

**City of Fraser**  
**Financial Statements**  
**June 30, 2021**



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**City of Fraser**  
**List of Elected and Appointed Officials**  
**June 30, 2021**

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**City Council**

Michael Carnagie	Mayor
Kathy Blanke	Council Member
Amy Baranski	Council Member
Suzanne Kalka	Council Member
Michael Lesich	Council Member
Patrice Schornak	Council Member
David Winowiecki	Mayor Pro-tem



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## Independent Auditors' Report

Honorable Mayor and City Council  
City of Fraser  
Fraser, Michigan

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fraser, as of and for the year ended June 30, 2021, 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fraser Public Library, which represent 100 percent of the assets, net position and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fraser Public Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fraser, as of June 30, 2021, 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.

## **Emphasis of Matter**

As described in Note 13 to the financial statements, the OPEB Trust Fund beginning fund net position was restated by \$425,241 to record the fund in the reporting entity. Our opinion is not modified with respect to this matter.

## **Required Supplementary Information**

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

## **Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fraser's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary 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 by us. In our opinion, based on our audit, the procedures performed as described above, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022 on our consideration of the City of Fraser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fraser's internal control over financial reporting or on compliance. That report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fraser's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Auburn Hills, MI  
February 28, 2022

**City of Fraser**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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As management for the City of Fraser, Michigan (the "City" or "government"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

### Financial Highlights

- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$4,054,384 (deficit net position).
- The City's total net position increased by \$10,540,534 during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,481,947. Approximately \$7,703,956, is available for spending at the government's discretion (unassigned fund balance).

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's 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 themselves.

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most 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 (e.g., earned but unused vacation leave and long-term debt obligations).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*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 include general government, public safety, public works, health and welfare, recreation and culture, and community and economic development. The business-type activities of the City include water and sewer as well as senior housing.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Fraser Public Library (the "Library"), a legally separate entity for which the City is financially accountable. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself. The Library has a separately issued audit report. More information on the Library can be found in note 1 of the notes to the financial statements.

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

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

Because 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



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**Management's Discussion and Analysis**  
**June 30, 2021**

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so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. 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.

The City adopts an annual appropriated budget for its General and special revenue funds. A budgetary comparison schedule has been provided herein to demonstrate compliance with its budget.

**Proprietary funds.** The City 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 uses enterprise funds to account for the water and sewer and the senior housing activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses *internal service funds* to account for its medical self-insurance and motor pool activities. The internal service funds have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund which is considered to be a major fund of the City. Conversely, nonmajor enterprise funds and internal service funds are combined into single, aggregate presentations in the proprietary fund financial statements.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with nonmajor and internal service funds, budgetary comparison, and pension / OPEB schedules.

### **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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,054,384 (deficit net position) at the close of the most recent fiscal year.

The largest portion of the City's net position, \$33,129,506 reflects its investment in capital assets (such as land, construction in progress, buildings and improvements, vehicles, equipment and machinery, furniture and fixtures, systems, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

An additional portion of the City's net position, \$1,340,553, represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net position, is a deficit of (\$38,524,443). Most of this deficit can be attributed to the noncurrent liabilities related to the City's pension and OPEB benefit liabilities.

At fiscal year-end Cash and cash equivalents in the Governmental Activities were reported at \$19,252,058 and in the Business-type Activities at \$8,394,491 for a Primary Government Total of \$27,646,549.

**City of Fraser**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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The changes in the City's net position is discussed in the following sections for governmental activities and business-type activities.

**Governmental activities.** Governmental activities increased the City's net position by \$8,056,984. The change in net position is actually a decrease of 16% from prior year, resulting from the following significant items:

- Property taxes decreased from the previous year from \$14,662,231 to \$14,348,782. This reduction can be attributed to decreases in the operating, ALS, street debt, and city hall debt millages.
- Charges for services decreased by \$255,533 in the current year. State –shared revenue also decreased by \$1,556,200.
- General government expenses decreased by \$505,188 while, public safety expenses increased by \$747,914, and public works expenses increased by \$ 436,597. The areas primarily increased as a result of changes to the net pension liability, net OPEB liability, and their related deferred items.

