	<u>\$ (180,843)</u>	<u>\$ 1</u>	<u>\$ 325,499</u>	<u>\$ 325,498</u>

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2016

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	\$ 85,000	\$ 85,000	\$ 235,876	\$ 150,876
Interest	5,000	5,000	2,057	(2,943)
Other	7,500	7,500	-	(7,500)
TOTAL REVENUES	97,500	97,500	237,933	140,433
EXPENDITURES				
Current				
Public safety				
Salaries and fringe benefits	8,074	8,074	7,638	436
Materials and supplies	91,420	71,100	68,630	2,470
Professional services	75,000	49,821	43,629	6,192
Other	20,000	15,499	15,334	165
Capital outlay	-	115,000	116,938	(1,938)
TOTAL EXPENDITURES	194,494	259,494	252,169	7,325
EXCESS OF REVENUES (UNDER) EXPENDITURES	(96,994)	(161,994)	(14,236)	147,758
OTHER FINANCING (USES)				
Transfers out	(67,224)	(83,434)	(83,434)	-0-
NET CHANGE IN FUND BALANCE	(164,218)	(245,428)	(97,670)	147,758
Fund balance, beginning of year	962,930	962,930	962,930	-0-
Fund balance, end of year	<u>\$ 798,712</u>	<u>\$ 717,502</u>	<u>\$ 865,260</u>	<u>\$ 147,758</u>

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2016

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	\$ 237,500	\$ 237,500	\$ 132,302	\$ (105,198)
Interest	1,000	1,000	951	(49)
Other	250	250	4,940	4,690
	<u>238,750</u>	<u>238,750</u>	<u>138,193</u>	<u>(100,557)</u>
EXPENDITURES				
Current				
Public safety				
Salaries and fringe benefits	45,738	39,554	31,364	8,190
Materials and supplies	177,150	147,334	99,253	48,081
Repairs and maintenance	47,500	46,500	45,063	1,437
Professional services	5,000	27,000	11,861	15,139
Other	-	15,000	15,000	-0-
	<u>275,388</u>	<u>275,388</u>	<u>202,541</u>	<u>72,847</u>
NET CHANGE IN FUND BALANCE	(36,638)	(36,638)	(64,348)	(27,710)
Fund balance, beginning of year	<u>266,677</u>	<u>266,677</u>	<u>266,677</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 230,039</u>	<u>\$ 230,039</u>	<u>\$ 202,329</u>	<u>\$ (27,710)</u>

City of Fraser

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2016

	Motor Pool Fund	Health Care Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 321,875	\$ 17,950	\$ 339,825
Accounts receivable	7,125	-	7,125
Prepaid expenses	210	-	210
Total current assets	329,210	17,950	347,160
Noncurrent assets			
Capital assets being depreciated, net	274,218	-	274,218
TOTAL ASSETS	603,428	17,950	621,378
LIABILITIES			
Current liabilities			
Accounts payable	29,089	-	29,089
Due to other funds	8,735	17,950	26,685
Current portion of compensated absences	590	-	590
TOTAL LIABILITIES	38,414	17,950	56,364
NET POSITION			
Investment in capital assets	274,218	-	274,218
Unrestricted	290,796	-	290,796
TOTAL NET POSITION	\$ 565,014	\$ -0-	\$ 565,014

City of Fraser

Internal Service Funds

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

Year Ended June 30, 2016

	Motor Pool Fund	Health Care Fund	Total
OPERATING REVENUES			
Charges for services	\$ -	\$ 1,003,598	\$ 1,003,598
Rentals	730,720	-	730,720
Other	14,251	-	14,251
TOTAL OPERATING REVENUES	744,971	1,003,598	1,748,569
OPERATING EXPENSES			
Salaries	59,404	-	59,404
Fringe benefits	48,134	-	48,134
Repairs and maintenance	500,219	-	500,219
Claims paid	-	1,050,795	1,050,795
Miscellaneous	3,722	-	3,722
Depreciation	34,664	-	34,664
TOTAL OPERATING EXPENSES	646,143	1,050,795	1,696,938
OPERATING INCOME	98,828	(47,197)	51,631
NONOPERATING REVENUES			
Interest and other revenue	19,890	-	19,890
Rebates and refunds	-	47,197	47,197
TOTAL NONOPERATING REVENUES	19,890	47,197	67,087
NET INCOME BEFORE TRANSFERS	118,718	-0-	118,718
Transfers out	(817)	-	(817)
CHANGE IN NET POSITION	117,901	-0-	117,901
Net position, beginning of year	447,113	-0-	447,113
Net position, end of year	<u>\$ 565,014</u>	<u>\$ -0-</u>	<u>\$ 565,014</u>

City of Fraser

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	Motor Pool Fund	Health Care Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 824,845	\$ 1,003,598	\$ 1,828,443
Cash paid to suppliers	(659,672)	(1,032,845)	(1,692,517)
Cash paid to employees	(61,148)	-	(61,148)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	104,025	(29,247)	74,778
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(817)	-	(817)
Rebates and refunds received	-	47,197	47,197
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(817)	47,197	46,380
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital acquisitions	(62,167)	-	(62,167)
Payments on long-term borrowing	(17,026)	-	(17,026)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(79,193)	-0-	(79,193)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	19,890	-	19,890
NET INCREASE IN CASH AND CASH EQUIVALENTS	43,905	17,950	61,855
Cash and cash equivalents, beginning of year	277,970	-	277,970
Cash and cash equivalents, end of year	<u>\$ 321,875</u>	<u>\$ 17,950</u>	<u>\$ 339,825</u>

City of Fraser

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2016

	Motor Pool Fund	Health Care Fund	Total
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ 98,828	\$ (47,197)	\$ 51,631
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	34,664	-	34,664
Decrease (increase) in:			
Receivables	(4,966)	-	(4,966)
Due from other funds	76,105	-	76,105
Prepays	(210)	-	(210)
Increase (decrease) in:			
Accounts payable	(107,387)	-	(107,387)
Due to other funds	8,735	17,950	26,685
Compensated absences	(1,744)	-	(1,744)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 104,025</u>	 <u>\$ (29,247)</u>	 <u>\$ 74,778</u>