City of Fraser

CENTENNIAL COMMUNITY

MAYOR
Doug Hagerty

COUNCIL
Dan Accavitti, Mayor Pro-Tem
Michael C. Carnagie
Paul A. Cilluffo
Matthew Hemelberg
Barbara L. Jennings
William A. Morelli

CITY MANAGER
Richard E. Haberman

CITY CLERK
Kathy Kacanowski

FRASER CITY COUNCIL – REGULAR MEETING
THURSDAY – JANUARY 9, 2014 – 7:00 P.M.
CITY HALL
AGENDA - AMENDED

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF AGENDA

4. CITIZEN PARTICIPATION ON AGENDA ITEMS

5. PRESENTATIONS:

   a. Presentation of Fiscal Year 2012-2013 Audit Report
   b. Presentation on Financial Overview for City of Fraser.

6. PUBLIC HEARINGS: There are no public hearings scheduled

7. CONSENT AGENDA

   a. Approval of Minutes of the Regular Council Meeting of December 12, 2013.
   b. Approval of Bills for the Month of December 2013 in the amount of $ $1,608,223.82
   c. Reappointment of Betty Slominski and Laura Robinson to the Board of Review with terms to expire December 31, 2015.

8. REQUESTS FOR COUNCIL ACTION

   a. Request Council discuss and set Special Meeting/Workshop on Water Rates
   b. Request Council reviews the Council Rules and Procedures relative to preparation of the council agenda.

9. REPORT OF THE CITY ADMINISTRATION/PENDING ITEMS.

10. REPORT OF MAYOR AND CITY COUNCIL/NEW BUSINESS

11. CITIZEN PARTICIPATION.

12. ADJOURNMENT

(Posted Friday JANUARY 3, 2014 4:30p.m.)

THE CITY OF FRASER WILL PROVIDE NECESSARY REASONABLE AUXILIARY AIDS AND SERVICES TO INDIVIDUALS WITH DISABILITIES AT THE MEETING UPON FOUR DAYS NOTICE TO:
RANDY WARUNEK, BUILDING DEPARTMENT
(586) 293-3100 EXT 154

IT IS THE POLICY OF THE CITY OF FRASER THAT NO PERSON, ON THE BASIS OF RACE, CREED, COLOR, RELIGION, NATIONAL ORIGIN, OR ANCESTRY, AGE, SEX, MARITAL STATUS, OR DISABILITY SHALL BE DISCRIMINATED AGAINST, EXCLUDED FROM PARTICIPATION, DENIED THE BENEFITS OF, OR OTHERWISE SUBJECTED TO DISCRIMINATION IN ANY PROGRAM OR ACTIVITY FOR WHICH IT IS RESPONSIBLE.

Fraser City Council - Regular Meeting
Thursday – December 12, 2013 - 7:00 P.M.
Municipal Building

A Regular Meeting of the Fraser City Council was conducted on the above date at the City Municipal Building, located at 33000 Garfield Road, Fraser, County of Macomb, Michigan.

Present:	Mayor Hagerty and Council Members Accavitti, Carnagie, Cilluffo, Hemelberg and Jennings
Absent:	Council Member Morelli
Also Present:	Richard E. Haberman, City Manager Kathy Kacanowski, City Clerk Jack Dolan, City Attorney

1. **Call Meeting to Order** - Mayor Hagerty called the regular meeting to order at 7:00 p.m.

2. **Pledge of Allegiance**

3. **Approval of Agenda**

Member Accavitti moved, seconded by Member Carnagie, to APPROVE THE AGENDA AS PRESENTED.

The motion carried unanimously.

4. **Citizen Participation on Agenda Items** - none

At this time Attorney Dolan suggested a motion be made to excuse council member Morelli.

Member Carnagie moved, seconded by Member Hemelberg, to APPROVE THE EXCUSED ABSENCE OF MEMBER MORELLI.

The motion carried unanimously.

5. **Presentations**

a) Mayor Hagerty read and presented a proclamation to Alli Shereda recognizing her accomplishments on, and winning a state championship for, the Fraser High School Girls Swim and Dive Team.

b) Dale Moase, Fraser Lions Club, requested Council approve a five year extension with no modification of contract for the Carnival. The 2014 carnival will be held July 17 through July 20, 2014; future dates are not yet available.

Member Jennings stated she has no problem approving a five year agreement but was under the impression Council was only considering approval of the date at this meeting. She would prefer to continue having the Lions negotiate each year with Recreation relative to this event. Mr. Moase stated the rides floor plan should not be changed once presented. Member Cilluffo also expressed some concern relative to a contract not being available. Attorney Dolan explained the Lions are simply asking for permission to hold this event in the park for the next five years and the contract is between the Lions Club and the Carnival company. Attorney Dolan also recommended they do not restrict themselves, due to changes in regulations, with a no modification clause. Manager Habermen noted that representatives from several groups meet annually to work out the details of the carnival and picnic.

Member Carnagie stated he would like to sit in on the picnic planning meetings as a Council liaison and Manager Haberman stated he welcomes his presence at the meetings.

Mayor Hagerty moved, seconded by Member Hemelberg, to APPROVE THE DATES AS REQUIRED FOR THE FRASER LIONS CLUB TO HOLD THE CITY CARNIVAL IN STEFFENS PARK FOR THE NEXT FIVE YEARS.

The motion carried unanimously.

6. **Public Hearings** - none

7. Consent Agenda

Member Jennings moved, seconded by Member Carnagie, to APPROVE THE CONSENT AGENDA ITEMS AS PRESENTED.

a. Approval of Minutes of the Regular Council Meeting of 11/14/13.
b. Approval of Minutes of the Special Council Meeting of 11/18/13.
c. Approval of Bills for the Month of November 2013 in the amount of $838,309.37.
d. Receive and file Minutes of the 10/16/13 Planning Commission Meeting.
e. Receive and file Minutes of the 11/12/13 Parks and Recreation Commission meeting.
f. Receive and file Minutes of the 11/4/13 Historical Commission meeting.
g. Receive and file Minutes of the 9/9/13 Library Board meeting.

The motion carried unanimously.

Members Cilluffo and Jennings questioned the Senior Housing Christmas party funding and Member Jennings requested the possibility of eliminating this event be brought forth at the next budget meeting.

8. Requests For Council Action

a. Request Council discuss and approve a policy regarding the purchase and disposal of tax acquired property.

Attorney Dolan explained the proposed procedure for tax reverted property and Manager Haberman advised he is in agreement with the procedure as written. Member Cilluffo stated some communities have provisions included with the sale that have to be met such as that the property must be brought up to the standards of the neighborhood within a certain time frame. He would like to see this included with our policy. Attorney Dolan recommended this be a part of the Committee Evaluation section of the procedure so that when the committee evaluates the property, they can include a specific list of action items Member Carnagie suggested a council member be a member of this committee instead of the mayor since he signs the paperwork.

The following residents spoke on this topic:
William Pretto, 17808 North Wind
Juanita Parker, 16442 Clarkson

Member Jennings moved, seconded by Member Carnagie, to APPROVE THE POLICY REGARDING THE PURCHASE AND DISPOSAL OF TAX ACQUIRED PROPERTY WITH THE INCLUSION, UNDER #3 COMMITTEE EVALUATION, THAT THE COMMITTEE PROVIDE A LIST OF ACTION ITEMS TO BE COMPLETED IF NECESSARY TO ENSURE THE PROPERTY IS BROUGHT UP TO THE STANDARDS OF THE NEIGHBORHOOD.

The motion carried unanimously.

b. Request Council approve the 2014 City Council meeting schedule as presented and discuss the addition of meetings during 2014.

Mayor Hagerty explained that he and the City Manager have had discussions relative to adding an additional meeting each month, possibly the last Wednesday of the month, if necessary to discuss a particularly large topic. Although some months will not require two meetings, he would like to invite residents to a water/sewer discussion in January and future discussions for pension funding, retiree health care and other strategies.

Discussion ensued relative to adding a second meeting each month. Member Carnagie suggested it be determined at each regular meeting if a second meeting should be scheduled along with the topic to be discussed.

Gil Harris, 15863 Kingston, voiced his opinion on this item.

Mayor Hagerty moved, seconded by Member Carnagie, to APPROVE THE 2014 CITY COUNCIL MEETING SCHEDULE AS PRESENTED WITH A SECOND MEETING TO BE HELD IN JANUARY 2014 AND ANY ADDITIONAL MEETINGS TO BE DETERMINED.

The motion carried unanimously.

c. Request Council approve the following budget adjustments:
1) General Fund in the amount of $32,535 for the purchase of tax reverted property.
2) Gambling Fund in the amount of $64,430 for the purchase of vehicles approved by the Council at the November 2013 Regular Council meeting.

Member Accavitti moved, seconded by Member Jennings, to APPROVE THE FOLLOWING BUDGET ADJUSTMENTS: GENERAL FUND IN THE AMOUNT OF $32,535 FOR THE PURCHASE OF TAX REVERTED PROPERTY AND GAMBLING FUND IN THE AMOUNT OF $64,430 FOR THE PURCHASE OF VEHICLES APPROVED BY THE COUNCIL AT THE NOVEMBER 2013 REGULAR COUNCIL MEETING.

The motion carried unanimously

9. Report of City Administration/Pending Items

Manager Haberman stated he is compiling information and would like Council to consider a second meeting in March to discuss Capital Improvement discussion. He also reminded Council and residents that City Hall will be closed December 24 through January 1 for the holidays.

10. Report of Mayor and City Council/New Business

Mayor and Council discussed various topics and wished everyone a Merry Christmas and Happy New Year.

11. Citizen Participation

Sandy Caloia, 31226 Cyril, suggested a non Lion member of Council during picnic negotiations.

Juanita Parker, 16442 Clarkson, discussed smart meters. Mayor requested this be added to the January agenda for consideration of a proclamation.

Vania Apps, Fraser First Booster Club

Member Hemelberg inquired whether there is a conflict of interest on his vote for approving Lions Carnival dates since he is also a member of the Lions Club.

Attorney Dolan noted he is a member of a service organization and therefore there is no conflict of interest.

12. Adjournment

Member Accavitti moved, seconded by Member Jennings, to ADJOURN THE REGULAR COUNCIL MEETING OF THURSDAY, DECEMBER 12, 2013 AT 9:23 P.M.

The motion carried unanimously.

Respectfully submitted,

____
Kathy Kacanowski, City Clerk

____
Doug Hagerty, Mayor

/kk

City of Fraser
CENTENNIAL COMMUNITY

MEMORANDUM

TO: Honorable Mayor and Members of the City Council

FROM: Toni Misch, Accounts Payable

DATE: January 3, 2013

RE: Accounts Payable

PAYMENT OF CHECKS DATED	AMOUNT
The month of December 2013	$1,608,223.828

Bank PNC GENERAL CHECKING

Check Date	Bank	Check	Vendor	Vendor Name	Description	Amount
12/06/2013	PNC	112912	999FIN	A & N INDUSTRIAL LLC	TAX REFUND 2012	995.54
					REFUND FOR TAXES	3,676.04
						4,671.58
12/06/2013	PNC	112913	AFLAC	AFLAC	EMPLOYEE PAID INSURANCE	1,492.76
12/06/2013	PNC	112914	AMAZON	GECRB/AMAZON	DVDS-LIB	250.71
12/06/2013	PNC	112915	AMEFIN	AMERICA'S FINEST	BUS CARDS-HEMELBERG	38.00
12/06/2013	PNC	112916	AMEMES	AMERICAN MESSAGING	CITY PAGERS	36.62
12/06/2013	PNC	112917	AMEGAS	AMERIGAS-STERLING HEIGHTS	PROPANE	387.81
12/06/2013	PNC	112918	ANTPAR	ANTHONY'S PARTY RENTAL, INC	STAGE-REC	235.00
12/06/2013	PNC	112919	999FIN	ANTONIO & NANCY ROSELLI	TAX REFUND	3,092.28
					OVERPAYMENT TAXES	11,631.25
						14,723.53
12/06/2013	PNC	112920	AT&TLD	AT&T LONG DISTANCE	LONG DISTRANCE PHONE BILL	89.15
12/06/2013	PNC	112921	AUTMOT	AUTOMOTIVE ENHANCERS, INC	LUBE OIL FILTER-UNDERCOVER PS	36.43
					LUBE OIL FILTER/WHEEL CYLINDER ETC-PS U	1,135.30
						1,171.73
12/06/2013	PNC	112922	9999BB	BOWMAN LLC	BOND RETURN PERMIT 13-038	100.00
12/06/2013	PNC	112923	BUFWHE	BUFF WHELAN CHEVROLET INC	2010 CHEVY TRAVERSE REPAIRS-PS	365.17
12/06/2013	PNC	112924	BURSPO	BURKE'S SPORT HAVEN, INC	T-SHIRTS-REC	521.00
12/06/2013	PNC	112925	BUTBUT	BUTLER, BUTLER, PLLC	LEONATTI-ATTORNEY FEES	115.00
12/06/2013	PNC	112926	CHRCON	CHRISTIAN CONCRETE CUTTING INC.	CONCRETE SAWING	640.00
12/06/2013	PNC	112927	9999BB	CHRISTINE DALTON	BOND RETURN PERMIT 13-252	100.00
12/06/2013	PNC	112928	CINTAS	CINTAS CORPORATION #354	FLOOR MATS/CLEANING SUPPLIES-CENTER	74.86
					FLOOR MATS/CLEANING SUPPLIES-CITY HALL	155.74
					FLOOR MATS/CLEANING SUPPLIES-SR HOUSE	50.00
					FLOOR MATS/CLEANING SUPPLIES-LIB	50.83
					FLOOR MATS/CLEANING SUPPLIES-DPW	779.77
						1,111.20
12/06/2013	PNC	112929	CINDOC	CINTAS DOCUMENT MANAGEMENT	CITY SHREDDING	57.25
12/06/2013	PNC	112930	CINFIR	CINTAS FIRST AID & SAFETY	FIRST AID SUPPLIES-CITY HALL	23.54
12/06/2013	PNC	112931	COMCAS	COMCAST	09507 743355-02-4 PHONE	84.85
					09507 314379-01-5 CABLE/INTERNET	79.54
						164.39
12/06/2013	PNC	112932	COMSOU	COMSOURCE, INC	PARTS/LABOR-MOTOROLA CONSOLE REPAIR-PS	2,300.00
12/06/2013	PNC	112933	CONENG	CONSUMERS ENERGY	GAS-SR HOUSE #318	25.89
12/06/2013	PNC	112934	DATLTD	DATAMATIC, INC	MONTHLY METER READING-JANUARY 2014	582.97
12/06/2013	PNC	112935	9999BB	DELTA CONCRETE	BOND RETURN PERMIT 11-136	100.00
12/06/2013	PNC	112936	DESAND	ANDY DESSO	ENTERTAINMENT SR HOUSE	150.00
12/06/2013	PNC	112937	DTEENG	DETROIT ENERGY	ELEC-SR HOUSE #103	9.39
					ELEC SR HOUSE #116	10.99
					ELEC SR HOUSE #119	6.07
					ELEC SR HOUSE #122	11.26
					ELEC SR HOUSE #123	12.35
					ELEC SR HOUSE #209	1.45
					ELEC SR HOUSE #223	7.48

Check Date	Bank	Check	Vendor	Vendor Name	Description	Amount	
					ELEC SR HOUSE #315	13.60	
					ELEC SR HOUSE #318	12.75	
						85.34	
12/06/2013	PNC	112938	DTEENG	VOID			V
12/06/2013	PNC	112939	DTEENG	DETROIT ENERGY	ELEC BILLS	7,956.20	
12/06/2013	PNC	112940	DTESTR	DETROIT ENERGY STREET LIGHTS	CITY STREET LIGHTS	20,833.51	
12/06/2013	PNC	112941	DETWAT	DETROIT WATER & SEWERAGE DEPT	CITY WATER	81,053.91	
12/06/2013	PNC	112942	DITTRE	DITTMAN TREE SERVICE, INC	STUMP GRINDING-WOODY	350.00	
12/06/2013	PNC	112943	9999BB	DJERDJ CACEVIC	BOND RETURN PERMIT 13-147	100.00	
					BOND RETURN PERMIT 13-048	100.00	
						200.00	
12/06/2013	PNC	112944	E-SHRE	E-SHRED	PS SHREDDING	50.00	
					COURT SHREDDING	40.00	
						90.00	
12/06/2013	PNC	112945	9999BB	FATHER & SON CONSTRUCTION CO	BOND RETURN PERMIT 12-315	100.00	
12/06/2013	PNC	112946	FIREXT	FIRE EXTINGUISHER SALES & SERVICE	FIRE EST RECHARGE & TAGGING-PS	26.12	
12/06/2013	PNC	112947	FIRCHO	FIRST CHOICE SERVICES	COFFEE, FILTERS-DPW	52.95	
					FILTERS, COFFEE-DPW	44.00	
						96.95	
12/06/2013	PNC	112948	FISAUT	FISHER AUTO PARTS, INC	WAGNER LIGHTS-PS	29.94	
					ELECTRICAL TAPE-DPW	6.48	
					RETURN EAST PENN CORE	(12.00)	
						24.42	
12/06/2013	PNC	112949	FCOA	FRASER COMMAND OFFICERS ASSOC	POLC UNION DUES	585.00	
12/06/2013	PNC	112950	FRADIS	FRASER DISPATCHERS ASSOCIATION	DISPATCH UNION DUES	397.50	
12/06/2013	PNC	112951	FRAFLO	FRASER FLOWERS & GIFTS	POINSETTIAS FOR SR HOUSE CHRISTMAS PART	70.00	
12/06/2013	PNC	112952	FRALAW	FRASER LAWN CENTER, INC	SUPPLIES-DPW	36.95	
					CHAINSAW STARTER	20.91	
					CHAIN SHARPENEING/PART	32.11	
						89.97	
12/06/2013	PNC	112953	FRALIE	FRASER LIEUTENANTS ASSOCIATION	LIEUTENANTS UNION DUES	120.00	
12/06/2013	PNC	112954	FPOAM	FRASER POLICE OFFICERS ASSOCIATION	POAM UNION DUES	2,020.00	
12/06/2013	PNC	112955	FRALIB	FRASER PUBLIC LIBRARY	OFFICE SUPPLIES/POSTAGE/PROGRAMS-LIB	92.03	
12/06/2013	PNC	112956	FRAWAT	CITY OF FRASER	CITY WATER	2,469.37	
12/06/2013	PNC	112957	G2CON	G2 CONSULTING GROUP, LLC	JJ POMPO RECONSTRUCTION	1,875.00	
12/06/2013	PNC	112958	9999BB	GENERAL DYNAMICS INFORMATION TECHNO	BOND RETURN PERMIT 12-250	250.00	
12/06/2013	PNC	112959	GRANIC	GRANICUS, INC	MONTHLY MANAGED SERVICE OP/GT	697.00	
					MONTHLY MANAGED SERVICE MEETING EFFICIE	395.00	
						1,092.00	
12/06/2013	PNC	112960	GREPES	GREAT LAKES PEST CONTROL CO. INC	MONTHY PEST CONTROL-DPW	50.00	
12/06/2013	PNC	112961	GUNMET	GUNNERS METERS & PARTS, INC	1" WATER METERS	1,500.00	
12/06/2013	PNC	112962	9999BB	HANSONS	BOND RETURN PERMIT 12-300	100.00	
12/06/2013	PNC	112963	HARLIF	THE HARTFORD-PRIORITY ACCOUNTS	EMPLOYEE LIFE INSURANCE	3,580.48	
12/06/2013	PNC	112964	HARLIF	VOID			V