**Business-type activities.** Business-type activities increased the City's net position by \$2,483,550. The significant changes amongst the enterprise funds are discussed in the proprietary funds' paragraphs in the following section.

#### **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,481,947. Of this total \$7,703,956 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is *nonspendable* (\$102,992), *restricted* (\$7,119,437) or *assigned* (\$3,555,562) to indicate the degree to which those monies are available for the identified purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$7,703,956, while the total fund balance totaled \$11,344,966. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 48% of total general fund expenditures, while total fund balance represents approximately 70% of that same amount.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the business-type activities in the government-wide financial statements, but in more detail.

The total net position for the Water and Sewer Fund for the year ended June 30, 2021 was \$11,751,733. The total net position is the aggregate of the net investment in capital assets of \$14,346,647 restricted net position of \$88,948 and the deficit in unrestricted net position of (\$2,683,862). The primary reason for the deficit in unrestricted net position is due to the noncurrent liabilities for net pension and net OPEB liabilities.

The total net position in the Water and Sewer Fund increased by \$2,345,552 for the year ended June 30, 2021. Customer usage decreased from prior year by (\$130,933) in charges for services. Total operating expenses decreased by \$169,336 primarily because of the differences between expected and actual experiences and changes in actuarial assumptions for the City's pension and OPEB plans.

#### **General fund Budgetary Highlights**

**Original budget compared to final budget.** At year-end, budget amendments were made to either increase or decrease various budgeted line-items from their original adopted amounts. Significant amendments to increase the original budget were made to account for additional property tax revenues, intergovernmental revenues, building and grounds expenditure, and public safety expenditures. The significant amendments to decrease the original budget included line items such as charges for services, licenses and permits, fines and forfeitures, finance expenditures, city administration expenditures, building inspections expenditures, and parks and recreation expenditures.

**Final budget compared to actual results.** The City had no expenditures in excess of the amount appropriated during the year ended June 30, 2021.

**City of Fraser  
Management's Discussion and Analysis  
June 30, 2021**

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**Capital Asset and Debt Administration**

***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$33,129,506. This investment in capital assets includes land, improvements, buildings, vehicles, furniture and fixtures, machinery and equipment, and infrastructure. Net capital assets for governmental activities increased by 12%, while business-type activities increased by 5%.

***Long-term debt***

As of June 30, 2021, the City had \$21,807,089 in total long-term debt outstanding, which is an increase of \$3,693,055 compared to the prior year. The total debt is the aggregate of the debt outstanding from both the governmental and business-type activities.

**Economic Factors and Future Budgets**

Management estimates that a similar level of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2021. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2022, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves in line with financial policies. The ongoing costs of providing essential services for the citizens of the City will again need to be monitored in order to improve the financial condition of the City.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Fraser  
City Treasurer  
33000 Garfield Rd  
Fraser, Michigan 48026

**City of Fraser  
Management's Discussion and Analysis  
June 30, 2021**

**City of Fraser's Changes in Net Position**

**Governmental Activities**

	2020	2021	Change	Percent Change
<b>Revenue</b>				
Program revenue				
Charges for service	\$ 2,693,887	\$ 2,438,354	\$ (255,533)	-9%
Operating services	1,375,627	708,519	(667,108)	-48%
Capital grants	-	1,444,657	1,444,657	100%
General revenue				
Property taxes	14,662,231	14,348,782	(313,449)	-2%
State-shared revenue	3,165,853	1,609,653	(1,556,200)	-49%
Investment earnings	190,538	5,540	(184,998)	-97%
Other revenue	-	100,545	100,545	100%
Total revenue	<u>22,088,136</u>	<u>20,656,050</u>	<u>(1,432,086)</u>	-6%
<b>Expenses</b>				
General government	2,780,797	2,275,609	(505,188)	-18%
Public safety	5,189,478	5,937,392	747,914	14%
Public works	3,056,306	3,492,903	436,597	14%
Community and economic development	75,989	185,254	109,265	144%
Recreation and cultural	797,302	485,002	(312,300)	-39%
Other charges	528,085	11,114	(516,971)	-98%
Debt service	24,113	-	(24,113)	-100%
Total expenses	<u>12,452,070</u>	<u>12,387,274</u>	<u>(64,796)</u>	-1%
Transfer out	-	211,792	(211,792)	100%
<b>Change in Net Position</b>	<u>\$ 9,636,066</u>	<u>\$ 8,056,984</u>	<u>\$ (1,155,498)</u>	-12%

**City of Fraser's Changes in Net Position**

**Business-type Activities**

	2020	2021	Change	Percent Change
<b>Revenue</b>				
Program revenue - Charges for service	\$ 9,878,884	\$ 9,668,668	\$ (210,216)	-2%
Interest income	59,790	-	(59,790)	-100%
Total revenue	<u>9,938,674</u>	<u>9,668,668</u>	<u>(270,006)</u>	-3%
<b>Expenses - Program expenses</b>				
	<u>7,151,127</u>	<u>7,396,910</u>	<u>245,783</u>	3%
Transfer in	-	211,792	(211,792)	100%
<b>Change in Net Position</b>	<u>\$ 2,787,547</u>	<u>\$ 2,483,550</u>	<u>\$ (303,997)</u>	-11%

**City of Fraser  
Management's Discussion and Analysis  
June 30, 2021**

**City of Fraser's Changes in Net Position**

	Governmental Activities				Business-type Activities			
	2020	2021	Change	Percent Change	2020	2021	Change	Percent Change
<b>Assets</b>								
Other assets	\$ 18,818,596	\$ 20,518,470	\$ 1,699,874	9%	\$ 10,359,770	\$ 10,352,063	\$ (7,707)	0%
Capital assets	17,755,760	18,842,605	1,086,845	6%	30,653,287	35,114,709	4,461,422	15%
Total assets	<u>36,574,356</u>	<u>39,361,075</u>	<u>2,786,719</u>	8%	<u>41,013,057</u>	<u>45,466,772</u>	<u>4,453,715</u>	11%
Deferred outflows of resources	<u>2,962,629</u>	<u>3,010,349</u>	<u>47,720</u>	2%	<u>414,950</u>	<u>411,751</u>	<u>(3,199)</u>	-1%
<b>Liabilities</b>								
Current liabilities	1,014,007	1,060,633	46,626	5%	1,839,324	940,843	(898,481)	-49%
Noncurrent liabilities	<u>58,519,665</u>	<u>57,934,402</u>	<u>(585,263)</u>	-1%	<u>26,084,474</u>	<u>29,791,315</u>	<u>3,706,841</u>	14%
Total liabilities	<u>59,533,672</u>	<u>58,995,035</u>	<u>(538,637)</u>	-1%	<u>27,923,798</u>	<u>30,732,158</u>	<u>2,808,360</u>	10%
Deferred inflows of resources	<u>6,927,019</u>	<u>2,243,011</u>	<u>(4,684,008)</u>	-68%	<u>1,175,521</u>	<u>334,130</u>	<u>(841,391)</u>	-72%
<b>Net Position (Deficit)</b>								
Net investment in capital assets	16,760,722	18,782,859	2,022,137	12%	13,624,809	14,346,647	721,838	5%
Restricted	6,508,709	1,340,553	(5,168,156)	-79%	88,924	-	(88,924)	-100%
Unrestricted	<u>(50,193,037)</u>	<u>(38,990,034)</u>	<u>11,203,003</u>	-22%	<u>(1,385,045)</u>	<u>465,591</u>	<u>1,850,636</u>	-134%
Total net position (deficit)	<u>\$ (26,923,606)</u>	<u>\$ (18,866,622)</u>	<u>\$ 8,056,984</u>	-30%	<u>\$ 12,328,688</u>	<u>\$ 14,812,238</u>	<u>\$ 2,483,550</u>	20%