Check Date	Bank	Check	Vendor	Vendor Name	Description	Amount
12/06/2013	PNC	112965	HAUDAV	DAVID R. HAUGAN	ATTORNEY FEES-CT	225.00
					ATTORNEY FEES-CT	175.00
						400.00
12/06/2013	PNC	112966	HDSWW	HD SUPPLY WATERWORKS, LTD	CURB BOX	161.52
12/06/2013	PNC	112967	HOFLAW	LAWRENCE M. HOFMANN	HEALTH CARE REIMBURSE	175.00
12/06/2013	PNC	112968	INGRAM	INGRAM LIBRARY SERVICES	BOOKS RETURNED-LIB	(72.74)
					BOOKS-LIB	311.65
					BOOKS-LIB	40.70
						279.61
12/06/2013	PNC	112969	9999BB	JEFFREY & JOAN HANCOCK	BOND RETURN PERMIT 13-132	100.00
12/06/2013	PNC	112970	999REC	JOANNE FIORE	FESTIVAL OF TREES CANCELLED-REC	12.00
12/06/2013	PNC	112971	999FIN	JOE KOZLOWSKI	ENTERTAINMENT-REC	250.00
12/06/2013	PNC	112972	JOHNTT	JOHNSON THERMOL TEMP INC	DEFECTIVE THERMOSTATE-#119 SR HOUSE	150.00
12/06/2013	PNC	112973	9999BB	KENNETH & ROXANA MELCHIOR	BOND RETURN PERMIT 04-0156	100.00
12/06/2013	PNC	112974	LEBRO	LEBRO CHEMICAL COMPANY	CLEANING SUPPLIES-CITY HALL	469.40
12/06/2013	PNC	112975	LEGSHI	LEGALSHIELD	EMPLOYEE PAID LEGAL AID	153.40
12/06/2013	PNC	112976	9999BB	LEONARDO EVOLA	BOND RETURN PERMIT 12-259	1,000.00
					BOND RETURN PERMIT 13-312	1,000.00
						2,000.00
12/06/2013	PNC	112977	LESTIR	LESLIE TIRE	TIRE-DPW	166.89
					TIRES PS #33 & 37	1,318.80
						1,485.69
12/06/2013	PNC	112978	LUTROO	LUTZ ROOFING	ROOF REPAIR-LIB	1,485.00
12/06/2013	PNC	112979	9999BB	M&K HOME IMPROVEMENTS	BOND RETURN PERMIT 13-204	100.00
12/06/2013	PNC	112980	MCROAD	MACOMB COUNTY DEPARTMEMT OF ROADS	TRAFFIC SIGNAL MAINT	391.72
12/06/2013	PNC	112981	MCFIN	MACOMB COUNTY FINANCE DEPARTMENT	CITY PAPER	520.56
12/06/2013	PNC	112982	MCPWK	MACOMB COUNTY TREASURER	SEWER CHARGES	134,036.31
					DWSD LOOK-BACK	19,351.82
						153,388.13
12/06/2013	PNC	112983	MCTRCT	MACOMB COUNTY TREASURER	CO. LIBRARY FEE	112.50
12/06/2013	PNC	112984	MACMEC	MACOMB MECHANICAL, INC	FAUCET & SINK INSTALLED-CENTER	898.75
					UNCLOGGED TOILET SR HOUSE #303	158.00
						1,056.75
12/06/2013	PNC	112985	MAIPLU	MAIL PLUS	CITY MAILINGS	22.20
12/06/2013	PNC	112986	9999BB	MAPLE ROOFING CONSTRUCTION	BOND RETURN PERMIT 12-313	100.00
12/06/2013	PNC	112987	999REC	MARIANA SICLOVAN	FESTIVAL OF TREES CANCELLED-REC	10.00
12/06/2013	PNC	112988	MELSTE	STEVE MELLING	SANTA FOR CHRISTMAS IN FRASER	200.00
12/06/2013	PNC	112989	9999BB	METROPCS-MICHIGAN	BOND RETURN PERMIT 13-230	100.00
12/06/2013	PNC	112990	MACEO	MI ASSOCIATION OF	MACEO MEETING-BUDCHUK & KAPUSTA	50.00
12/06/2013	PNC	112991	MIRCT	STATE OF MICHIGAN TREASURER	RECEIPT PROCESSING-CT	22,126.45
12/06/2013	PNC	112992	9999BB	MIHILL & LUSHA PREKAJ	BOND RETURN PERMIT 13-277	100.00
12/06/2013	PNC	112993	MISDIG	MISS DIG SYSTEM, INC	ANNUAL MEMBERSHIP FEES 2014	612.88
12/06/2013	PNC	112994	9999BB	MR. ROOF	BOND RETURN PERMIT 13-046	100.00
					BOND RETURN PERMIT 13-167	100.00
					BOND RETURN PERMIT 13-223	100.00
					BOND RETURN PERMIT 13-239	100.00

Check Date	Bank	Check	Vendor	Vendor Name	Description	Amount
						400.00
12/06/2013	PNC	112995	MUNCOD	MUNICIPAL CODE CORPORATION	SUPPLEMENT PAGES-ORD BOOK	1,115.63
12/06/2013	PNC	112996	9999BB	NATIONAL ROOFING & SIDING	BOND RETURN PERMIT 13-192	100.00
12/06/2013	PNC	112997	NBCTRU	NBC TRUCK EQUIPMENT	RPAIR/LABOR-CYLINDER-DUMP TRUCK	1,805.01
12/06/2013	PNC	112998	OFFDEP	OFFICE DEPOT	OFFICE SUPPLIES-CT	113.62
12/06/2013	PNC	112999	OFFMAX	OFFICEMAX INCORPORATED	OFFICE SUPPLIES	63.26
					OFFICE SUPPLIES RETURN SR HOUSE	(13.35)
					OFFICE SUPPLIES	8.26
						58.17
12/06/2013	PNC	113000	ONSITE	ON-SITE TESTING SPECIALISTS, INC	DRUG TEST-PS	317.00
12/06/2013	PNC	113001	PIAPAU	PAUL PIATT PC	ATTORNEY FEES-CT	225.00
12/06/2013	PNC	113002	PIEJEN	LAW OFFICES-JENNIFER L. PIERCE PC	ATTORNEY FEES-CT	175.00
12/06/2013	PNC	113003	PRADIS	9YU-PRAXAIR DISTRIBUTION INC	OXYGEN-PS	140.85
12/06/2013	PNC	113004	PRISYS	PRINTING SYSTEMS, INC	VOTER CARDS MASTER CARDS-ELEC	99.75
12/06/2013	PNC	113005	9999BB	PRO HOME IMPROVEMENT	BOND RETURN PERMIT 13-245	100.00
12/06/2013	PNC	113006	PULSE5	CHRIS CHAROW	MC TREE LIGHTING CEREMONY-REC	250.00
12/06/2013	PNC	113007	PYKDON	DON PYKE	TOOLS-DPW	49.75
12/06/2013	PNC	113008	9999BB	RAM RESIDENTIAL SPECIALISTS	BOND RETURN PERMIT 13-136	100.00
					BOND RETURN PERMIT 13-137	100.00
						200.00
12/06/2013	PNC	113009	RAYELE	RAY ELECTRIC	ELEC SUPPLIES-FIRE HALL	185.69
					ELEC SUPPLIES-CITY HALL	416.27
						601.96
12/06/2013	PNC	113010	9999BB	RAYMOND ELLIOTT	BOND RETURN PERMIT 13-201	100.00
12/06/2013	PNC	113011	RECPET	RECREATION PETTY CASH	PROGRAM MATERIALS	311.29
12/06/2013	PNC	113012	REYRIC	RICHARD F. REYNOLDS	ATTORNEY FEES-CT	200.00
12/06/2013	PNC	113013	RITELI	ELIZABETH RITTINGER	ATTORNEY FEES-CT	300.00
12/06/2013	PNC	113014	RIZZO	RIZZO SERVICES	REFUSE/COMPOST/RECYCLE	62,572.81
12/06/2013	PNC	113015	9999BB	ROBERT & JUDY TUTEN	BOND RETURN PERMIT 13-203	100.00
12/06/2013	PNC	113016	999FIN	ROSE PARK II LLC	TAX REFUND	2,435.92
					TAX REFUND	8,736.73
						11,172.65
12/06/2013	PNC	113017	SCHELE	SCHINDLER ELEVATOR CORPORATION	ELEVATOR FAN-SR HOUSE	391.06
12/06/2013	PNC	113018	999FIN	SCHOTTS PROPERTIES, INC	TAX REFUND	10,026.93
12/06/2013	PNC	113019	9999BB	SHARON MARIE SMELSER	BOND RETURN PERMIT 13-232	100.00
12/06/2013	PNC	113020	SHEKEN	KEN SHEPARD	CROWN MOLDING-CITY HALL/DRYWALL-LIB	360.00
12/06/2013	PNC	113021	SLEMEL	MELISSA SLEEMAN	DISPATCH TRAINING REIMBURSEMENT	332.22
12/06/2013	PNC	113022	SPEEDC	SPEED CLEAN SERVICE	STEAM CLEAN CARPETING-PS	650.00
					CLEANING CARPET-SR HOUSE #318	160.00
					JAN SERV FOR NOV 2013-PS	575.00
						1,385.00
12/06/2013	PNC	113023	SPEOIL	SPENCER OIL COMPANY	UNLEADED FUEL	4,508.03
					DIESEL DUEL	2,554.67
						7,062.70
12/06/2013	PNC	113024	999DPW	STATE OF MICHIGAN	PERMIT FOR POND MANAGEMENT	75.00

Check Date	Bank	Check	Vendor	Vendor Name	Description	Amount
12/06/2013	PNC	113025	SUPDEN	SUPPLY DEN	CREAMER/SUGER/PLATES/NAPKINS-DPW	17.50
					CLEANING SUPPLIES-DPW	18.89
					CLEANING SUPPLIES-CENTER	25.93
						62.32
12/06/2013	PNC	113026	TEAMST	TEAMSTERS LOCAL 214	CLERICAL, DPW, CT UNION DUES	1,320.64
12/06/2013	PNC	113027	9999BB	TITTLE CONSTRUCTION	BOND RETURN PERMIT 13-219	100.00
12/06/2013	PNC	113028	TRIINS	TRIDENT INSURANCE SERVICES	DEDUCTIBLE-SHARON KOTO	5,000.00
					CARE BUILDING DEDUCTIBLE	5,000.00
						10,000.00
12/06/2013	PNC	113029	ULINE	ULINE	55 GAL STEEL DRUM-PWKS	1,000.85
12/06/2013	PNC	113030	ULTFLO	ULTRA FLOORS	CARPET-SR HOUSE #223	1,267.14
12/06/2013	PNC	113031	UNIMAN	UNIQUE MANAGEMENT SERVICES, INC	PLACEMENTS-LIB	89.50
					PLACEMENTS-LIB	274.35
						363.85
12/06/2013	PNC	113032	UNIAUT	UNITED AUTO PARTS	AUTO PARTS	62.23
12/06/2013	PNC	113033	USPOST	UNITED STATES POSTAL SERVICE	PO BOX FEE	224.00
12/06/2013	PNC	113034	VERIZON	VERIZON	CITY CELL PHONES	1,200.37
12/06/2013	PNC	113035	WEING	WEINGARTZ	SUPPLIES-DPW	26.29
					BELTS-DPW	82.98
					CHAIN/SPARK PLUG/AIR FILTER-DPW	185.92
					PRE FILTER-DPW	15.98
					CHAINSAW-DPW	343.00
						654.17
12/06/2013	PNC	113036	WOLRON	RONALD WOLBER	MONTHLY HEALTH CARE REIMBURSEMENT	225.00
12/06/2013	PNC	113037	WOWCAB	WOW INTERNET-CABLE-PHONE	CABLE/INTERNET-LIB	74.69
12/06/2013	PNC	113038	WRIJAC	JACQUELINE R. WRIGHT	ATTORNEY FEES-CT	175.00
12/12/2013	PNC	113047	SCOROX	ROXANN SCOTELLA	BELLY DANCING 11/12-12/11/13	216.00
12/13/2013	PNC	113039	AMOFEA	A MOVABLE FEAST, INC	SR HOUSE CHRISTMAS LUNCHEON	715.63
12/13/2013	PNC	113040	COSTCO	HSBC BUSINESS SOLUTIONS	MATERIALS & SUPPLIES	178.57
12/13/2013	PNC	113041	HOMDEP	HOME DEPOT CREDIT SERVICES	MATERIALS & SUPPLIES	373.81
12/13/2013	PNC	113042	MCPWK	MACOMB COUNTY TREASURER	AUG 2013 LOOK BACK	19,351.82
12/13/2013	PNC	113043	TERMIN	TERMINIX	PEST CONTROL-CITY	236.00
12/13/2013	PNC	113044	VINHOU	VINTAGE HOUSE	EMPLOYEE LUNCHEON	500.00
12/13/2013	PNC	113045	WHITLO	WHITLOCK BUSINESS SYSTEMS	CITY OF FRASER PERSONAL PROPERTY POSTAG	324.00
12/13/2013	PNC	113046	WOWCAB	WOW INTERNET-CABLE-PHONE	CABLE/INTERNET-SR ACT	101.42
12/20/2013	PNC	108507(E)	SBC	AT&T	CITY PHONE BILLS	383.54
12/20/2013	PNC	108508(E)	CONENG	CONSUMERS ENERGY	CITY GAS BILLS	3,497.45
12/20/2013	PNC	108509(E)	ENTERP	ENTERPRISE FM TRUST	CITY CAR LEASES	13,087.49
12/20/2013	PNC	113048	39THRS	39TH DISTRICT COURT ROSEVILLE	NON-REPORTING PROBATION FEES-CT	60.00
12/20/2013	PNC	113049	ABRGAF	ABRAHAM & GAFFNEY, P.C.	AUDIT FINAL BILLING	1,000.00
12/20/2013	PNC	113050	ABSWAT	ABSOPURE WATER COMPANY	C&C COOLER-LIB	8.00
					MONTHLY ADMIN CHARGES-LIB	1.55
						9.55
12/20/2013	PNC	113051	ACCDAT	ACCESS DATA	1 YEAR RENEWAL LICENSE	1,119.00
12/20/2013	PNC	113052	ACCMED	ACCUMED BILLING, INC	EMS FEES	1,720.52
12/20/2013	PNC	113053	AEW	ANDERSON, ECKSTEIN & WESTRICK, INC	NPDES PHASE II PERMIT	1,008.70
					GENERAL DPW	340.00
					HMSI PROJECT PERFORMANCE CERT	6,223.50
					2012 SANITARY SEWER INVEST-SE GRANT	1,508.50