**City of Fraser**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 19,252,058	\$ 8,305,543	\$ 27,557,601	\$ 384,445
Restricted cash	-	88,948	88,948	-
Receivables				
Customers	242,384	1,846,032	2,088,416	-
Accrued interest and other	-	-	-	105
Due from other units of government	914,995	100,310	1,015,305	28,876
Prepaid items	109,033	11,230	120,263	1,299
Capital assets not being depreciated	4,938,136	837,043	5,775,179	-
Capital assets, net of accumulated depreciation	13,904,469	34,277,666	48,182,135	140,005
Total assets	<u>39,361,075</u>	<u>45,466,772</u>	<u>84,827,847</u>	<u>554,730</u>
<b>Deferred Outflows of Resources</b>				
Deferred amount relating to net pension liability	2,979,222	406,258	3,385,480	-
Deferred amount relating to net OPEB liability	31,127	5,493	36,620	-
Total deferred outflows of resources	<u>3,010,349</u>	<u>411,751</u>	<u>3,422,100</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 430,352	\$ 702,051	\$ 1,132,403	\$ 4,802
Accrued and other liabilities	628,418	238,792	867,210	12,405
Due to component unit	1,863	-	1,863	-
Noncurrent liabilities				
Debt due within one year	697,629	1,507,300	2,204,929	-
Debt due in more than one year	326,296	19,275,864	19,602,160	-
Claims payable	72,506	-	72,506	-
Net pension liability	25,483,905	3,475,077	28,958,982	-
Net OPEB liability	31,354,066	5,533,071	36,887,137	-
Total liabilities	<u>58,995,035</u>	<u>30,732,155</u>	<u>89,727,190</u>	<u>17,207</u>
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to net pension liability	1,538,269	209,764	1,748,033	-
Deferred amount relating to net OPEB liability	704,742	124,366	829,108	-
Total deferred inflows of resources	<u>2,243,011</u>	<u>334,130</u>	<u>2,577,141</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	18,782,859	14,346,647	33,129,506	140,005
Restricted for				
District court	1,078,855	-	1,078,855	-
Debt service	261,698	-	261,698	-
Unrestricted	<u>(38,990,034)</u>	<u>465,591</u>	<u>(38,524,443)</u>	<u>397,518</u>
Total net position	<u>\$ (18,866,622)</u>	<u>\$ 14,812,238</u>	<u>\$ (4,054,384)</u>	<u>\$ 537,523</u>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>							
Governmental activities							
General government	\$ 2,275,609	\$ 1,285,696	\$ 288,507	\$ (701,406)	\$ -	\$ (701,406)	\$ -
Public safety	5,937,392	650,950	384,165	(4,902,277)	-	(4,902,277)	-
Public works	3,492,903	480,728	1,444,657	(1,567,518)	-	(1,567,518)	-
Community and economic development	185,254	10,102	29,267	(145,885)	-	(145,885)	-
Recreation and culture	485,002	10,878	6,580	(467,544)	-	(467,544)	-
Interest and fiscal charges on long-term debt	11,114	-	-	(11,114)	-	(11,114)	-
Total governmental activities	<u>12,387,274</u>	<u>2,438,354</u>	<u>2,153,176</u>	<u>(7,795,744)</u>	<u>-</u>	<u>(7,795,744)</u>	<u>-</u>
Business-type activities							
Water and Sewer	6,985,022	9,118,782	-	-	2,133,760	2,133,760	-
Senior Housing	411,888	549,886	-	-	137,998	137,998	-
Total business-type activities	<u>7,396,910</u>	<u>9,668,668</u>	<u>-</u>	<u>-</u>	<u>2,271,758</u>	<u>2,271,758</u>	<u>-</u>
Total primary government	<u>\$ 19,784,184</u>	<u>\$ 12,107,022</u>	<u>\$ 2,153,176</u>	<u>(7,795,744)</u>	<u>2,271,758</u>	<u>(5,523,986)</u>	<u>-</u>
<b>Component unit</b>							
Fraser Public Library	<u>\$ 568,300</u>	<u>\$ 8,471</u>	<u>\$ 123,058</u>				<u>(436,771)</u>
General revenues							
Property taxes				14,348,782	-	14,348,782	470,792
Unrestricted state-shared revenue				1,609,653	-	1,609,653	-
Unrestricted investment earnings				5,540	-	5,540	-
Miscellaneous				100,545	-	100,545	28,619
Transfers				(211,792)	211,792	-	-
Total general revenues and transfers				<u>15,852,728</u>	<u>211,792</u>	<u>16,064,520</u>	<u>499,411</u>
Change in net position				8,056,984	2,483,550	10,540,534	62,640
Net position - beginning of year				(26,923,606)	12,328,688	(14,594,918)	474,883
Net position - end of year				<u>\$ (18,866,622)</u>	<u>\$ 14,812,238</u>	<u>\$ (4,054,384)</u>	<u>\$ 537,523</u>