Check Date	Bank	Check	Vendor	Vendor Name	Description	Amount	
					SAW GRANT APPILCATION	1,300.00	
						10,380.70	
12/20/2013	PNC	113054	AIRGAS	AIRGAS USA, LLC	ACETYLENE/ARGON/OXYGEN	127.20	
					ACETYLENE/OXYGEN	72.90	
					HELIUM/PROPANE	46.62	
						246.72	
12/20/2013	PNC	113055	999FIN	ANDY & VANESSA WEBB	REFUND FOR TAXES	2,430.37	
12/20/2013	PNC	113056	ANYPAI	ANYONE CAN PAINT LLC	ACRYLIC LANDSCAPE PAINTING CLASS-REC	220.00	
12/20/2013	PNC	113057	APOEQU	APOLLO FIRE EQUIPMENT	CAIRNS YELLOW HELMETS-PS	237.44	
12/20/2013	PNC	113058	AT&T	AT&T	053 462 5218 001 LONG DISTANCE PHONE	39.77	
					030 393 9479 001 LONG DISTANCE PHONE-PS	162.24	
						202.01	
12/20/2013	PNC	113059	AT&TCAP	AT&T CAPITAL SERVICES, INC.	E911 PHONE BILL	1,452.81	
12/20/2013	PNC	113060	AT&TGLO	AT&T GLOBAL SERVICES, INC	911 MAINTENANCE	9,301.44	
12/20/2013	PNC	113061	AUDIO	AUDIO SENTRY CORPORATION	GENERAL LIFT & MONITOR CELLULAR COMMUNI	190.00	
12/20/2013	PNC	113062	AUDCRA	AUDIOCRAFT PUBLISHING, INC	BOOKS-LIB	148.00	
12/20/2013	PNC	113063	BANKAM	BANK OF AMERICA	ANALYZED BUSINESS INVESTMENT STATEMENT	26.72	
12/20/2013	PNC	113064	BANKAM	BANK OF AMERICA	ANALYZED BUSINESS INVESTMENT STATEMENT	27.81	
12/20/2013	PNC	113065	999FIN	BARBARA DEVROY	TAX REFUND	360.79	
12/20/2013	PNC	113066	999FIN	VOID			V
12/20/2013	PNC	113067	BARPAV	BARRETT PAVING MATERIALS INC	UPM	132.31	
12/20/2013	PNC	113068	BESBUY	BEST BUY BUSINESS ADVANTAGE ACCT	SANDISK/POWER STRIP-PS	44.98	
					RENOVATIONS FOR FIRE HALL LIVING QUARTE	1,457.95	
						1,502.93	
12/20/2013	PNC	113069	BC600	BLUE CROSS/BLUE SHIELD OF MICHIGAN	RETIREES HEALTH INSURANCE	19,055.78	
12/20/2013	PNC	113070	BOUTRE	BOUND TREE MEDICAL	TAPE BARRIER CAUTION/GLUCOSE TEST STRIP	90.90	
					BATTERY-LIFEPK-PS	405.99	
						496.89	
12/20/2013	PNC	113071	BULREC	BULLDOG RECORDS MANAGEMENT	DPW SHREDDING	25.00	
12/20/2013	PNC	113072	BURBAR	BARB BURNS	A NEW YEAR, A NEW YEAR-LIB	100.00	
12/20/2013	PNC	113073	COPSPL	C.O.P.S. HEALTH TRUST PLAN	POLC HEALTH/VISION INSURANCE	136.50	
12/20/2013	PNC	113074	CARE	CARE WORKLIFE SOLUTIONS	EMPLOYEE ASSISTANCE SERVICES	330.00	
12/20/2013	PNC	113075	CARE	VOID			V
12/20/2013	PNC	113076	CELLEN	LEN CELLETTI	COURT SECURITY DUTIES	135.00	
12/20/2013	PNC	113077	CINTAS	CINTAS CORPORATION #354	FLOOR MATS/CLEANING SUPPLIES-CENTER	95.86	
					FLOOR MATS/CLEANING SUPPLIES-CITY HALL	176.74	
					FLOOR MATS/CLEANING SUPPLIES	71.00	
					FLOOR MATS/CLEANING SUPPLIES-LIB	71.83	
					FLOOR MATS/CLEANING SUPPLIES-DPW	800.77	
						1,216.20	
12/20/2013	PNC	113078	CINFIR	CINTAS FIRST AID & SAFETY	FIRST AID SUPPLIES-PS	18.89	
12/20/2013	PNC	113079	CLIRIV	CLINTON RIVER WATERSHED COUNCIL	2014 GOVERNMENT MEMBERSHIP	1,000.00	
12/20/2013	PNC	113080	COAMOT	COACH & MOTOR	AUTO PARTS	543.47	
12/20/2013	PNC	113081	COLWOL	COLMAN-WOLF SUPPLY CO.	COLORED T-SHIRTS-DPW	76.00	
12/20/2013	PNC	113082	COMPLA	COMMUNITY PLANNING & MANAGEMENT, PC	PROFESSIONAL PLANNING SERVICES NOV 2013	850.00	
12/20/2013	PNC	113083	CONCON	CONTRACTORS CONNECTION	MOLDEX EAR PLUGS-DPW	59.40	
12/20/2013	PNC	113084	DELDEN	DELTA DENTAL OF MICHIGAN	EMPLOYEE DENTAL BENEFITS	12,193.72	
12/20/2013	PNC	113085	DELDEN	VOID			V

Check Date	Bank	Check	Vendor	Vendor Name	Description	Amount
12/20/2013	PNC	113086	DEMCO	DEMCO	LAMINATE SUPPLIES-LIB	448.92
12/20/2013	PNC	113087	999FIN	DONNA BURGESS	TAX REFUND	2,250.51
12/20/2013	PNC	113088	ERASER	ERADICO SERVICES, INC	PEST CONTROL-SR HOUSE	55.00
12/20/2013	PNC	113089	FIREXT	FIRE EXTINGUISHER SALES & SERVICE	FIRE EXT RECHARGE & TAG-PS	34.45
12/20/2013	PNC	113090	FISAUT	FISHER AUTO PARTS, INC	AUTOMOTIVE BATTERIES-PS	67.96
					SUSPENSION CONTOL ARM & BALL JOINT-DPW	96.19
					BATTERY-PS	95.77
						259.92
12/20/2013	PNC	113091	FLUSYS	FLUID SYSTEMS ENGINEERING, INC	SUPPLIES-DPW	94.06
12/20/2013	PNC	113092	FORTRA	FORMS TRAC ENTERPRISES, INC	14 DAY NOTICE/CIVIL INFRACT-PS	312.32
12/20/2013	PNC	113093	FOSTER	FOSTER'S TOWING & REPAIRS, INC	VEHICLE AUCTION0PS	21,761.27
12/20/2013	PNC	113094	FRAUBO	FRASER AUTO BODY, INC	2012 FORD FUSION CITY ALL CAR	729.00
12/20/2013	PNC	113095	FRAFLO	FRASER FLOWERS & GIFTS	COUNCIL FLOWER ARRANGEMENTS	100.00
12/20/2013	PNC	113096	FRAPUB	FRASER PUBLIC SCHOOLS	13 DOZEN COOKIES-REC	45.50
					3 BAGS CHICKEN TENDERS-REC	69.00
					SENIOR LUNCHEON-REC	357.50
						472.00
12/20/2013	PNC	113097	999FIN	GARRY ALLEN	TAX REFUND	647.39
12/20/2013	PNC	113098	GENPOW	GENPOWER PORODUCTS INC	INSPECTION AGREEMENT-CENTER	594.00
12/20/2013	PNC	113099	HABRIC	RICHARD HABERMAN	WINTER INSTITUTE & LODGING-HABERMAN	672.00
12/20/2013	PNC	113100	HALFIR	HALT FIRE	SIMULATOR SET REAR CHEVY-PS	221.47
12/20/2013	PNC	113101	HDSFM	HD SUPPLY FACILITIES MAINTENANCE	DISHWASHER/DRYER-SR HOUSE	1,428.00
12/20/2013	PNC	113102	HDSWW	HD SUPPLY WATERWORKS, LTD	SOFT COPPER TOBING /HYDRANT OIL-DPW	2,823.36
					CLAMP-WTR	101.56
						2,924.92
12/20/2013	PNC	113103	9999BB	HICKSON HOME IMPROVEMENT	BOND RETURN PERMIT 13-234	100.00
12/20/2013	PNC	113104	INACOM	INACOMP	XEROX COPY CHARGES	1,521.49
12/20/2013	PNC	113105	INDNEW	INDEPENDENT NEWS, INC	LEGAL AIDS	246.55
12/20/2013	PNC	113106	INGRAM	INGRAM LIBRARY SERVICES	BOOK RETURN-LIB	(23.52)
					BOOKS-LIB	236.98
						213.46
12/20/2013	PNC	113107	9999CT	JAMES BEARD	RESTITUTION PAYMENT-CT	80.00
12/20/2013	PNC	113108	9999CT	JAMES BEARD	RESTITUTION PAYMENT-CT	80.00
12/20/2013	PNC	113109	999FIN	JAMES MORRIS	TAX REFUND	3,172.98
12/20/2013	PNC	113110	9999BB	JAMES RICHARD CRONK	BOND RETURN PERMIT 13-104	100.00
12/20/2013	PNC	113111	9999BB	JEFFREY LAWRENCE MAYER	BOND RETURN PERMIT 13-041	100.00
12/20/2013	PNC	113112	999FIN	JOHN GRAHAM	TAX REFUND	638.83
12/20/2013	PNC	113113	999FIN	JOHN MILLER	TAX REFUND	3,886.97
12/20/2013	PNC	113114	999FIN	KENDALL PARK APARTMENTS	TAX REFUND	1,689.41
12/20/2013	PNC	113115	KINMEL	MELISSA M. KING, P.C.	MAGISTRATE & ADMIN DUTIES-CT	600.00
12/20/2013	PNC	113116	KONICA	KONICA MINOLTA BUSINESS SOLUTIONS	COPY CHARGES0CT	31.06
					COPY CHARGES-DPW	2.23
						33.29
12/20/2013	PNC	113117	KWIMIC	MICHELE KWIATKOWSKI	COAT DRIVE PURHASED-PS	28.82
12/20/2013	PNC	113118	999FIN	LAURA GRIFFIN-STEWART	TAX REFUND	8.60
12/20/2013	PNC	113119	LEBRO	LEBRO CHEMICAL COMPANY	CLEANER/MELTING COMPOUND	868.65
12/20/2013	PNC	113120	LESSCI	LESLIE SCIENCE & NATURE CENTER	HUNTERS OF THE SKY-LIB	275.00
12/20/2013	PNC	113121	LESTIR	LESLIE TIRE	TIRES-PS	630.00

Check Date	Bank	Check	Vendor	Vendor Name	Description	Amount	
					TIRES-DRUG FORFEITURE TRK #326	860.00	
						1,490.00	
12/20/2013	PNC	113122	MCFIN	MACOMB COUNTY FINANCE DEPARTMENT	CANVASS COST-ELEC	63.42	
12/20/2013	PNC	113123	999FIN	MANUEL & MIRIAM ARGYRIS	TAX REFUND	2,041.33	
12/20/2013	PNC	113124	MDOT	DEPARTMENT OF TRANSPORTATION	LOCAL PROGRESS BILLINGS-WATERMAIN ON GR	878,795.06	
12/20/2013	PNC	113125	MIDEAL	STATE OF MICHIGAN	SALT MEMBERSHIP	230.00	
12/20/2013	PNC	113126	MICTEL	MICH TEL	CITY PHONE CHARGES	991.80	
12/20/2013	PNC	113127	MIDWES	MIDWEST TAPE	BOOK-LIB	14.99	
12/20/2013	PNC	113128	9999BB	MR. ROOF	BOND RETURN PERMIT 12-319	100.00	
12/20/2013	PNC	113129	9999BB	MR. ROOF HOLDING COMPANY LLC	BOND RETURN PERMIT 13-193	100.00	
					BOND RETURN PERMIT 13-259	100.00	
						200.00	
12/20/2013	PNC	113130	NATMET	NATURE CENTER, METRO BEACH PARK	ANIMAL IN WINTER-LIB	75.00	
12/20/2013	PNC	113131	NBCTRU	NBC TRUCK EQUIPMENT	CABLE-DPW TRUCK #16	61.60	
12/20/2013	PNC	113132	OFFMAX	OFFICEMAX INCORPORATED	OFFICE SUPPLIES	399.77	
					OFFICE SUPPLIES	42.44	
						442.21	
12/20/2013	PNC	113133	9999BB	PAUL & JANET SKOWRONSKI	BOND RETURN PERMIT 13-253	100.00	
12/20/2013	PNC	113134	9999BB	PAUL DOUGLAS STARR	BOND RETURN PERMIT 13-263	100.00	
12/20/2013	PNC	113135	999FIN	PAULINE LAWSON	TAX REFUND	419.63	
12/20/2013	PNC	113136	PETTYC	PETTY CASH	PARKING SEMCOG REVENUE COMM-HABERMAN	5.00	
12/20/2013	PNC	113137	PBEASY	EASYPERMIT POSTAGE	WATER BILLS POSTAGE	1,619.43	
12/20/2013	PNC	113138	PRIOFF	PRIME OFFICE INNOVATIONS	PRINTER MAINTENANCE AGRMET-CT	121.09	
12/20/2013	PNC	113139	PRISYS	PRINTING SYSTEMS, INC	END OF THE YEAR TAX FORMS-FIN	308.22	
12/20/2013	PNC	113140	PROTEC	PRO-TECH GRAPHICS	NAME BADGES-COUNCIL	25.28	
12/20/2013	PNC	113141	9999BB	PROLINE ENTERPRISES	BOND RETURN PERMIT 13-140	100.00	
12/20/2013	PNC	113142	PULJOH	JOHN R. PULEO	COURT SECURTIY DUTIES	135.00	
12/20/2013	PNC	113143	QUETOD	TODD QUERTERMOUS	ASST. BUILDING INSPECTOR	143.00	
12/20/2013	PNC	113144	RAYELE	RAY ELECTRIC	ELEC SUPPLIES-CITY HALL	109.72	
					ELEC SUPPLIES-FIRE DEPT	657.48	
					ELEC SUPPLIES-FIRE DEPT	118.24	
					ELEC SUPPLIES-FIRE DEPT	46.96	
					ELEC SUPPLIES-FIRE DEPT	98.31	
						1,030.71	
12/20/2013	PNC	113145	RECPET	RECREATION PETTY CASH	MATERIALS & SUPPLIES-REC	154.35	
12/20/2013	PNC	113146	9999BB	REGAL CONSTRUCTION SERVICE LLC	BOND RETURN PERMIT 13-241	100.00	
12/20/2013	PNC	113147	REINDE	REINDEL TRUE VALUE	MATERIALS & SUPPLIES	1,172.38	
12/20/2013	PNC	113148	9999BB	RGS EXTERIORS INC	BOND RETURN PERMIT 13-077	100.00	
12/20/2013	PNC	113149	999FIN	ROBERT & CAROL REECE	TAX REFUND	515.32	
					TAX REFUND	2,043.64	
						2,558.96	
12/20/2013	PNC	113150	999FIN	VOID			V
12/20/2013	PNC	113151	9999BB	RONALD & CHRISTINE DEWEY	BOND RETURN PERMIT 13-159	100.00	
12/20/2013	PNC	113152	ROSCIT	CITY OF ROSEVILLE	RENTAL FEE PAYMENT-COURT BUILDING USE	74,788.75	
12/20/2013	PNC	113153	9999CT	SANDRA MARIE SIMEK	OVERPAYMERNT OF COURT COST	110.00	
12/20/2013	PNC	113154	SHEKEN	KEN SHEPARD	SR HOUSE UNIT #103 CLOSETS	780.00	
12/20/2013	PNC	113155	SHIJAM	JAMES SHIMKO	PLUMBING INSPECTIONS	234.00	
12/20/2013	PNC	113156	SLEMEL	MELISSA SLEEMAN	TRAVEL REIMBURSEMENTS- PS DISPATCHER	221.14	
12/20/2013	PNC	113157	SLIREG	REGINA SLIVKA	MISC PROCESSING SUPPLIES-LIB	118.31	

Check Date	Bank	Check	Vendor	Vendor Name	Description	Amount	
12/20/2013	PNC	113158	SPEEDC	SPEED CLEAN SERVICE	MAIN HALLWAY CERAMIC TILE CLEANER-CITY	634.40	
					DONNA OFF-JANITORIAL SERVICES-PS	120.00	
						754.40	
12/20/2013	PNC	113159	SPEOIL	SPENCER OIL COMPANY	UNLEADED FUEL	5,868.63	
					DIESEL FUEL	2,626.09	
						8,494.72	
12/20/2013	PNC	113160	STEFRE	FREDERICK STEIN	COURT SECURITY DUTIES	135.00	
12/20/2013	PNC	113161	SLC	SLC PROPRIETARY FUND	OVER DRIVE ANNUAL MAINTENANCE FEES-LIB	3,551.44	
12/20/2013	PNC	113162	SUNMED	SUNSHINE MEDICAL SUPPLY, INC	EXAM GLOVES/ EXTENDED CUFF-PS AMB	262.50	
12/20/2013	PNC	113163	999FIN	SUSAN CHARLESTON	TAX REFUND	543.50	
12/20/2013	PNC	113164	TRACT	TRACTION-GENUINE PARTS CO	HD PLUS MIRRORS-DPW	27.92	
					7IN X 16 IN RIB BACK-DPW	36.58	
						64.50	
12/20/2013	PNC	113165	TYCINT	TYCO INTEGRATED SECURITY	MONTHLY BILLING-SR HOUSE	114.00	
					MONTHLY BILLING-CENTER	54.00	
					MONTHLY BILLING-DPW	47.00	
					MONTHLY BILLING LIB	57.00	
						272.00	
12/20/2013	PNC	113166	UNIMAN	UNIQUE MANAGEMENT SERVICES, INC	PLACEMENTS-LIB	35.80	
					PLACEMENTS-LIB	35.40	
						71.20	
12/20/2013	PNC	113167	UNILAB	UNITED LABORATORIES	REFLECTING CAR SHAMPOO-DPW	839.66	
12/20/2013	PNC	113168	VERIZON	VERIZON	EMERGENCY PHONES-PS	8.88	
12/20/2013	PNC	113169	999FIN	VISIONARY TITLE AGENCY	REFUNDING BRUSH PICK-UP	36.75	
12/20/2013	PNC	113170	999FIN	WALTER & FRANCES KOPINSKI	TAX REFUND	3,794.58	
12/20/2013	PNC	113171	999FIN	VOID			V
12/20/2013	PNC	113172	WARPIP	WARREN PIPE & SUPPLY CO.	KEYBLANK FORD 96-DPW	11.45	
12/20/2013	PNC	113173	WARRAN	RANDOLPH WARUNEK	SAMS CLUB BATTERIES-BLDG	13.47	
12/20/2013	PNC	113174	WINPOL	WINDER POLICE EQUIPMENT	BADGES-PS	44.00	
12/20/2013	PNC	113175	WOWCAB	WOW INTERNET-CABLE-PHONE	CABLE/INTERNET-HIST COMM	45.00	
					CABLE INTERNET-CITY HALL	156.30	
					CABLE INTERNET-DPW	104.42	
					CABLE INTERNET-PS	160.50	
						466.22	
12/20/2013	PNC	113176	XEROX	XEROX CORPORATION	BASE CHARGE COPY CHARGES-LIB	32.28	
12/20/2013	PNC	113177	999FIN	YOLANDA RASTALL	TAX REFUND	1,048.06	
12/20/2013	PNC	113178	YORDOL	YORK, DOLAN & TOMLINSON, P.C.	LEGAL SERVICES	7,802.00	
12/20/2013	PNC	113179	YOUBOB	BOB YOUNGBLOOD	ELECTRICAL INSPECTIONS	660.00	

PNC TOTALS:

Total of 271 Checks:	1,608,223.82
Less 7 Void Checks:	0.00
Total of 264 Disbursements:	1,608,223.82

for employment or appointment to a public office when the candidate requests that the application remain confidential. All interviews for employment or appointment to a public office shall be held in an open meeting pursuant to the Open Meetings Act. A

2/3 roll call vote of members elected or appointed and serving is required to call a closed session for this purpose.

(f) To consider material exempt from discussion or disclosure by state or federal statute. A 2/3 roll call vote of members elected or appointed and serving is required to call a closed session for this purpose. (MCL 15.267, 15.268)

3.09 **Minutes of Closed Sessions** - The roll call vote and the purpose or purposes for calling the closed session shall be entered into the minutes of the open meeting at which the vote is taken. A separate set of minutes shall be taken by the Clerk or designee at the closed session. These minutes shall be retained by the Clerk, are not available to the public, and shall only be disclosed if required by a civil action filed under the Open Meetings Act. These minutes may be destroyed 1 year and 1 day after approval of the minutes of the regular meeting at which the closed session was approved. (MCL 15.267)

3.10 **Confidentiality of Closed Session Information** - City Council members and individuals in attendance at closed sessions shall not divulge confidential information discussed in a closed session in advance of the time prescribed for its authorized release to the public by the City Council. Council members shall honor the confidentiality of the debate, discussions, and preliminary action taken in executive session. Premature and/or unauthorized disclosure may subject the Council member to civil and criminal penalties as set forth in the Open Meetings Act. (Penalties, MCL 15.272, 15.273)

IV. ORDER OF BUSINESS

4.01* **Agenda** - The City Manager, or his/her designate, shall prepare an agenda of business to be considered at each regular Council meeting with the approval of the Mayor. Items of business generally must be submitted eight (8) days prior to the regular meeting held the second Thursday of the month, subject to the discretion of the City Manager and Mayor.

4.01 REVISION – Adopted by Council February 9, 2012: To Amend the Council Rules and Procedures to read: The monthly agenda for our council meetings will be created by the city Manager and approved by the Mayor. Three Council members, in writing, email communication or telephone conversation with the City Manager, may add or delete any reasonable item within the prepared and approved said agenda.

4.02* **Distribution -** The agenda and supporting materials shall be prepared for the Mayor and City Council, City Attorney, press and public and be sent out the Friday preceding the regular Council Meeting. The Council shall have the option of deleting any item from the agenda or postponing an item on the agenda to a subsequent Council meeting. Should an item be tabled but not to a certain date it shall not appear until it is requested to be removed from the table by Council.

4.02 **REVISION -** Adopted by Council April 9, 2009: To Approve modifying the City of Fraser City Council Rules and Procedures as follows, 4.02: Change day agenda packets to be sent to Council to the preceding Thursday (instead of Friday) and add new language: Post on cable and website the preceding Friday.

4.03 **Additional Materials -** Additional supporting materials relating to any agenda item shall be furnished by the City Manager to the City Council at least 24 hours prior to the City Council meeting, if practical.

4.04 **Format -** The agenda of a Regular Meeting of the City Council shall be prepared in accordance with the following format:

- Meeting Called to Order
- Pledge of Allegiance
- Roll Call of Council Members

<u>Mayor and Council Reports Requested for January 2014</u>

Water/Sewer
Pension
Retiree Healthcare
Capital Improvements
Property Values/Revenue Sharing
Revenue Options

WATER AND SEWER

<u>Background:</u> As noted before the main problem the City of Fraser faces is determining how much the fixed charge is on their water utility bills. This charge is mostly the result of a simple formula: $4.2 million in fixed costs spread over a 5,200 customer base equals an average <u>cost</u> of $807 per year or $67.30 per month for fixed costs. The difficulty is determining how this charge is distributed among the residential, commercial and industrial customers. Under our current rate system the impact on the average residential customer results in an average $95/month total water bill for the current fiscal year.

Essentially the only way to reduce the fixed cost component is to reduce the fixed costs or increase the number of customers. The only way to reduce the cost for a single class of users, such as residential bills, is to shift the total reduction in their rates forward to all of our commercial and industrial users.

<u>Reducing Fixed Costs:</u> One way to reduce the fixed costs is to move the debt service to taxes through a citywide referendum as has been discussed numerous times. Essentially, as reported last June, under the current rate system this would result in an average reduction of fixed charges by 24%. This savings is offset by an increase in taxes of 2.34 mils or $117/year for an average house with a SEV of $50,000. However, this only benefits users of 6 units or more under the current rate formula and in that same presentation this amounts to about 3,600 of our 5,200 customer base. In discussing this with our bond counsel the mechanics of this actually are quite simple. If the voters approve the proposal we actually continue to pay the annual debt service as we do currently, but instead of paying out of the water and sewer enterprise account we pay the annual debt service out of the new millage. It must be noted that because a significant amount of our debt service comes from agencies outside the City, this will only cover the <u>current debt load</u> and any future debt service may again be added to the fixed charges.

Another proposed way to reduce the fixed costs is to bond the entire debt under a single issue using the credit rating of the State saving money due to the lower interest rates we would receive. Given that the mechanics are the same as noted above, namely establishing a millage to pay the debt service from taxes there is no need for bonding or borrowing money from any entity, including the State. This is an important distinction as this transaction does not count against our statutory municipal debt limit of 10% of Assessed Value.

Other than increasing population through infill development we are limited in ways to increase the customer numbers. One way that has been suggested to date is to add multifamily units currently billed by master meter to the customer list for a fixed charge based on a user formula to be determined. It is estimated this group would be about 1,200 units, at the suggested rate of $20/unit, which is equal to our current minimum fixed charge; the total revenue would be about $250,000.

Tim and I have frequently discussing what we see as a “free ride” on fixed costs for those who have the second meter for irrigation. Currently we only charge a meter charge and commodity charge for usage only. However, the City has fixed costs that are related only to the water part of our utility. So, another way to increase the customer base is to charge irrigation meters a fixed charge based solely on a proportionate amount of the $1.7 million fixed costs related to the water system in addition to the current commodity charge. Currently we have more than 1,100 irrigation meters in the city. This would generate approximately $307,000 per year.

Rate System Change: There are other ways of calculating rates that can make the residential rates lower than the current rates. However, as noted in the first paragraph any changes in how rates are calculated only results in cost shifting. For example, if the City of Fraser were to adopt what is known as an equivalent meter based rate system the residential fixed charge rate would drop to less than $39/month for our estimated 3,900 residential customers. Our largest water using customer, Faurecia, with two 6” meters would have their fixed charge bill shift from the current $2,800/month to $$3,536/month. Similar shifts would be felt by all Commercial and Industrial customers to offset the reduced revenues collected from the residential customers. For comparison purposes a survey of neighboring cities is included in the appendix and it identifies several cities that use this format or a derivation of it. In the appendix is a chart comparing our rate system with other local communities and shows that this rate system is used in Warren, Centerline, Eastpointe and Sterling Heights (Exhibit 1). Their fixed charge rates reflect this cost shift dynamic.

Ultimately it is the small customer base in Fraser that contributes to what are perceived a high water rates. With fixed costs being frequently added by DWSD, Oakland-Macomb County Interceptor District (OMID) and independent costs from the Macomb County Wastewater Disposal District the City of Fraser finds itself regularly adding costs to the fixed rate as new project costs are allocated to each City in Macomb County. We have been advised that Oakland County will be adding new charges for the upcoming fiscal year and DWSD has indicated its intent to moving their current fixed cost component from the current 70% to 100% at some point in the future. These changes will continue to make it a challenge to distribute those costs to our customers in the future in a fair and balanced manner.

Conclusions:

- Modest changes in the fixed cost component, $5.00 or less per month on average, can be gained by adding a fixed cost to multi-family addresses and irrigation meters.
- Moving part of the fixed cost to taxes will reduce the fixed cost component approximately 24%offset by an increase in taxes of 2.34 mils.
- A rate change mirroring many adjoining communities will reduce residential fixed costs to less than $40/month shifting the costs to commercial and industrial users.

PENSION SYSTEM

Since June of 2010 the current pension system has been a subject of strict scrutiny and study of this Administration. While there has been a focus on the current liabilities and funding level, the problems with the pension system are far deeper than this obvious issue.

The first focus was on the Early Retirement Incentive Program (ERIP) used by the City beginning in 2006. While much of the criticism has focused on the impact of these incentives on the pension system, the incentives were, for the City, a cost shift which ultimately mitigates this impact. In essence, over a period of several years the City relieved itself of several positions which included salary and benefit costs from the General Fund budget of approximately $3.4 million. In exchange for this savings the City found its pension contribution increase between 2006 and 2012 increased just under $200,000 for a net savings of $3.1 million per year. The City was confronted with a loss of more than $3.3 million in property tax revenues and an additional loss of $250,000 in State Revenue Sharing. The goals of the City Councils during this time were to reduce the budget to meet the new lower revenues without reducing the services provided to our taxpayers. Given that more than 63% of the General Fund budget is personnel, this became the most obvious means to reduce the budget. Compounding the decision was the fact that reduction of personnel by layoff would eliminate ambulance services and seriously impact many other services so obvious choice was to eliminate or change to part time many of the mid management positions. Thus, targeted reductions were made using the ERIP as the vehicle to accomplish the goal of reducing personnel costs. Ultimately, some of the part time positions will have to come back as full time positions, but future Councils will be cautioned to limit these changes as much as possible to preserve the savings realized or the City will find the savings gone while some of the increased pension costs continue.

On February 16, 1978, the City established a defined benefit pension plan for the benefit of the collectively bargained (“union”) public safety officer employees of its Department of Public Safety, which was named the “City of Fraser Police Officers Pension Plan and Trust”, which was periodically amended. On February 15, 1995 it was amended to include certain management employees of the City.

On December 18, 1992, the City established a defined benefit pension plan for employees of its Department of Public Works.

On June 26, 1995, the City established a defined benefit pension plan for the benefit of the Dispatcher employees of its Department of Public Safety.

On December 22, 1993, the City established a defined benefit pension plan for the benefit of its office and clerical employees.

On October 1, 1996, the City established a defined benefit pension plan for the benefit of its non-collectively bargained supervisor employees.

The result of these amendments is the Current City of Fraser Consolidated Retirement System.

In reviewing data and reports from these years in interesting fact emerges. In 1980 the earliest Actuarial report on the public safety officers pension plan show its funding ratio was 44.5%. In 1994, the DPW employees the funding ratio was 71%. In 1994 the funding ratio for the Office and Clerical employees was 61%. 1995 the funding ratio for Dispatchers was 24%. In 1997 the funding ratio of the Supervisor employees was 72%. In a presentation to the Fraser City Council on February 24, 1994 the auditor noted to the Council that the pension plans had a total benefit obligation of $8.7 million with $6.7 million in assets meaning they were underfunded by $2 million or 22.9% at that time (Exhibit 2). During the preceding year collective bargaining increased the benefits to the employees through higher multipliers without an equal increase in employee contributions meaning a increase in this gap was not reflected in the numbers presented. A similar dynamic on a smaller scale also exited in the management employee retirement account.

In discussing the initial funding ratios and the fact that funding ratios for all plans steadily improved during the late 90’s into the early 2000’s with our Actuary in November 2013 she noted two things of importance. First, the low initial funding ratio in some plans suggests that the plans were initiated with inadequate funding to cover the liabilities the plans assumed. Second, the steady increase in funding that followed was only partially due to the increase in full time employees (FTE) during that time. Most of the public plans experienced increases in their funded percents due to the bull market that existed during the so called Clinton years. The better than expected market advances effective “masked” the low funding level just as the recent market “crash” has exacerbated the issue. So, instead of increasing the employee contributions during these years the City chose to increase benefits. These actions effectively drove the funded percentage below even the beginning ratios (Exhibit 3).

In my tenure I have heard various stories related to the early years of the plans. Stories about diversion of pension funds to the General Fund, low employee contributions, and most recently the impact of ERIP’s on the plan. While these stories could be verified or discounted through intense scrutiny of the records, in the end we will not resolve the problem of the low current funding ratios. Any costs due to error or mismanagement at this point are, to coin a business term, sunk costs, or better said a cost that has already been incurred and cannot be recovered.

What we are left with is the fact that these pension plans were from the moment they were created underfunded. That problem has consistently existed from the beginning and continues to this day. It is a chronic problem that has not been addressed in any comprehensive manner and will continue until the City is forced to make up for the difference at some point in the future.

Following an initial analysis of the pension plans in 2010, my focus turned to the pension document and the structure of the pension board. It was quickly realized that the pension plan had not been submitted to the IRS for review. This failure could cause the IRS to remove its tax exempt status which would seriously affect all financial phase of managing a pension plan. Also, the plan had failed to be amended since its inception meaning that several important mandated changes in pension law were not reflected in the document. It was also found that while the Pension Board consisted of 11 members, essentially the City Manager retained more than 51% of the vote meaning that changes in how the plan was managed, investment decisions and other important functions of the Board rested in a single appointed City Manager.

Further, in reviewing the assumptions that are used to determine the funding level and percentage and amount of our total pension liabilities it was found that our mortality table was out of date, the assumptions for inflation and wage inflation overstated and our investment return needed to be reviewed in light of market changes since 2000.

Since pension benefits are a mandatory subject of Collective Bargaining several benefit changes made over the years have resulted in a significant increase in liability costs due to pension spiking. Pension spiking is a term used to define how the final average compensation (FAC), the primary means of calculating pension benefits are inflated by such things as the amount of vacation, sick leave and other benefits as used in the FAC calculation. In Fraser, the actuary has indicated that <u>approximately 10% of our pension liabilities</u> are the result of this dynamic. While this is present in most of our Collective Bargaining Agreements, the most serious costs for this exist in our Public Safety agreements.

Since 2010 a new pension attorney was hired and the requisite changes made to the pension plan were made including the IRS review. Among the other changes were structural changes to ensure the pension board was the final authority. The mortality table has been updated. I have met with our Actuary and working together with our investment advisor a proposal to amend the other assumptions will be presented to the Pension Board for approval including a recommendation that these measure be reviewed and if needed amended no less than at intervals of 5 years moving forward. Finally, the issue of spiking must be addressed during future collective bargaining sessions so the impact on the pension plan is reduced as much as is possible. With recent changes in Collective Bargaining, such as the ability for the City to introduce financial issues into Act 312 Binding Arbitration, this outcome is more possible than in the past.

At this point, the City of Fraser is working with the Michigan Employee Retirement System (MERS) to determine if it is in the best interests to the City and its Retirees that we disband our pension plan and merge it into MERS. The Actuarial costs of such a move are currently being done and once the costs are determined the plan will be presented to the Pension Board and Council for approval. If approved, then negotiations will begin with each bargaining unit to facilitate the change. The major benefits to the City will be less flexibility for Council and the Unions to seek benefits or changes that are not approved by the MERS Board or, if approved, will carry a cost that will be provided so the City can make decisions based on a cost-benefit analysis.

Another option to resolve the pension funding is the use of Pension Obligation Bonds (POB). Essentially, the City would bond its current liabilities; invest the proceeds as with the total funds on deposit. The theory is that the investment return on the bond proceeds will exceed the annual bond payment making the pension fund 100% funded. The risks are all associated with the investment return. So, it is essential that the interest rate on the bonds provide more than small margin when compared to the historical and projected investment return over the life of the bonds. For example, Oakland County took this route and was able to finance 10-year bonds at 3.62%. Even by the most conservative of measures of investment return will show that this margin would be considered safe. For Fraser, this option would only be feasible if the interest rate is 5.25% or below. For this to work, the City must freeze its liabilities at the current mark. This means that no future CBA can modify the FAC calculations or other pension improvements that negatively affect the liability unless there is a commensurate increase in the employee contribution to offset the benefit. Deputy Oakland County Executive presented a plan to a Legislative Committee proposing the State set up an Authority for smaller pension plans to join in order to allow the Authority to sell the Pension Obligation bonds for all members in order to reduce the interest rate making this a more attractive and viable option (Exhibit 4). This will require Legislative action.

The last issue to consider is whether or not to freeze the Defined Benefit Plan, keep the plan as it is now or modify the benefit. The knee jerk reaction to an underfunded plan is to freeze the plan and not allow future employees to participate in the defined benefit plan offering a 457 or 401(k) in a defined contribution plan. However, in my research on pension funding and pension plans over the years I came across an article in 2008 citing problems noted by the newly elected Governor of Rhode Island in 2003 that identified much higher pension costs over the first 7 years following legislative action which froze the plan. I quickly found that the City I was managing at that time had also froze its DB Pension plan and MERS cost estimates showed regular pension plan cost increases for an 18 year period before dropping off and providing a savings to the City. As more active employees move into retirement the ratio of payers to payees shifts and the City is left to make up the difference. As the plan closes out to all retirees it is expected that the City's liability flattens out and savings will begin after this occurs. However, a study by the California Public Employees' Retirement System (CalPers) shows a different dynamic occurs in the later years that may result in little or no savings in these years, especially for a small pension plan such as Fraser's. As more employees move from active to retirement the pension plan has to ensure that their pensions are paid. This requires the plan to shift its investment strategy from one with an emphasis on cash growth to one of stable income. By necessity this often means moving investments form equity products to fixed income products. This often means a significant reduction in investment income. Today the margin between equity investment income and fixed income investment, though higher than normal, is more than 5%. These two dynamics may cause us to look to a different strategy moving forward.