See Accompanying Notes to the Financial Statements



**City of Fraser  
Governmental Funds  
Balance Sheet  
June 30, 2021**

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	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 11,148,828	\$ 6,916,443	\$ 18,065,271
Receivables	240,708	1,676	242,384
Due from other units of government	656,882	258,113	914,995
Due from other funds	197,738	-	197,738
Prepaid items	85,448	17,544	102,992
Total assets	\$ 12,329,604	\$ 7,193,776	\$ 19,523,380

See Accompanying Notes to the Financial Statements

**City of Fraser  
Governmental Funds  
Balance Sheet  
June 30, 2021**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities</b>			
Accounts payable	\$ 399,241	\$ 12,367	\$ 411,608
Accrued and other liabilities	583,534	44,428	627,962
Due to component unit	1,863	-	1,863
Total liabilities	<u>984,638</u>	<u>56,795</u>	<u>1,041,433</u>
<b>Fund Balances</b>			
Non-spendable			
Prepaid items	85,448	17,544	102,992
Restricted for			
Public works	-	2,908,057	2,908,057
Public safety	-	2,870,827	2,870,827
District court operations fund	-	1,078,855	1,078,855
Debt service	-	261,698	261,698
Assigned for future year expenditures	3,555,562	-	3,555,562
Unassigned	7,703,956	-	7,703,956
Total fund balances	<u>11,344,966</u>	<u>7,136,981</u>	<u>18,481,947</u>
Total liabilities and fund balances	<u>\$ 12,329,604</u>	<u>\$ 7,193,776</u>	<u>\$ 19,523,380</u>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Position of Governmental Activities**  
**June 30, 2021**

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<b>Total fund balances for governmental funds</b>	<b>\$ 18,481,947</b>
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	13,276,822
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	4,938,136
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(964,179)
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from net pension liability	(1,538,269)
Deferred inflows of resources resulting from net OPEB liability	(704,742)
Deferred outflows of resources resulting from net pension liability	2,979,222
Deferred outflows of resources resulting from net OPEB liability	31,127
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(12,418)
Net OPEB liability	(25,483,905)
	(31,354,066)
Internal service funds are included as part of governmental activities.	<u>1,483,703</u>
<b>Net position of governmental activities</b>	<b><u>\$ (18,866,622)</u></b>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 11,623,834	\$ 796,471	\$ 12,420,305
Licenses and permits	655,284	-	655,284
Federal grants	504,465	-	504,465
State-shared revenue	1,609,653	-	1,609,653
Other state grants	1,525,237	1,444,657	2,969,894
Local contributions	161,634	285,628	447,262
Charges for services	760,132	434,676	1,194,808
Fines and forfeitures	389,285	152,267	541,552
Interest income	3,581	1,762	5,343
Other revenue	307,287	-	307,287
	<u>17,540,392</u>	<u>3,115,461</u>	<u>20,655,853</u>
Total revenues			

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Expenditures</b>			
Current			
General government	\$ 2,146,637	\$ -	\$ 2,146,637
Public safety	7,365,594	830,212	8,195,806
Public works	3,540,487	556,988	4,097,475
Community and economic development	159,117	-	159,117
Recreation and culture	731,636	-	731,636
Other functions	2,191,611	-	2,191,611
Debt service			
Principal retirement	23,839	875,000	898,839
Interest and fiscal charges	-	11,603	11,603
Total expenditures	<u>16,158,921</u>	<u>2,273,803</u>	<u>18,432,724</u>
Excess of revenues over expenditures	<u>1,381,471</u>	<u>841,658</u>	<u>2,223,129</u>
<b>Other financing sources (uses)</b>			
Transfers in	1,594	-	1,594
Transfers out	<u>-</u>	<u>(213,386)</u>	<u>(213,386)</u>
Total other financing sources and (uses)	<u>1,594</u>	<u>(213,386)</u>	<u>(211,792)</u>
Net change in fund balance	1,383,065	628,272	2,011,337
Fund balance - beginning of year	<u>9,961,901</u>	<u>6,508,709</u>	<u>16,470,610</u>
Fund balance - end of year	<u>\$ 11,344,966</u>	<u>\$ 7,136,981</u>	<u>\$ 18,481,947</u>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 2,011,337</b>
 Total change in net position reported for governmental activities in the statement of activities is different because:	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,270,291)
Capital outlay	2,153,802
 Expenses are recorded when incurred in the statement of activities.	
Accrued interest	2,734
Compensated absences	85,113
 The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(146,525)
Net change in the deferred inflow of resources related to the net pension liability	(369,024)
Net change in the deferred outflow of resources related to the net pension liability	289,714
 The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	(342,610)
Net change in the deferred inflow of resources related to the net OPEB liability	5,053,032
Net change in the deferred outflow of resources related to the net OPEB liability	(241,994)
 Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	898,839
Amortization of premiums, discounts and similar items	23,426
Internal service funds are also included as governmental activities	(90,569)
 <b>Change in net position of governmental activities</b>	 <b><u>\$ 8,056,984</u></b>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2021**

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Nonmajor Senior Housing	Total	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 7,887,765	\$ 417,778	\$ 8,305,543	\$ 1,186,787
Restricted cash	88,948	-	88,948	-
Receivables				
Customers	1,844,832	1,200	1,846,032	-
Due from other units of government	100,310	-	100,310	-
Prepaid items	11,230	-	11,230	6,041
Total current assets	<u>9,933,085</u>	<u>418,978</u>	<u>10,352,063</u>	<u>1,192,828</u>
Noncurrent assets				
Capital assets, net of accumulated depreciation	32,370,518	1,907,148	34,277,666	627,647
Capital assets not being depreciated	12,043	825,000	837,043	-
Total noncurrent assets	<u>32,382,561</u>	<u>2,732,148</u>	<u>35,114,709</u>	<u>627,647</u>
Total assets	<u>42,315,646</u>	<u>3,151,126</u>	<u>45,466,772</u>	<u>1,820,475</u>
<b>Deferred Outflows of Resources</b>				
Deferred amount relating to net pension liability	406,258	-	406,258	-
Deferred amount relating to net OPEB liability	5,493	-	5,493	-
Total deferred outflows of resources	<u>411,751</u>	<u>-</u>	<u>411,751</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2021**

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Nonmajor Senior Housing	Total	
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 695,262	\$ 6,789	\$ 702,051	\$ 18,744
Accrued and other liabilities	138,460	83,832	222,292	456
Due to other funds	-	-	-	197,738
Current portion of noncurrent liabilities	<u>1,507,300</u>	<u>-</u>	<u>1,507,300</u>	<u>15,184</u>
Total current liabilities	<u>2,341,022</u>	<u>90,621</u>	<u>2,431,643</u>	<u>232,122</u>
Noncurrent liabilities				
Current liabilities payable from restricted assets				
Customer deposits payable	16,500	-	16,500	-
Net pension liability	3,475,077	-	3,475,077	-
Net OPEB liability	5,533,071	-	5,533,071	-
Claims payable	-	-	-	72,506
Long-term debt net of current portion	<u>19,275,864</u>	<u>-</u>	<u>19,275,864</u>	<u>32,144</u>
Total noncurrent liabilities	<u>28,300,512</u>	<u>-</u>	<u>28,300,512</u>	<u>104,650</u>
Total liabilities	<u>30,641,534</u>	<u>90,621</u>	<u>30,732,155</u>	<u>336,772</u>
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to net pension liability	209,764	-	209,764	-
Deferred amount relating to net OPEB liability	<u>124,366</u>	<u>-</u>	<u>124,366</u>	<u>-</u>
Total deferred inflows of resources	<u>334,130</u>	<u>-</u>	<u>334,130</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	14,346,647	-	14,346,647	627,647
Restricted for capital replacement	88,948	-	88,948	-
Unrestricted	<u>(2,683,862)</u>	<u>3,060,505</u>	<u>376,643</u>	<u>856,056</u>
Total net position	<u>\$ 11,751,733</u>	<u>\$ 3,060,505</u>	<u>\$ 14,812,238</u>	<u>\$ 1,483,703</u>