Keeping the plan as it is now has predictable results. We can, with reasonable results, predict the investment experience in the future and the liabilities have already been calculated. Unless the City allows for additional changes in the benefits in the future the only changes will be the result of wage or general inflation.

The middle ground would be to modify the DB benefits moving forward. This is often known as a hybrid plan in which a reduced DB benefit is assured future employees and the difference is covered by a DC plan with a defined City match into a 401 or 457 plan. Such a plan, if properly crafted will provide future income for the DB component while mitigating the negative effects noted above.

Based on current information and discussions with our actuary it will be the recommendation of this Administration that the Pension Board and Collective Bargaining Units pursue a hybrid design. Such a change would provide the City future cost savings while assuring current and future retirees that their benefit will be there. If this is accomplished then the City should seek to implement this plan during the next round of Collective Bargaining Negotiations. This will allow us more than a year to work out the ratio of DB to DC, project the cost impact to the City and decide on a course of action in a timely manner. Finally, the City needs to commit to changes in the CBA's to reduce the impact of spiking and make employees' part of the solution through increased employee contributions. Such action should be undertaken regardless of whether the City maintains the current plan or moves to MERS.

Any of the steps outlined above will require action on the part of the Pension Board and/or through Collective Bargaining with each of our Unions. There is virtually no role for the Council, except to discuss and work with the City Manager to formulate a collective bargaining strategy to address some of the issues noted above. Given the subject such a meeting would be a closed session.

Conclusions:

- Without firm numbers from MERS it is difficult to state with certainty the increase in costs to the City to resolve the funding problems with our current pension. An educated estimate is that annual cost increases can be expected to be no less than $500,000 per year.

RETIREE HEALTHCARE

The City of Fraser does not have a separate fund to provide for current or future healthcare liabilities as current employees retire. The City has ceased the retiree healthcare benefit for all employees hired after July 1, 2009 opting instead for a health savings account and funding for that purpose. So the liability will be limited to those hired prior to this date.

The City's actuarial obligation as of June 30, 2012 totals more than $58 million. This figure is based on a 3% return on investment, increasing healthcare costs of 9% per year initially reduced in increments to 3% after 10 years, with both investment return and cost increases adjusted annually for 3% inflation. However, currently the City of Fraser has no money on deposit and is covering this liability on a pay-as-you-go basis. This approach to retiree healthcare liabilities is typical of the vast majority of cities in MI and in other states where this benefit exists. Research by the Center for Michigan revealed that only one city has fully funded this obligation and a few are partially funded. Oakland County, MI, has covered this liability along with their pension obligations through the use of a Pension Obligation Bond.

The current annual obligation for retiree healthcare is approximately $1.6 million per year. Future costs will be reduced due to the change in the active employee plans through PA 152 that capped annual costs for current employees. During last year's labor negotiations we changed the future retiree healthcare plans to mirror the current active employee plans which will reduce the annual increase in costs for future retirees and for existing retirees as they move from full coverage to Medicare Advantage plans at age 65.

Finally, in Studier et al. V. Michigan Public School Employees' Retirement Board heard before the Michigan Supreme Court in 2005, the court held that unlike pensions, retiree healthcare was not a constitutionally guaranteed benefit, but was an issue of contract law. The meaning of this has been disputed over the years, but with the emergence of an Emergency Manager in Detroit and pending bankruptcy it appears this will be litigated. This could provide us with more certain answers as to if cities are liable for post retirement health benefits and, if so, to what degree or amount?

Finally, the so-called Obamacare (ACA) healthcare program carries other options that may be useable in offsetting or reducing the cost of post retirement healthcare. That too appears to be one strategy being proposed in Detroit by the Emergency Manager so we may also be able to use this option.

In conclusion, the City's obligations for this post retirement benefit are high and likely will increase significantly for several years. Current questions related to the Detroit Bankruptcy and financial issues in other communities operating under an emergency manger very likely will impact our future obligations. It is conceivable that the City may have options to change the benefit for current retirees, perhaps more in line with active employees. At this point it is too early to determine if that impact will decrease this liability, but that is possible. The impact of ACA will likely also affect this obligation, but it is too early to determine if that will also be a positive impact for Fraser. Since the City currently lacks the financial resources to reduce the total obligation and these open questions could have a significant impact our current course of pay-as-you go appears to be the best course of action into the foreseeable future. One thing is clear, the cost of this post employment benefits will only go up as more of our current employees reach retirement age.

CAPITAL IMPROVEMENTS

General and Public Safety Items: During the last budget cycle the Administration presented a five-year capital improvement plan for general capital and public safety needs. The total cost for all projects is approximately $4 million. Not one item on the list includes road or water/sewer projects. .If the City was to do the projects through annual appropriations this would add an average of $880,000 per year to our budget appropriations.

Another option is to capitalize the general projects into a single bond issue which would allow us to start on all of the projects at one time. The only limitation to this is that all projects would have to be completed in three-years due to IRS rules regarding the use of tax exempt bond proceeds. A total bonded amount for the general projects is approximately $4 million. Bonding would allow us to amortize the bonds over twenty years, adding only about $200,000 plus interest per year to the budget. Bonding would also allow us to jump start catching up on our capital needs as most of these items, while needed, were deferred over the past five-years due to budget constraints.

The public safety projects involve vehicles and equipment so we should stick to the replacement schedule as proposed and current expectations are that forfeiture accounts will be used to fund these items.

In contrast, roads, water, sewer and stormwater improvements are not typically a general fund expense. The City receives Act 99 money derived from the assessment of Federal and State fuel taxes that is intended to maintain the local and major streets of the City. Water, sewer and stormwater expenses are paid out the enterprise fund that receives revenue through water and sewer charges to the customers. As such, infrastructure improvements for these are currently not paid out of ad valorem taxes.

Water and Sewer Items: It appears that with few exceptions the City has approached the maintenance and operations of our infrastructure on a pay as you go system. Unfortunately this approach means that only money left over during the budget process was all that is dedicated to infrastructure capital needs. More often the approach is deferred maintenance which most often means nothing was done. Given the age of our infrastructure there will continue to be increasing need for rehabilitation and replacement of failing parts of our system for many years to come.

History in Fraser shows that a concerted effort was put forth to develop and present a comprehensive bond proposal to rehabilitate parts of the system in 1983. However, despite the discussions which began in 1981, very little of the plan was implemented. Interestingly two of the areas that were the focus of discussion were the Masonic/Crestwood/Beacon Lane area and the interceptor on 15 Mile Rd.

The minutes of several meetings covering a period 1981-1983 show chronic flooding of basements occurring in the Masonic/Crestwood/Beacon Lane area following rainstorms going back well into the 1970’s. During the assessment period it appears that an illegal

connection with the Fraser system was discovered and after some effort the line was disconnected. This apparently resolved the immediate problems and there is no record that the recommended $22.5 million in infrastructure improvements was ever implemented. Copies of the maps identifying the streets, water, sewer and storm drain improvements is included as an exhibit to this report (Exhibits 5&6). However, as history shows the problem in the Beacon area that precipitated this discussion and proposal to resolve the problems that was not implemented meant the problems continued to the point where the number of Sanitary Sewer Overflows (SSO) got the attention of MDEQ in the early 2000's resulted in an Administrative Consent Order and replacement of the system.
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We have frequently discussed the capital needs for the Water and Sewer Department. We are still awaiting the results of the S-2 Grant and report of needs for the remainder of the sewer system. Further, we continue to be confounded by flow test results in the 15 Mile-Garfield-Utica road corridors which clearly indicate that we have a significant I&I problem. Once the cause is determined remediation may also be needed in this area. These are priority sewer projects that need to be undertaken as soon as is affordable.

As far as water projects, the two most important lines that need to be replaced are on 14 Mile Road and Utica Road from 14 Mile to Groesbeck. Both water lines lie under the pavement and require significant road excavation and replacement if we were to replace them in place. The cost for this approach is nearly prohibitive, especially when you consider that Utica Road was only just repaved within the past year. The better alternative is to lay new lines in the right-of-way outside the traffic lanes and abandon the old pipe in place.

Given the continual needs for replacement and or repair of pipes that will come up in the future as well as our limited cash available it seems the best approach to pay for these projects is to use revenue bonds. Revenue bonds require the Council pledge future water and sewer revenues to pay for the annual principal and interest on the bonds. As these are not tax supported bonds they do not require a referendum. However, since the bond payments are guaranteed through the revenue stream of the utility, the payments will be derived from utility ratepayers.

Another option to consider is the use of General Obligation bonds for water & sewer projects. Our bond advisors tell us that we are not precluded from this option even though we have established and operate the utility as an Enterprise Fund in accordance with the recommendations from MDEQ. This method means that this fixed cost could be paid out of future taxes rather than through water rates.

It appears that the only comprehensive proposal to address the capital needs of the water and sewer system was that noted above in 1983. Despite the proposal the City chose to move forward on a pay as you go basis addressing only emergency repairs with little consideration to a more comprehensive approach. This approach has only resulted in an older system more susceptible to failure and emergency repairs and with costs to address the system increasing significantly over the years. The City, like many cities I have managed, always seems to have the money for the emergency repairs, but never the money to approach the need proactively. Regardless of the cost, it appears that we need to begin a modest proactive plan now. Costs will only increase and we know that the likelihood of the State or Federal government stepping in with financial assistance is nil.

Street Items: In Fraser we have approximately 47 miles of streets. While many of our major streets are in good serviceable condition there are sections, such as Garfield from 14 Mile Rd. to Utica Rd., that are in need of significant work. Most of the major streets are designated as Federal Aid roads and subject to MDOT financing and planning under the Macomb County Road Commission. As such, the City presents its needs to the County and if approved the project is placed on the regional Transportation Improvement Plan with an anticipated date for work. As such, for Fraser this represents a significant savings for maintenance and upkeep of these streets. Examples of savings the City enjoyed were intersections improvements at 13 and 14 Mile Roads and Hayes and 14 Mile Road and Utica and Garfield all done in the past two years with Fraser's total expenditure of about $100,000.

Most of the streets and roads in Fraser are considered local streets and the only funding for these are provided by the State under Act 51. As such, we receive only about $500,000 per year for operations and maintenance in our Local and Major Street Funds. The current strategy is to use this money to address these repair needs through a concrete patch program. The program identifies the worst section of our streets and only those sections are repaired on an annual basis. The amount of work done is dependent upon the funding provided under Act 51. Thankfully, we have an approved Asset Management plan on file which allows us to transfer as much as 100% of our major street money to local streets which provides us some relief in this regard. The only way to accelerate or be more aggressive in this approach is to approve a list of street improvements and seek bond approval through a referendum approved the by electors of the City of Fraser.

Finally, in the order of priorities, with scarce financial resources the focus must be on streets or roads that interconnect with each other. This means that cul-de-sacs and industrial streets are of a lower priority. While not usually applicable to residential cul-de-sacs there is a tool that can be effectively used for addressing industrial streets, namely the use of the special assessment.

There has been discussion of this approach and I believe there is a serious misunderstanding of this tool. Special assessments are not ad valorem property taxes even though they are collected on a property tax bill. A special assessment is based strictly upon the concepts of **"need"** and **"benefit."** Special assessments require a finding that the public improvement is "needed" for a reason consistent with the law and that each property specially assessed receives a unique, measurable and direct benefit from the needed public improvement. The basic idea is, if government funds make a property more valuable, the government has the right to get money back from a property owner. Special Assessments are most often used within a defined district or in this case the street being improved. Using the credit of the government, most often through the use of General Obligation Bonds which are most often referred to as tax free municipal bonds, the property owner is assessed its share of the bond payment so the property owners within the special assessment district pay for the improvement in contrast to use of taxpayer funds for this purpose. the In contrast the ad valorem tax is assessed to fund government operations beneficial to all citizens as identified in the annual General Fund Budget.

Further, while the property owners of industrial lands are taxpayers they also receive benefits not available to residential property taxpayers. These benefits come in the form of tax credits or partial tax exemptions granted locally and by the State of Michigan making the use of special assessments even more palatable.

Finally, most often the streets serving these areas in Fraser are not generally used by the driving public by the very nature of their location making their use more in line with private drives. It is this last characteristic that is probably most important as the financial benefit of improving these streets solely benefits the industrial property owners. It is this dynamic that also makes a special assessment district an effective tool for economic development. This tool for economic development is used throughout the country and shows up in much of the literature on economic development.

It is the Administration's intent to develop and present to the Council a five-year capital improvement plan to address these infrastructure issues prior to the FY 2014-2015 Budget presentation that occurs in April. Currently we believe such a plan can be developed, completed and presented to the Council in March.

Conclusions:

- Preliminary estimates place the annual expenditures for water and street items as approximately $3 million per year for the first five-years or a $15 million bond issue requiring an average millage of 2.92 mils.
- This does not include any sewer repairs or upgrades that will be identified once the current S-2 analysis is concluded. However, that will be paid through SRF funding from the State and added to the fixed cost component of our Water and Sewer utility.

PROPERTY VALUES/REVENUE SHARING

A review of sales data for the past year yielded positive results. The first half of 2013 showed a 3-5% increase in single family residential values while the second half showed 8-11%. Multifamily increases are up, but at a significantly smaller amount as were Industrial and Commercial properties. Macomb County Equalization has set the inflation value for this year's assessment at 1.6% and the Assessor has advised that our values will increase by about 1.4% for the next FY. This represents the first increase in property values since 2007. Unfortunately this increase will likely be offset by the loss of personal property taxes discussed below.

In contrast, State Shared Revenues have been pretty much flat lined. In FY 2000-2001 Statutory Revenue sharing for the 1, 773 villages, cities, and townships totaled $683.1 million. That figure had dropped to $215 million by 2011-2012 a drop of 69%! Under Governor Snyder the statutory revenue sharing program was essentially scrapped in favor of an incentive based revenue sharing plan with benchmarks and requirements that need to be accomplished and reported annually to maintain qualifications for this revenue sharing program. This program goes under the acronym EVIP. Currently efforts tighten the standards for collecting EVIP revenues making revenue projections in this area challenging.

Facing the City in 2014 is the planned elimination of Personal Property Taxes. In Fraser this represents a loss of $1.2 million of revenue. The first phase will remove form the personal property tax rolls all personal property assessed at less than $40,000 or a loss of about $100,000 per year in revenue. The next phase will schedule the end of personal property tax for those assessed at more than $40,000 with replacement to be set through a formula developed by the statute and by a newly appointed State Board. Essentially, the State will reimburse the City 100% for Public Safety revenues losses and 80% for all other losses. Depending on the final formulation this will cost the City at least $300,000 over the next three years offsetting any increase we will realize form property tax revenue increases.

Not all issues have been resolved with respect to implementing the statute, not the least of which is that the statute is tie-barred to a statewide referendum diverting part of the state use tax to provide the replacement revenues. Were that referendum to fail, the second phase will not occur and personal property taxes will continue as is for those assessed at more than $40,000 meaning that Fraser's lost personal property tax revenues would be capped at $100,000.

Other technical questions that remain unanswered include what do we do on July 1, 2014 as far as billing for personal property taxes? From the timing of events it appears the City of Fraser needs to send one bill for personal property taxes and another bill assuming that personal property taxes end on December 31, 2014. Then, depending on the results of the August 2014 referendum send a refund to these taxpayers based on that result. I asked this question at a MML Conference in 2011 and again at a MLGMA Conference in early 2013. I was informed that the Lt. Governor had set up a task force to address this and other unanswered technical questions related to implementation of the statute. To date we have no firm answer.

At stake here is a total of $1.1 million in tax revenues or 10% of our budget. Even the most optimistic assumptions regarding the reimbursements from the State show that only the Public Safety part of our budget will be reimbursed 100% with the remaining lost revenues replaced at 80% resulting in an additional loss of $100,000 in revenues as we move forward.

REVENUE OPTIONS

Even with an increase in ad valorem taxes from increased valuations, this will nearly all be offset by the certain loss of personal property taxes from current taxpayers whose personal property tax valuation is less than $40,000. For all practical purposes without a detailed analysis of revenue for this report the Administration will assume a flat line for revenue projection in the FY 2014-2015 budget. However, this is an increase over our 5-year projection presented for the current FY budget of $67,000.

We can anticipate increases in health insurance due to ACA and normal healthcare inflationary demands. We can likely expect an increase in pension contributions despite an increase in employee contributions in the next FY. In addition, the Administration is intent on having a viable CIP plan approved which will likely include new waterlines, sewer repairs and even additional street work. Finally, it is likely we will be including recommendations for at least one additional DPW employee. These and normal increases for goods and services will likely create a demand for additional revenues. If that turns out to be the case I want to present to the Council from past reports revenue options that the Council should consider as opposed to using the remaining fraction of a mil under Headlee.

Library Millage:

From MCL 397.201, *the city council of each incorporated city may establish and maintain a public library and reading room for the use and benefit of the inhabitants of the city. The city council may levy a tax of not to exceed 1 mill on the dollar annually on all the taxable property in the city.*

If approved by a majority of the voters voting on the proposal at the regular annual election, the city council may increase the tax levied by not to exceed 1 additional mill on the dollar annually on all the taxable property in the city. The tax shall be levied and collected in the same manner as other general taxes of the city, and shall be deposited in a fund to be known as the "library fund."

Further amendments to this 1877 Statute establish the means for establishing a Library Board and its authority for the management of the Library. For the Council, authority appears to transfer to this board for the day-to-day operations, but Council retains the authority for appointments to the Board.

This special property tax can only be used to fund Library services and no other purpose. From the point of adoption forward, General Fund monies will no longer be used to fund library services saving the General Fund Based on the current dollars/mil this would require approximately 1 mil.

Another revenue option available to the City would be to change how we pay for services that mimic utility-type services. Instead of using monies from the General Fund costs are paid through a fee-for-service with revenues segregated into an enterprise fund to pay the costs associated with the service. The types of services that fit into this category are trash pickup, recycling pickup, brush and leaf pickup, composting and related services. While many urban communities have a special millage and separate budget account for these types of services many rural Townships already operate a system wherein services are billed at a set rate paid along with the Water Utility Bill or on a pay-as-you-throw basis where prepaid and approved bags are purchased by the user for disposal of these items. I have used or proposed both systems in my service in past communities. As the City already bills for recycling pickup in its Water Utility Bill so this type of change would be a relatively easy. However, from the perspective of equity or fairness a pay-as-you-throw system would be a better alternative as customers would only pay for that which they dispose of and smaller users would pay less than those who dispose of more material.

In contrast to the pay for service option would be to approve a special millage creating new revenues that target specific services. Either the pay-for-service or the special millage have been shown to be benefit to taxpayers as they can know where money raised goes and are assured by law that this money must be used only for the services provided. One special millage is a sanitation millage.

Sanitation Millage:

The city council of a city ....may establish and maintain garbage systems or plants for the collection and disposal of garbage in the city or village, and may levy a tax not to exceed 3 mills on the taxable value of all taxable property in the city or village according to the valuation of the property..........The annual garbage tax shall be in addition to the amount authorized to be levied for general purposes by the general law or special charter under which the city or village is incorporated.

As used in this act, "garbage" means any putrescible and nonputrescible solid wastes, except body wastes, and includes ashes, incinerator ash, incinerator residue, <u>street cleanings,</u> solid market wastes, solid industrial wastes, and also rubbish including such items as paper, cardboard, tin cans<u>, yard clippings, wood,</u> glass, bedding, crockery, and <u>litter of any kind</u>.

This millage can be approved by the City Council exclusively. It is a very broad statute used by many Michigan communities to pay for services that would otherwise be cut in a budget crunch. Such services do include leaf pickup, street sweeping, brush pickup, recyclables and our normal trash service. Further, after discussing this with our auditor and City Attorney, we can also pay for equipment used solely for such purposes and apportion costs for equipment that serves a multipurpose role. This also applies to personnel costs related to the above services. This millage could also serve to eliminate the need for any service fee system as discussed above and eliminate the monthly service charge for curbside recycling added to each monthly water utility bill.

In communities where this millage exists residents have been highly supportive knowing that services they deem as important are maintained and do not suffer loss when cuts are made in the General Fund. In reviewing costs associated with services authorized to be paid for by this millage approximately $1million of General Fund costs will be covered in a separate Sanitation Fund. Any funds not used for operations in a given year are maintained for capital purchases, such as a replacement street sweeper or partial cost of the Vactor Jet, and can be used under Act 99 for time payment purchases. For Fraser, based on the current dollars/mil this would require approximately 2 mils.

Conclusions:

- Due to revenue restrictions from Headlee and Proposal A future property tax increases will be severely limited to annual increases in the cost of living making it likely the City will not make gains equal to the increased cost of doing business.
- Loss if Personal Property Taxes will negatively affect future revenues.
- State revenue sharing losses are not likely to be replaced in the future.
- The City needs to take advantage of options it currently possesses to increase revenues.
    - A library millage will reduce General Fund expenses $400.000 increasing taxes by 1 mil.
    - A sanitation millage will reduce General Fund expenses $1 million increasing taxes by 2 mils.
- City needs, pension, retiree healthcare, infrastructure and basic operations will continue to increase.

SUMMARY

It is clear from the reports above that the City has collectively “kicked the can down the road” in several areas since the early 1980’s in terms of properly funding its water and sewer utility on an annual basis, increasing its pension and retiree healthcare funding to match benefit increases given over the years, and maintenance of its street, water and sewer infrastructure. Attempts have been made by previous administrations to address some of these issues, but no comprehensive proposal resulted in comprehensive action on the part of past Councils.

This situation has been exacerbated by the recent economic downturn requiring the City to drastically downsize its operations to meet the new economic models while trying to maintain a level of service our residents have come to expect. However, perhaps we might want to ask ourselves two questions. Have we, by doing this all without any significant increase in taxes, protected our taxpayers to the point of leading them to believe we can continue on the same path into the future? Second, is the Council convinced that it is time to begin to address these issues rather than continue to “kick the can down the road?” If the answer to both is “yes” how do we now propose to move forward to address the increasing cost demands that come from not doing so since the 1980’s? How do we communicate to our taxpayers the fact that we cannot afford to continue to delay action in these areas?

This report has presented several options under each topic. However, in order to not lose the overall context or impact of the choices the following summarizes those options.

- Additional revenues needed to address 2013-14 Capital Improvement plan, not including streets and water/sewer improvements, on a pay-as-you-go basis calling for annual expenditures of $200,000.
- Additional revenues needed for pension and retiree healthcare of at least $500,000, more likely to approach $1 million as more information is available.
- Additional revenues needed for increasing costs of doing business estimated at 1.5-2% per year of current $11 million General Fund.
- 3 mil tax increase by adopting a Library and Sanitation millage removing $1.5 million of General Fund expenses to address above General Fund expense increases.
- 2.34 mil tax increase to move water and sewer debt service to taxes offset by a 24% average decrease in fixed costs on water and sewer bills..
- 2.92 mil tax increase for 20 years to bond a 5-year capital improvement plan for streets and water system.

To comprehensively address these issues the estimate is a 6 mil tax increase is needed. This does not include the 2.34 mil tax increase that would result from moving water and sewer fixed costs to the tax rolls. If that were done the total tax increase would be just under 9 mils. This is a significant break from the past and will likely result in significant resistance on the part of our taxpayers.

If the Council is not totally united on this course of action, then a less ambitious approach will suffice. However, the Council will need to reach a consensus on its priorities so we can develop a plan that can be effectively communicated to the public so as to gain their support at the ballot box so we can begin to implement the plan.

Exhibit 1

Water and Sewage Rate Comparison

Community	Water	Sewer		TOTAL per 100 CF	Ready To Serve Fixed Charge	Notes
Fraser Bills Monthly	$2.00	$4.00		$6.00	$20.00 Minimum $5.35 Per Avg. Unit	*Per unit range, based on usage
Clinton Township Bills Monthly	$2.25	$4.45	0.20 Macom Sewer Dis Fee	6.90	3.18 Interceptor 2.94 Detroit h2o Fee .75 Auto Read Box 6.87	*Min of 5 units charged on water & sewer *Also includes a $13.00 trash fee *$54.37 Min Bill/ $41.37 Min Bill Without Trash
Roseville Bills Quarterly	$1.17	$3.64	$1.30* LOM	6.11*	$15.69 (15.69/3=$5.23)	*Includes LOM fee $1.30 =maintain water lines & provide water to customers
Centerline Comm/industrial Bills Every Two Months	$2.68	$4.40		$7.08	$14.00 - $1610.00*	Billed every other month * addtl meter size charge billed once every 2 months: 5/8" $14.00 ($7.00 Month) 3/4" n/a 1" $35.00 ($17.50 Month) 1 1/2" $70.00 ($35.00 Month) 2" $112.00 ($56.00 Month) 3" $224.00 ($112.00 Month) 4" $350.00 ($175.00 Month) 6" $700.00 ($350.00 Month) 8" $1120.00 ($560.00 Month) 10" $1610.00 ($805.00 Month)
Warren Comm/industrial Bills Monthly Bills 2 Unit Min	$2.75 $2.85	$2.13 $2.48	Res Com	$4.88 $5.33	$2.79-$2790.00**	*add service charges to w/s rates: Water: Sewer: Total: 5/8" $.82 $1.97 $2.79 3/4" $1.64 $3.94 $5.58 1" $3.28 $7.88 $11.16

Water and Sewage Rate Comparison

Community	Water	Sewer	TOTAL per 100 CF	Ready To Serve Fixed Charge

Notes

1 1/2"	$8.20	$19.70	$27.90
2"	$20.50	$49.25	$69.75
3"	$36.90	$88.65	$125.55
4"	$73.80	$177.30	$251.10
6"	$139.40	$334.90	$474.30
10"	$410.00	$985.00	$1395.00
12"	$820.00	$1970.00	$2790.00

Community	Water	Sewer	TOTAL per 100 CF	Ready To Serve Fixed Charge
Sterling Heights	$1.71	$2.69	$4.40	Residential Macomb Fee $3.75 Detroit Fee $3.75 $7.50 ($7.50/3=$2.50)
Comm/industrial	$2.14	$2.69	$4.83	Commercial Macomb Fee $5.00 Detroit Fee $5.00 $10.00
Res Billed Quarterly				
Com Billed Monthly				
No Residential M/C				

Notes:

Residental $17.09 Per 10 Units of Water, Commercial $21.36 Per 10 Units of Water

**Commercial & Industrial monitoring/ Over Sized Meter surcharge based on meter size:

Comm. Indust. Mont.		Over Sized Meter Charge	
5/8"	$13.28	5/8"	N/A
3/4"	N/A	3/4"	N/A
1"	$22.13	1"	N/A
1 1/2"	$48.68	1 1/2"	$4.45
2"	$70.80	2"	$11.54
3"	$128.33	3"	$21.16
4"	$177.00	4"	$27.76
6"	$265.50	6"	$43.93
8"	$442.50	8"	$69.95
10"	$619.50	10"	$91.88
		16"	$105.00

Community	Water	Sewer	TOTAL per 100 CF	Ready To Serve Fixed Charge
East Pointe Bills Monthly	$2.18	$5.52	$7.70	$.33* $12.07-$482.72** IWC**$8.85-$265.50

Notes:

*.33 fc for station maintenance

** Based on meter size:		Commercial IWC** Based on meter size:	
5/8"	$12.07	5/8"	$8.85
3/4"	$18.13	3/4"	$13.28
1"	$30.20	1"	$22.13
1 1/2"	$66.40	1 1/2"	$48.68
2"	$96.55	2"	$70.80
3"	$175.00	3"	$128.33

Water and Sewage Rate Comparison

Community	Water	Sewer	TOTAL per 100 CF	Ready To Serve Fixed Charge	Notes
					4" $241.36 4" $177.00 6" $482.72 6" $265.50 *Also bills a Garbage Fee of $10.86 to residental and Commerical Commerical may opt out of Garbage Fee if they pay for their own garbage collections
Mt. Clemens Bills Quarterly	$3.09	$3.97	$7.06	$14.40	$43.20 flat charge every 3 moths, serv charges for pipes (43.20/3=14.40)

Exhibit 2
174 A

2. Review of City Audit for Fiscal Year 1993-1994

a) General Purpose Financial Statements (Continued)

Ms. Wiltsie made reference to page eight of the audit report, depicting cash flows for the enterprise fund types. The most significant item therein is issuance of the debt to build the senior housing complex and the related payments for the property acquisitions which have occurred to date. She noted the cash came in at $3.7 million, and to date about $2.4 million has been expended. Thus, as of June 30, 1993, cash and cash equivalent for the enterprise funds total $1.7 million. It should be noted that $1.3 million of this total is the unexpended bond proceeds for the housing complex.

Ms. Wiltsie then directed council's attention to the notes to the financial statement, commencing on page nine of the audit report. She pointed out there had been no changes in the city's accounting policies during the year. It was noted (on page 13) there were some new funds established, including those for the Utica Road improvements and the senior citizens activity center, both of which are capital project funds; and the aforementioned senior housing complex, which is an enterprise fund.

Reference was made to page 16 of the report, wherein fund deficits for two major construction projects were specified. Ms. Wiltsie stated the Fourteen Mile and Utica Road improvement funds showed deficits of $203,000 and $296,000 respectively on June 30, 1993. It was explained, however, that subsequent to this time, issuance of the necessary bonds had taken place, ensuring a turnaround for this deficit situation.

F-11

Ms. Wiltsie then commented briefly on the status of the employee retirement funds, beginning on page 18 of the audit report. She noted the pension benefit obligation of $8.7 million compared to net assets available for these benefits of $6.7 million results in about a $2 million under-funding position. It was explained this will gradually decrease as contributions to the plan are made. Ms. Wiltsie also pointed out that subsequent to January 1, 1993 (the date this table was prepared), changes were made via the collective bargaining process which impact the benefits to be paid to city employees under the plan. Increases in the multiplier and in the amount of the employee contribution have not been reflected in this report.

It was explained a similar situation exists in the case of the retirement plan for management employees, where the fund is under funded by about $235,000. As with the regular employees' plan, modifications have been made to this plan which are not reflected in this report.

Councilwoman Younger inquired as to whether there is a standard multiplier used in employee retirement plans.

Ms. Wiltsie replied the multiplier is generally about 2.5% of the pay base, depending upon employee's number of years of service. For example, an individual with 30 years of service would draw about 75% of his/her pay rate upon retirement.

Exhibit 3

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2 – 1)	Funded Ratio (Percent) (1)/(2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll
Police Retirement System (a)						
December 31:						
1993	$ 7,428,875	$ 9,539,216	$2,110,341	78%	$2,089,477	101%
1994	7,264,747	10,030,360	2,765,613	72	2,283,161	121
1995	8,916,132	10,819,837	1,903,705	82	2,303,038	83
1996	9,440,088	11,415,748	1,975,660	83	2,354,823	84
June 30:						
1998	12,334,166	12,529,335	195,169	98	2,724,238	7
1999	13,021,414	13,856,946	835,532	94	2,821,221	30
2000	13,705,926	16,202,639	2,496,713	85	3,298,768	76
2001	13,855,770	16,585,807	2,730,037	84	3,275,235	83
Management Employees' Retirement System (a)						
December 31:						
1993	1,179,032	1,469,420	290,388	80	285,514	102
1994	1.306,084	1,751,637	445,553	75	282,661	158
1995	1,637,728	1,956,131	318,403	84	364,344	87
1996	2,036,740	2,537,213	500,473	80	286,169	175
June 30:						
1998	2,098,415	2,666,818	568,403	79	354,106	161
1999	2,205,515	2,803,600	598,085	79	384,290	156
2000	2,298,129	3,115,816	817,687	74	415,597	197
2001	2,347,477	2,994,234	646,757	78	430,349	150
Department of Public Works (a)						
June 30:						
1994	1,057,569	1,488,635	431,066	71	726,882	59
1995	1,294,744	1,675,723	380,979	77	784,369	49
1996	1,548,703	1,694,393	145,690	91	771,624	19
1997	1,561,138	1,671,435	110,297	93	776,500	14
1998	1,867,448	2,051,528	184,080	91	745,222	25
1999	1,879,180	2,004,430	125,250	94	817,789	15
2000	2,092,436	2,063,911	(28,525)	101	855,620	-
2001	2,239,812	2,209,450	(30,362)	101	876,102	-

SCHEDULE OF FUNDING PROGRESS
BY EMPLOYMENT DIVISION

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2 – 1)	Funded Ratio (Percent) (1)/(2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll
Public Safety Retirement System						
June 30:						
2001	$13,855,770	$16,585,807	$ 2,730,037	84%	$3,275,235	83%
2002	13,638,011	17,616,778	3,978,767	77	3,007,735	132
2003	13,014,477	19,182,822	6,168,345	68	3,416,100	181
2004	12,747,123	21,145,951	8,398,828	60	3,500,286	240
2005	12,455,054	22,417,422	9,962,368	56	3,660,309	272
2006	13,482,313	23,797,270	10,314,957	57	3,611,462	286
2007	14,644,683	24,377,221	9,732,538	60	3,528,233	276
2008	15,478,663	25,904,357	10,425,694	60	3,924,628	266
2009	15,466,525	27,004,150	11,537,625	57	3,668,066	315
2010	15,353,426	28,375,350	13,021,924	54	3,815,559	341
Management Employees' Retirement System						
June 30:						
2001	$2,347,477	$2,994,234	$ 646,757	78%	$430,349	150%
2002	2,333,696	3,158,428	824,732	74	447,772	184
2003	2,283,058	3,530,586	1,247,528	65	389,903	320
2004	2,103,563	3,790,858	1,687,295	55	467,912	361
2005	2,027,983	4,052,211	2,024,228	50	460,382	440
2006	2,133,994	4,151,333	2,017,339	51	480,444	420
2007	2,208,367	4,333,245	2,124,878	51	276,422	769
2008	2,084,926	4,339,356	2,254,430	48	228,112	988
2009	1,892,803	4,376,686	2,483,883	43	233,684	1,063
2010	1,796,564	4,603,416	2,806,852	39	60,949	4,605
Department of Public Works						
June 30:						
2001	$2,239,812	$2,209,450	$ (30,362)	101%	$876,102	0%
2002	2,330,995	2,294,856	(36,139)	102	878,573	0
2003	2,397,995	2,677,546	279,551	90	899,817	31
2004	2,490,777	3,006,530	515,753	83	805,720	64
2005	2,536,999	3,469,042	932,043	73	764,067	122
2006	2,804,035	3,419,046	615,011	82	796,840	77
2007	3,137,677	3,604,917	467,240	87	870,724	54
2008	3,388,205	3,846,464	458,259	88	908,883	50
2009	3,424,034	4,276,213	852,179	80	897,661	95
2010	3,432,832	4,342,073	909,241	79	714,757	127

Note: Information for valuation years prior to 2000, was provided by Gallagher Abow.