See Accompanying Notes to the Financial Statements



**City of Fraser**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2021**

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Nonmajor Senior Housing	Total	
<b>Operating revenue</b>				
Customer fees	\$ 9,060,790	\$ -	\$ 9,060,790	\$ -
Billings to other funds	-	-	-	1,443,235
Connection fees	12,500	-	12,500	-
Rental income	-	549,466	549,466	-
Other revenue	-	307	307	23,517
	<u>9,073,290</u>	<u>549,773</u>	<u>9,623,063</u>	<u>1,466,752</u>
Total operating revenue				
<b>Operating expenses</b>				
Personnel services	(302,371)	64,270	(238,101)	2,205
Supplies	228,190	14,599	242,789	1,716
Contractual services	606,325	930	607,255	121,477
Utilities	3,906,829	54,773	3,961,602	69,598
Repairs and maintenance	327,602	163,014	490,616	236,125
Other expenses	42,596	26,015	68,611	962,964
Depreciation	1,558,637	88,287	1,646,924	77,368
	<u>6,367,808</u>	<u>411,888</u>	<u>6,779,696</u>	<u>1,563,624</u>
Total operating expenses				
Operating income (loss)	<u>2,705,482</u>	<u>137,885</u>	<u>2,843,367</u>	<u>(96,872)</u>
<b>Nonoperating revenue (expenses)</b>				
Property taxes	44,436	-	44,436	-
Interest income	1,056	113	1,169	197
Gain on sale of capital assets	-	-	-	8,351
Interest expense	(617,214)	-	(617,214)	(2,245)
	<u>(571,722)</u>	<u>113</u>	<u>(571,609)</u>	<u>6,303</u>
Total nonoperating revenues (expenses)				
Income (loss) before transfers	2,133,760	137,998	2,271,758	(90,569)
Transfers in	211,792	-	211,792	-
Change in net position	2,345,552	137,998	2,483,550	(90,569)
Net position - beginning of year	9,406,181	2,922,507	12,328,688	1,574,272
Net position - end of year	<u>\$ 11,751,733</u>	<u>\$ 3,060,505</u>	<u>\$ 14,812,238</u>	<u>\$ 1,483,703</u>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Nonmajor Senior Housing	Total	
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 9,365,022	\$ 548,573	\$ 9,913,595	\$ 1,466,752
Receipts from (payments to) other funds	-	(276,051)	(276,051)	72,506
Payments to suppliers	(6,478,837)	(64,452)	(6,543,289)	(1,295,637)
Payments to employees	-	-	-	(2,205)
Net cash provided by operating activities	<u>2,886,185</u>	<u>208,070</u>	<u>3,094,255</u>	<u>241,416</u>
<b>Cash flows from noncapital financing activities</b>				
Transfer from other funds	211,792	-	211,792	-
Property taxes	<u>44,436</u>	<u>-</u>	<u>44,436</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>256,228</u>	<u>-</u>	<u>256,228</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from capital debt	4,968,432	-	4,968,432	-
Purchases/construction of capital assets	(5,859,162)	(249,184)	(6,108,346)	(280,702)
Principal and interest paid on long-term debt	(1,934,804)	-	(1,934,804)	(16,866)
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,351</u>
Net cash used by capital and related financing activities	<u>(2,825,534)</u>	<u>(249,184)</u>	<u>(3,074,718)</u>	<u>(289,217)</u>
<b>Cash flows from investing activities</b>				
Interest received	<u>1,056</u>	<u>113</u>	<u>1,169</u>	<u>197</u>
Net increase (decrease) in cash and cash equivalents	317,935	(41,001)	276,934	(47,604)
Cash and cash equivalents - beginning of year	<u>7,658,778</u>	<u>458,779</u>	<u>8,117,557</u>	<u>1,234,391</u>
Cash and cash equivalents - end of year	<u>\$ 7,976,713</u>	<u>\$ 417,778</u>	<u>\$ 8,394,491</u>	<u>\$ 1,186,787</u>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Nonmajor Senior Housing	Total	
<b>Reconciliation to the statement of net position</b>				
Cash and cash equivalents	\$ 7,887,765	\$ 417,778	\$ 8,305,543	\$ 1,186,787
Restricted cash	88,948	-	88,948	-
Cash and cash equivalents	<u>\$ 7,976,713</u>	<u>\$ 417,778</u>	<u>\$ 8,394,491</u>	<u>\$ 1,186,787</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	2,705,482	137,885	2,843,367	(96,872)
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation and amortization expense	1,558,637	88,287	1,646,924	77,368
Changes in assets and liabilities				
Receivables (net)	388,542	(1,200)	387,342	-
Due from other units of government	(100,310)	-	(100,310)	-
Prepaid items	(2,391)	-	(2,391)	(4,747)
Accounts payable	(909,526)	(19,112)	(928,638)	(4,437)
Accrued and other liabilities	11,265	2,392	13,657	(140)
Due to other funds	-	-	-	72,506
Due to component unit	-	-	-	197,738
Net pension liability and related deferrals	30,795	-	30,795	-
Net OPEB liability and related deferrals	(788,546)	-	(788,546)	-
Customer deposits payable	3,500	-	3,500	-
Compensated absences	(11,263)	(182)	(11,445)	-
Net cash provided by operating activities	<u>\$ 2,886,185</u>	<u>\$ 208,070</u>	<u>\$ 3,094,255</u>	<u>\$ 241,416</u>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2021**