SCHEDULE OF FUNDING PROGRESS
(CONTINUED)

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2 – 1)	Funded Ratio (Percent) (1)/(2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll
Office and Clerical Workers' Pension Plan (a) (b)						
June 30:						
1994	$ 460,970	$ 755,364	$ 294,394	61%	$ 411,096	72%
1995	607,055	844,011	236,956	72	387,841	61
1996	735,058	947,989	212,931	78	427,817	50
1997	949,043	1,216,312	267,269	78	433,463	62
1998	1,138,197	1,324,304	186,107	86	462,820	40
1999	1,216,125	1,341,534	125,409	91	496,850	25
2000	1,293,935	1,505,140	211,205	86	537,144	39
2001	1,343,086	1,624,461	281,375	83	556,642	51
Dispatchers' Pension Plan (a) (c)						
June 30:						
1995	52,111	219,849	167,738	24	121,334	138
1996	79,011	274,699	195,688	29	159,228	123
1997	100,841	218,974	118,133	46	147,948	80
1998	152,094	255,958	103,864	59	159,122	65
1999	59,330	156,588	97,258	38	165,837	59
2000	98,899	208,995	110,096	47	185,444	59
2001	141,491	251,358	109,867	56	194,066	57
Supervisors' Pension Plan (a)(d)						
June 30:						
1997	651,414	899,056	247,642	72	467,478	53
1998	883,837	1,015,547	131,710	87	494,642	27
1999	1,389,535	1,732,131	342,596	80	533,303	64
2000	1,561,989	1,791,324	229,335	87	541,425	42
2001	1,723,435	1,970,323	246,888	87	594,126	42

(a) Information for valuation years prior to 2000, was provided by Gallagher Abow
(b) Plan was established in fiscal 1994
(c) Plan was established in fiscal 1995
(d) Plan was established in fiscal 1997

SCHEDULE OF FUNDING PROGRESS
BY EMPLOYMENT DIVISION

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2 – 1)	Funded Ratio (Percent) (1)/(2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll
Office, Clerical and Court Pension Plan						
June 30:						
2001	$ 1,343,086	$1,624,461	$281,375	83%	$556,642	51%
2002	1,350,687	1,540,521	189,834	88	563,156	34
2003	1,347,029	1,803,862	456,833	75	626,530	73
2004	1,378,954	2,048,400	669,446	67	653,358	102
2005	1,413,472	1,922,183	508,711	74	531,787	96
2006	1,567,939	2,018,288	450,349	78	529,193	85
2007	1,759,717	1,905,800	146,083	92	554,517	26
2008	1,883,425	2,025,467	142,042	93	567,235	25
2009	1,943,306	2,166,004	222,698	90	587,216	38
2010	1,991,841	2,303,113	311,272	86	520,461	60
Dispatchers' Pension Plan						
June 30:						
2001	$141,491	$251,358	$109,867	56%	$194,066	57%
2002	178,229	283,220	104,991	63	226,066	46
2003	219,059	365,078	146,019	60	237,218	62
2004	269,651	441,556	171,905	61	245,358	70
2005	312,240	487,720	175,480	64	221,085	79
2006	387,630	481,068	93,438	81	200,166	47
2007	479,919	535,964	56,045	90	233,032	24
2008	549,483	614,450	64,967	89	255,538	25
2009	603,876	670,189	66,313	90	255,621	26
2010	662,460	753,104	90,644	88	264,399	34
Supervisors' Pension Plan						
June 30:						
2001	$1,723,435	$1,970,323	$ 246,888	87%	$594,126	42%
2002	1,807,914	2,495,315	687,401	72	598,408	115
2003	1,838,344	2,796,438	958,094	66	599,548	160
2004	1,908,654	3,000,245	1,091,591	64	554,253	197
2005	1,919,381	3,279,431	1,360,050	59	347,085	392
2006	2,028,932	3,558,611	1,529,679	57	402,880	380
2007	2,216,284	3,996,510	1,780,226	55	532,480	334
2008	2,353,893	4,084,140	1,730,247	58	485,350	356
2009	2,350,049	4,359,695	2,009,646	54	324,034	620
2010	2,422,351	4,818,529	2,396,178	50	112,196	2,136

Note: Information for valuation years prior to 2000, was provided by Gallagher Abow.

The Dispatchers, Office Clerical and Court plans were established in 1995 and 1994 respectively.

Exhibit 4

Bridge

News and analysis from **The Center for Michigan** • http://thecenterformichigan.net

Original article URL: http //bridgemi com/2013/11/oakland-county-proposes-legacy-solution/

Economy & competitive position

Oakland County proposes legacy solution

13 November 2013

by **Pat Shellenbarger**
Bridge Magazine contributor

Not long after Robert Daddow came to work for Oakland County 20 years ago, a couple of elected officials suggested the county should stop setting aside money for its retirees' health insurance. No law required Michigan's local governments to prefund the health care plans promised to retirees, so why pay for something now that you can put off until tomorrow – or even years from now?

No way, said Daddow, Oakland County's deputy executive. In fact, he could see that the county needed to set aside more money, not less, to pay for its retirees' medical insurance.

"By the time I came to the county in 1993, it was apparent to me this was a major problem we were going to have to solve," he said. "We said, 'No, we're not going to accept the idea. We're going to fully fund the health care.'"

Most local government leaders back then chose a different course, negotiating contracts with their municipal unions that included a promise to pay workers' pensions and health-care expenses when they retired, without setting aside enough money to cover those so-called legacy costs. They figured the money would be there when the bill came due. If they saw warning signs, most ignored them.

"I can tell you that even if these people did recognize it as a problem, they didn't have the will to solve it," Daddow said. "It was a benefit that people believed at the time wasn't going to be terribly costly."

That turned out to be wrong. In fact, Michigan's cities, villages and townships that provide coverage for their retirees have underfunded pensions and retiree health care programs by a staggering $15.7 billion, **a recent Michigan State University study** found.

With Oakland County's pension and retiree health care plans fully funded, Daddow has proposed an idea that he said could help many Michigan communities head off a financial crisis. On Oct. 3, Daddow presented a plan to the state House Financial Liability Reform Committee to create a statewide authority that would do for many of Michigan's municipalities essentially what Oakland County has done for itself.

In 2007, Oakland County borrowed $557 million by issuing certificates of participation, a type of loan instrument, at a 6.2 percent interest rate, and then reinvested the money at a higher rate, using the proceeds to pay down its legacy costs.

In September, the county refinanced the remaining balance on that debt by borrowing $350 million at a lower rate of 3.62 percent. In so doing, Oakland County became the first local government in Michigan to use a new law, Public Act 329, signed by Gov. Rick Snyder last year, allowing local governments to sell bonds to pay off their legacy costs.

Several other local governments have considered borrowing money under Public Act 329, but Oakland County is among the few so far to complete a deal, possibly because the law sets several conditions, making it difficult for some units to qualify. Saginaw County considered a similar bond sale, but put it on hold in August when rising interest rates made it impractical. A handful of other municipal governments, including Farmington, Traverse City and Grand Rapids, are considering borrowing money under the new law; they face a deadline of Dec. 21, 2014.

Daddow's proposal would allow local governments, generally smaller ones, to join a proposed authority, which would allow them to pool their resources and, in theory, get better interest rates. The authority would issue bonds at a rate of between 3.7 percent and 4.7 percent, investing the proceeds at a higher rate of 7 to 8 percent and using the interest earned to pay down the unfunded pensions and retiree health care plans, Daddow said.

Periodically, those local governments would make payments on the bonds. If one was unable to make its payments, the state treasury would take state revenue sharing the municipality would have received and pass it on to the authority.

Michigan's most distressed cities, such as Detroit and Flint, would be ineligible to join the authority, because they are under emergency management and unlikely to receive favorable interest rates. But the plan could help others avoid being taken over by emergency managers, Daddow said. The new law also could help these communities maintain high credit ratings, while providing adequate services to their residents and ensuring retirees that their pensions and health benefits would not be cut.

State Rep. Earl Poleski, R-Spring Arbor Township, who chairs the House committee, said Daddow's plan could help many communities avoid Detroit's fate.

"I think we're starting to see what local governments are going to look like if something isn't done," he said.

Although he has not yet introduced legislation to create the proposed authority, "we are thinking very hard about it," said Poleski, a certified public accountant. "I don't see any downside to it, frankly."

Such an authority would only help local governments fund agreements made with past workers who are now retired, Daddow said. Each government still would have to begin setting aside money to keep its promises to current employees. Daddow echoed others in calling on government employers to stop promising fully covered medical care to current workers and instead have them enroll in health savings accounts, under which a community's financial obligation ends the day an employee retires.

"Somehow, the cycle of deferring costs into the future, particularly as costs are increasing, has to be stopped or, at a minimum, mitigated," Daddow told the House committee.

He later added that "a lot of people ignored the warnings, and look at what happened. You wind up having to pay the retirees' costs before you put a single police officer on the street."

Pat Shellenbarger is a freelance writer based in West Michigan. He previously was a reporter and editor at the Detroit News, the St. Petersburg Times and the Grand Rapids Press.

3 comments from Bridge readers.

Rob Sisson
November 14, 2013 at 9:42 am

This simply shifts the costs to future taxpayers (those paying taxes during the amortization of the bonds). It doe s not fix the structural problems. Admittedly, Oakland County is unique in our state. People can't easily move "o ut" to escape higher city taxes, because of the density of municipal governments there. And, it is one of the mor e affluent counties in the state. In 90% of Michigan counties, there would probably be a popular uprising if a mu ni sought to issue debt to pay legacy costs.

Marcia Robovitsky
November 14, 2013 at 9:45 am

Why do many articles omit Bloomfield Township from the story on unfunded pension debt? They have borrowed $85 million under the Public Act 329 for the 38% of one pension fund currently listed as underfunded. Like many government bodies, this is a satisfaction of debt on paper only. The money borrowed was NOT paid to the compa ny responsible for guaranteed payments, but is being used to invest and try to make money. When I asked the to wnship about the interest rates on the bond sale, the Township Treasurer gave an AVERAGE figure of 4.55 %. I wo nder what the range really is? The Township is investing ALL the money into the stock market.. with Gregory Sch wartz and Co. but what will that money really earn in the investments? Can it maintain a positive return over the next 20 plus years? At the study session, a suggestion by Prudential, which is the firm that guarantees the pensio n payments, was to deposit $10 or $20 million of that $80 million into the guaranteed cash account earning inter est and they said that would satisfy township payments probably into the year 2020. I asked the board to discus

Exhibit 5

Fraser City Council - Special Meeting
Wednesday - April 13, 1983 - 6:00 P.M.
Municipal Building

A Special Meeting of the Fraser City Council was conducted on the above date at the Municipal Building, located at 33000 Garfield Road, Fraser, Michigan.

Present: Mayor John M. Clarkson, Councilmen Adams, Boris, Cataldo, Gavin, Lange, and Pearl

Absent: None

Also Present: Charles D. Beer - City Manager, Michael R. Pohlod - City Clerk, Frank Rubino - Director of Public Works, and David F. Keown - Building Director

1. Call Meeting to Order

The Special Meeting was called to order by Mayor Clarkson at 6:00 p.m.

2. Pledge of Allegiance

At this time, those in attendance rose for the recitation of the Pledge of Allegiance.

3. Consider Public Works Needs Analysis

a) Sewer Improvements
b) Street and Sidewalk Maintenance
c) Municipal Buildings and Properties

Mr. Beer stated this matter had been touched upon briefly last fall, and he now wished to update the council with regard to short/long term needs in terms of capital improvements. He stated in attendance this evening were Public Works Director, Frank Rubino; and Mr. John DeBusscher, of the Pate, Hirn, and Bogue (the city's engineering firm). These gentlemen had worked together in determining the city's problem areas most in need of improvement. Mr. Beer explained many of the needed improvements are of great magnitude; and the schedule under which they will be undertaken by council will be based upon ability to obtain financing, as well as the willingness of the people to shoulder some of the financial burden. He stated what is actually being dealt with here is a 20-year public works capital improvement plan. An assessment to identify the problem areas is the initial step, with the next step to include an outline of alternative financing methods (given current and anticipated future financial capabilities). Finally, a recommendation will be given by the administration as to priorities. Mr. Beer then offered a general overview of the city's capital outlay needs, amounting to some $22,463,900 (given today's costs). He called attention to four (4) charts, indicating such areas as the city's serious maintenance needs, and various funding vehicles which might be utilized. He stated the council must establish priorities legislatively in terms of what needs to be fixed first; and a financing package must be designed using various revenue sources. The bottom line, however, is that there will be a significant cost to the taxpayers who make use of the utilities regardless of what outside revenues can be obtained (entitlement, grants, etc.). He wished to point out that aside from the city's need for improvement and expansion, the need for catching up on routine maintenance also exists; and the city simply does not have adequate revenue to address these areas of need.

Mr. Rubino then addressed the council more specifically in terms of individual improvement needs. He explained for the purpose of planning, he had broken the

3. <u>Consider Public Works Needs Analysis (Continued)</u>

Councilman Adams then inquired as to what the basis for establishing priorities might be, and as to what percentage of crack sealing would be done annually.

Mr. Rubino responded, stating the basis for establishing priorities is simply need; commenting as to the fact that the city's largest problem is the storm system, which is far too costly to be addressed at one time. As to the question of crack sealing, Mr. Rubino stated the DPW would most probably undertake one (1) major subdivision per summer.

Councilman Pearl inquired whether Mr. Rubino had developed a master plan, specifying areas of highest priority.

Mr. Rubino stated he had not done so as yet, explaining he and the administration had first wished to present the council with the entire program and the total cost involved before doing so. He stated once the council gives the go ahead, a definite plan will be devised. Mr. Rubino stated further the Masonic storm sewer (effecting the Crestwood/Beacon Lane areas) will most definitely be given high priority in terms of the needed improvements.

Councilman Cataldo made inquiries as to government funding, and as to the need for water and sewer work on Mulvey.

Mr. DeBusscher addressed Mr. Cataldo's first question, stating federal funding for such purposes will be tied up for the next several years. As to funding through the Environmental Protection Agency (EPA), he stated combination sewer projects are deemed a low-priority item on their list.

Mr. Rubino briefly addressed Mr. Cataldo's inquiry on Mulvey's water and sewer needs.

Mr. Beer commented the primary difference between now and last fall is the city must deal with a considerable cost increase. He explained the administration is currently working with the city's financial consultants and bond counsel to determine the best course in terms of financing these projects. He stated at the next meeting the administration should be in a position to present its findings in this regard. He commented a number of changes have been made at both the state and federal levels in terms of entitlement funds and revenue sharing for state highways. Also, the city is now in the process of reviewing its water and sewer rates to determine what kind of adjustments should be recommended in order to maintain operations (aside from necessary maintenance and capital improvements).

Councilman Cataldo made reference to the figure projected for concrete paving, inquiring as to where this would take place.

Mr. Rubino addressed this inquiry briefly, explaining the need for replacement of entire roads in some areas of the city having a high degree of deterioration. Venetian Village and the Cambridge Sub were two (2) problem areas cited.

Councilman Cataldo stated concrete prices are currently on the decrease; expressing his feeling the city should try to take advantage of this before the economic climate changes again (perhaps for the worse).

3. Consider Public Work Needs Analysis (Continued)

Councilman Pearl made reference to the $3,000,000 figure for a new civic center within the proposed analysis, requesting Mr. Beer comment in this regard.

Mr. Beer stated it is the administration's feeling a new civic center is needed, though this is certainly not a top-priority item. In commenting further, he stated the city could only undertake such a project in the event a grant could be obtained.

Councilman Pearl then inquired whether a 20-year bonding issue will be involved in making the needed improvements.

Mr. Beer replied that rates must be considered, as well as the city's ability to incur such a debt; and whether we wish to pay for it quickly or spread the cost.

Councilman Pearl then inquired whether, at the end of the 20-year period, the city would have to ask the people to assist on another program of this sort.

Mr. Beer stated hopefully the program will be successful in bringing the system up to adequacy; so thereafter, all that should be needed is a good, ongoing maintenance program.

Lengthy discussion ensued as to Councilman Cataldo's statement that concrete costs are currently at a low. Costs in general were also discussed. It was stated that though material costs are currently high, labor costs are at a low.

In response to an inquiry from Councilman Cataldo, Mr. Beer stated the administration would be prepared to report on the city's debt capabilities (from all revenue sources) within two (2) to three (3) weeks.

Mr. Beer then spoke briefly of the allocation of Gas and Weight Taxes received from the state for needed street improvements, commenting that storm sewer work could be included.

Designation of special assessment districts (SAD's) within the city was also touched upon briefly.

4. Update - Ongoing Projects

a) Beacon Lane/Crestwood Storm Drainage
b) Central Business District (CBD) - 14 Mile Road
c) Special Assessment Sanitary Sewer District No. 11
d) 15 Mile Sanitary Sewer Interceptor Repair

Mr. Beer stated he, Mr. Rubino, and Mr. DeBusscher had recently completed negotiations with the Macomb County Road Commission (MCRC) in terms of the 14 Mile Road widening project. He stated both the state and the Board of Commissioners have approved the city's request for construction of a boulevard in the CBD area, which should be completed some time in 1984. Mr. Beer explained further the county will not be widening the balance of 14 Mile through Fraser for another three (3) to four (4) years.

Mr. Rubino stated the recapping (asphalt) of the remainder of 14 Mile will be undertaken as a temporary measure, until such time as the water main work can

4. Update - Ongoing Projects (Continued)

Mr. Beer explained an SAD was set up on the southside of 14 Mile, between Utica and Garfield, about seven (7) years ago. The purpose of this designation had been to address the anticipated 14 Mile widening. It is now felt the city is in a position to award the bid, and undertake the needed improvement project.

Mr. Rubino explained further this is a water and sewer main project which had been set up seven (7) years ago, but never completed.

Discussion ensued as to the reason for this delay. It was stated there is currently some $29,000 in a special account for this project.

In terms of the 15 Mile situation, Mr. Rubino stated Detroit has obtained permission from the EPA to proceed with the needed repair here. According to correspondence from the City of Detroit's head engineer, the bid date for this contract is April 26th. He stated he has been in contact with Detroit's consulting engineers, who have promised to send him a schedule as to when construction should begin as well as the estimated date of completion (barring unforeseen complications). It is hoped the project can commence this summer, so the affected residents will be able to use the sanitary sewer by Christmas, 1983.

Councilman Boris inquired whether Mr. Rubino felt the December completion date was a realistic projection.

Mr. Rubino stated past problems with Detroit have made him somewhat skeptical, though that city's consulting engineers seem to feel the project is actually about to come to fruition this time, due to pressure from various groups. It is estimated (by Detroit's engineers) the sewer repair should take about six (6) months; while subsequent cleanup is likely to take another three (3). When the job has been completed, all Fraser should have to do is hook their line into Detroit's.

Councilman Boris commented should this repair project be completed, development of the city's northwest quadrant should no longer be hampered in this respect.

Mr. Rubino responded affirmatively; though Mr. Beer reminded them the storm problem in this area will still exist.

Councilman Adams inquired as to the effect this repair would have upon the wells on Mulvey.

Mr. Rubino addressed this inquiry briefly.

Councilman Pearl inquired as to how the City of Detroit would charge Fraser for these repairs.

Mr. Beer replied the financial mechanism in this regard has already been set in motion; that is, the cost is currently built into our water/sewer rate structure.

Mr. Rubino addressed this inquiry further, stating Detroit had started billing us as of July 1, 1982. He stated we are currently paying some $21,000 annually

4. Update - Ongoing Projects (Continued)

Brief discussion ensued as to the survey taken some months ago of Crestwood/ Beacon Lane residents, in terms of their storm sewer problems. Mr. Rubino commented as to the small percentage of residents who had indicated an interest.

Further brief discussion ensued.

5. Consider Schedule of Improvements

This item is to be addressed at a later meeting.

6. Adjournment

Councilman Lange, supported by Councilman Adams, motioned TO ADJOURN THE SPECIAL MEETING OF WEDNESDAY, APRIL 13, 1983, AT 7:01 P.M.

The motion carried unanimously.

Respectfully submitted,

Michael R. Pohlod
MICHAEL R. POHLOD, City Clerk

John M. Clarkson
JOHN M. CLARKSON, Mayor

jf

Exhibit 6 43

3. Consider Public Works Improvement Program

Mr. Beer gave a brief introduction at this time, making reference to correspondence from the city's financial consultant in which an overview of our existing financial condition is given from an indebtedness standpoint; as well as the means available with which needed public improvements can be financed. He also made reference to the needs analysis developed earlier this year (SEE MINUTES FOR THE SPECIAL MEETING OF APRIL 13, 1983, PAGES 1-5), commenting though all of these projects cannot be undertaken at this time, some $22,500,000 worth of improvements are needed to bring the city's public works up to adequacy. He spoke of the work he and Mr. Rubino had done in terms of breaking out costs into categories of financing they feel might be feasible; commenting, however, that additional meetings with the city's financial consultant and bond counsel will be necessary to work out the details. Mr. Beer explained it is felt improvements amounting to $14,500,000 should be in place as soon as possible; and that general obligation bond financing will be required. He then touched briefly upon various modes of financing public works projects.

Mr. Rubino interjected brief clarification in terms of special assessments.

Mr. Beer stated he feels the two (2) key questions to be addressed are as follows: (1) How far the council wishes to go in terms of asking the voters to authorize general obligation indebtedness; and (2) The administration of special assessment financing for public works improvements, which would entail conduction of a public hearing.

In conclusion, Mr. Beer stated the administration expects to have adequate response from both the financial consultant and bond counsel within the next week or so in terms of a more detailed breakdown, and the language needed for an election on the general obligation indebtedness.

Councilman Lange commented what the council wishes to do in terms of public works improvements may have to be modified by what transpires as far as the airport situation is concerned. Also, he questioned whether the planning consultant and administration would offer some direction as to what the city will be doing in 1985, and so on.

In response to Mr. Lange's latter inquiry, Mr. Beer stated he and Mr. Rubino have that information now; however, they wish to review the fine details in terms of financial capabilities with the consultant, and to assign priorities prior to presenting this to the council.

Councilman Pearl inquired whether the storm sewer problems would be taken into consideration when final recommendations are made.

Mr. Beer offered an affirmative response.

Councilman Pearl commented he would not feel comfortable asking the voters to approve general obligation indebtedness for public works projects in addition to proposing that they okay a bond for the purchase of McKinley Airport. He stated he would prefer not to act on this matter until such time as some decision has been made in regard to McKinley.

Councilman Boris inquired of Mr. Rubino whether a survey had been made of residents in the Crestwood/Beacon Lane area as to flooding since the state removed its tap.

Principals

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fraser, Michigan, (the City) for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 4, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Fraser, Michigan, are described in Note A to the financial statements. As described in Note P to the financial statements, the City adopted Governmental Accounting Standards Board Statements (GASB Statements) No. 61, *The Financial Reporting Entity Omnibus*; No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended June 30, 2013. Accordingly, the effect of the accounting changes are reported in the applicable financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities, business-type activities, and Water and Sewer Fund were:

Management's calculation of the percentages for current and noncurrent compensated absence payments is based on an estimate of the percentage of employees' use of compensated absences.

Management's calculation of the net post-employment benefits obligation is based on actuarial studies which utilized certain actuarial assumptions.

Management's calculation of the net pension asset and allocation of that asset is based on actuarial studies which utilized certain actuarial assumptions.

The most sensitive estimate affecting the financial statements of the governmental activities, business-type activities, Water and Sewer Fund, and Senior Citizen Housing Complex Fund was:

Management's estimate of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets.

The most sensitive estimate affecting the governmental activities, General Fund, and the aggregate remaining fund information financial statements was:

> Investments are carried at fair value, which is defined as the amount that the City could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: accounts receivable, property taxes receivable, due from other governmental units, capital assets, bond refunding (long-term debt), and beginning fund balance/net position.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of City Council and management of the City of Fraser, and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 13, 2013

Principals

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

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fraser, Michigan (the City), as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

During the audit, we generally provide assistance in identifying and calculating some of the many year-end accrual adjustments required to prepare financial statements in accordance with generally accepted accounting principles (GAAP), including the requirements of GASB Statement No. 34. Accruals represent adjustments other than cash activity that impact the accounting records (i.e., capital assets, net pension asset, accounts payable, other post-employment benefits obligation, long-term debt, etc.).

While management provided several adjusting entries after the commencement of fieldwork, material journal entries were also proposed to management during the audit for adjustments to various accounts. This issue was noted and reported in our audit comments last year. For the current audit, a total of 44 adjusting journal entries were posted to the working trial balance after the commencement of fieldwork. The latest adjusting journal entry was provided by management on November 27, 2013.

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

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

BUILDING BOND RECONCILIATION

The account reconciliation process is an important part of the City's internal control and accounting procedures. The purpose of reconciliations is to ensure that general ledger account balances are supported by underlying transaction detail or third-party information. They also provide an important internal control, in that any differences identified between the underlying detail and an account balance through the reconciliation process may be indicative of an erroneous entry having been posted.

Building bonds are deposited with the City to guarantee satisfactory performance or completion of a project by a contractor. During the course of the audit we noted during our review of the building bonds account that the amount on the bond listing provided by the building department did not agree to the amount that was recorded in the general ledger. The account is currently not being reconciled between the building department and finance department. This issue was noted and reported in our audit comments last year.

We recommend that the City develop and implement a procedure whereby the building department and finance department are reconciling the listing kept by the building department with the general ledger detail from the finance department on a monthly basis.

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

ACCOUNTING MANUAL UPDATE

Based on our discussions with management and our review of the City's accounting manual, we noted that the City has an accounting manual in place, however, the manual hasn't been updated since 2008 and therefore, procedures haven't been updated to reflect the use of the new accounting system implemented in 2010.

Documenting specific policies and procedures allows employees to have a clear understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible.

Accounting is an essential function of the City. The City may have greater risk to this function being performed improperly if the related policies and procedures are not documented. Since the City lacks a sound accounting manual, employees do not have a clear understanding of the process in place for areas such as accounts payable, payroll, and utility billings.

We recommend that the City revise the accounting procedures manual to describe and explain accounting duties.

CAPITAL ASSET RECORDS

During our audit of the capital assets, we noted that the City's capital asset listing includes duplicate entries for sidewalks and also includes infrastructure assets that were considered to be disposed of in a prior period. Management has classified these items as "retired" in the capital asset management system rather than classifying the assets as "disposed". As a result, the capital asset management system continues to calculate depreciation expense for these items. A manual adjustment is then being entered into the general ledger to reduce the depreciation expense. If these assets were disposed of properly in the system as opposed to being "retired", the depreciation would not need to be manually adjusted on an annual basis. This issue was noted and reported in our audit comments last year.

We recommend that the City's Finance Director work with the computer software support team to properly dispose of capital assets within the BS&A software.

Compliance and Other Matters

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

BUDGET VARIANCES

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

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

FUND DEFICIT

At the end of the fiscal year the City's General Obligation Debt Service Fund reported a negative fund balance signifying a fund deficit.

Michigan Public Act 275 of 1980 provides that the City shall not have deficits in fund balances of the governmental funds. The City is not in compliance with Public Act 275 of 1980. As a result the City will be required to prepare and submit a Deficit Elimination Plan to the State of Michigan (or update a previously filed plan).

We recommend the City utilize budgetary controls to alleviate the fund deficit. We also recommend the City update the Deficit Elimination Plan to the State of Michigan in a timely manner.

UNCLAIMED PROPERTY

During the course of the audit, we noted that several of the outstanding checks listing on the bank reconciliations were old and still outstanding. Some checks were written as far back as 2008. Michigan Public Act 29 of 1995 provides that the City report and escheat unclaimed property to the State of Michigan. Michigan Department of Treasury Numbered Letter 2009-1 also gives guidance on this subject.

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 13, 2013

City of Fraser
Macomb County, Michigan

FINANCIAL STATEMENTS

June 30, 2013

City of Fraser

TABLE OF CONTENTS

June 30, 2013

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fraser, Michigan (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fraser, Michigan, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

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

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 13, 2013

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

Financial Highlights

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Other information

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

Government-wide Financial Analysis

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

Government-wide Financial Analysis - continued

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

TABLE 1 (in thousands)

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

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

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

Government-wide Financial Analysis - continued

TABLE 2 (in thousands)

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

Business-type Activities

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

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

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

Financial Analysis of the City of Fraser's Funds

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

Governmental funds

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

Proprietary funds

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

General Fund Budgetary Highlights

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

Capital Assets

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

Economic Factors and Next Year's Budgets

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Fraser

STATEMENT OF NET POSITION

June 30, 2013

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

See accompanying notes to financial statements.

City of Fraser

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

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

See accompanying notes to financial statements.

City of Fraser

Governmental Funds

BALANCE SHEET

June 30, 2013

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

See accompanying notes to financial statements.

City of Fraser

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

June 30, 2013

Total fund balances - governmental funds		$ 3,909,201
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 88,973,969	
Accumulated depreciation is	(72,341,116)	
Capital assets, net		16,632,853
Net pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.		302,611
Long-term receivables are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.		12,046
An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the government-wide statement of net position.		439,110
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:		
Compensated absences	(1,077,443)	
Accrued interest payable	(33,020)	
Long-term obligations	(4,992,784)	
Other post-employment benefits obligation	(14,058,906)	
		(20,162,153)
Net position of governmental activities		$ 1,133,668

See accompanying notes to financial statements.

City of Fraser

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2013

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

See accompanying notes to financial statements.

City of Fraser

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

Year Ended June 30, 2013

Net change in fund balances - total governmental funds		$ (776,514)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 767,953	
Loss on disposal of assets	(5,802)	
Depreciation expense	(762,472)	
Excess of depreciation expense and loss on disposal over capital outlay		(321)
An internal service fund is used by management to charge the costs of certain activities to individual funds. The net position of the internal service fund decreased in the current period.		(132,926)
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current period, these amounts consist of:		
Debt principal retirement	633,247	
Installment purchase agreement	(129,049)	
		504,198
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
(Decrease) in net pension asset	(73,667)	
Decrease in accrued interest payable	7,930	
Decrease in compensated absences	65,728	
(Increase) in other post-employment benefits obligation	(3,457,043)	
		(3,457,052)
Change in net position of governmental activities		$ (3,911,676)

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

STATEMENT OF NET POSITION

Year Ended June 30, 2013

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

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

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

Year Ended June 30, 2013

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

See accompanying notes to financial statements.

City of Fraser

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

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

City of Fraser

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2013

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

See accompanying notes to financial statements.

City of Fraser

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

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

See accompanying notes to financial statements.

City of Fraser

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2013

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

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

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

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

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

2. Blended Component Units

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

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

3. Fiduciary Component Units

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

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Fiduciary Component Units - continued

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

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

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

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

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

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

5. Measurement Focus

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

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

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

6. Basis of Accounting

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

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

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

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting

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

a. The City requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year on or before April 15 of each year. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Council approval is required for any budgetary changes that result in an increase to net appropriations.

b. A Public Hearing is conducted to obtain taxpayers' comments in May.

c. At the May Council meeting, the budget is legally enacted through passage of a resolution.

d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.

e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.

f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

8. Cash, Cash Equivalents, and Investments

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

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

9. Restricted Cash and Cash Equivalents

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

10. Due from Other Governmental Units

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Receivables

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

12. Property Tax

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

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

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

13. Prepaids

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

14. Unearned Revenue

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

15. Compensated Absences

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

16. Interfund Transactions

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Capital Assets

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

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

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

18. Deferred Outflows/Inflows of Resources

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

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

19. Long-term Liabilities

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

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

20. Restrictions of Net Position

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

21. Use of Estimates

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

22. Comparative Data

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

NOTE B: POOLING OF CASH AND INVESTMENTS

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

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

Fund	Negative Pooled Cash
PRIMARY GOVERNMENT	
Governmental Funds	
Debt Service Funds	
General Obligation Fund	$ (182,714)

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United Sates 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.

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

e. Bankers' acceptances of United States banks.

f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

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

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

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

Deposits

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

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

Investments

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

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

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

Investments - continued

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

Credit risk

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

Interest rate risk

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

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

Concentration of credit risk

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

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

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

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

Custodial credit risk

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

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

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

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

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

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

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

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 E: INTERFUND TRANSFERS

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

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

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

NOTE F: CAPITAL ASSETS

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

Primary Government

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

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

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

Depreciation expense was charged to the following governmental activities:

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

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

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

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

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

Water and Sewer	$ 1,224,319
Senior Citizen Housing Complex	90,729
	$ 1,315,048

NOTE G: LONG-TERM DEBT

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

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

NOTE G: LONG-TERM DEBT - CONTINUED

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

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

Governmental Activities

General Obligation Bonds

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

NOTE G: LONG-TERM DEBT - CONTINUED

Governmental Activities - continued

Installment and Lease Purchase Agreements

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

Business-type Activities

General Obligation Bonds

$1,525,000 2012B General Obligation Building Authority Refunding Bonds dated September 20, 2012, due in annual installments ranging from $225,000 to $270,000 through November 1, 2018, with interest ranging from 3.85 to 4.80 percent.	$ 1,525,000

Macomb County Water Disposal District

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

NOTE G: LONG-TERM DEBT - CONTINUED

Business-type Activities - continued

Macomb County Water Disposal District - continued

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

Revenue Bond

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

Installment Lease Agreements

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

Compensated Absences

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

NOTE G: LONG-TERM DEBT - CONTINUED

Business-type Activities - continued

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

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

Defeased Debt

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

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

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

Water and Sewer Obligations

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

NOTE H: RETIREMENT PLAN

Plan Description

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

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

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

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

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

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

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

Funding Policy

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

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

NOTE H: RETIREMENT PLAN - CONTINUED

Funding Policy - continued

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

Annual Pension Cost

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

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

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

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

Three (3) year trend information

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

NOTE H: RETIREMENT PLAN - CONTINUED

Three (3) year trend information - continued

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

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

NOTE I: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

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

Funding Policy

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

Funding Progress

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

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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

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

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
2011	$ 5,424,148	30.3%	$ 7,189,024
2012	5,295,140	29.7%	11,584,167
2013	5,191,242	29.2%	15,361,518

The funding progress of the plan as is as follows:

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

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

Actuarial Methods and Assumptions

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

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Actuarial Methods and Assumptions - continued

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

In the June 30, 2009 actuarial valuation the entry age normal cost method was used. The actuarial assumptions include a 3.0 percent per year rate of investment return (net of administrative expenses, which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate 3.0 percent after ten years. Both rates include a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar on a closed basis. The remaining amortization period at June 30, 2013, was 26 years.

NOTE J: RISK MANAGEMENT

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

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

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

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS

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

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

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

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

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

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

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

Fund Balance Classification Policies and Procedures

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

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

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

NOTE L: FUND DEFICITS

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

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

NOTE M: RESTATEMENT OF BEGINNING NET POSITION

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

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

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

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

NOTE N: CONSTRUCTION CODE ACTIVITY

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

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

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

NOTE O: CONTINGENT LIABILITIES

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

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

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

NOTE P: CHANGES IN ACCOUNTING PRINCIPLES

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

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

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Fraser

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended June 30, 2013

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

City of Fraser

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended June 30, 2013

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

City of Fraser

SCHEDULE OF PENSION FUNDING PROGRESS

Year Ended June 30, 2013

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

City of Fraser

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2013

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

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

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

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

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

NOTE B: BUDGET RECONCILIATION

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

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

OTHER SUPPLEMENTARY INFORMATION

City of Fraser

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2013

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

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

City of Fraser

Nonmajor Governmental Funds

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

Year Ended June 30, 2013

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

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

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2013

Major Streets Fund

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

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2013

Local Streets Fund

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

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2013

Ambulance Fund

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

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2013

Gambling Forfeiture Fund

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

City of Fraser

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2013

Drug Forfeiture Fund

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

City of Fraser

Fiduciary Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

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

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

City of Fraser

Fiduciary Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2013

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

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