	OPEB Trust Fund	Custodial Funds
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 229,990
Interest in pooled investments	774,311	-
Due from other units of government	-	5,346
	<u>774,311</u>	<u>235,336</u>
<b>Liabilities</b>		
Accounts payable	-	24,695
Due to other units of government	-	179,494
	<u>-</u>	<u>204,189</u>
<b>Net Position</b>		
Restricted for		
Postemployment benefits other than pension	774,311	-
Other governments	-	31,147
	<u>774,311</u>	<u>31,147</u>
<b>Total net position</b>	<u>\$ 774,311</u>	<u>\$ 31,147</u>

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2021**

	OPEB Trust Fund	Custodial Funds
<b>Additions</b>		
Employer contributions	\$ 207,000	\$ -
<b>Investment earnings</b>		
Interest, dividends and other	143,162	216
<b>Other</b>		
Property tax collections for other governments	-	15,502,664
Bonds received	-	141,477
Total other additions	-	15,644,141
 Total additions	 350,162	 15,644,357
<b>Deductions</b>		
Administrative expense	1,092	-
Payments of property tax to other governments	-	15,502,664
Bonds released	-	110,546
 Total deductions	 1,092	 15,613,210
 Change in net position	 349,070	 31,147
Net position - beginning of year, as restated	425,241	-
Net position - end of year	\$ 774,311	\$ 31,147

See Accompanying Notes to the Financial Statements

**City of Fraser**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

The City of Fraser (the “City”) is governed by an elected seven-member Board. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

**Blended Component Unit** – 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 Housing Fund because its primary purpose is to finance and construct the City’s senior citizen housing.

**Discretely Presented Component Unit** – The component unit column in the government-wide financial statements include the financial data of the City’s Public Library. This unit is reported in a separate column to emphasize that it is legally separate from the City. The Fraser Public Library determines its own budget and sets rental rates. Financial statements for the Fraser Public Library may be obtained from the Library at 16330 E 14 Mile Road Fraser, MI 48026.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Government 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or one year for expenditure-

**City of Fraser**  
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driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and the sewage collection system.

Additionally, the City reports the following:

The Nonmajor Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The Debt Service Funds account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The Nonmajor enterprise fund is used to account for rents charged for the provision of affordable housing for seniors in the City.

Internal Service Funds accounts for vehicle and equipment purchases, maintenance, and employee benefits provided to other departments of the City on a cost reimbursement basis.

OPEB Trust Fund account for the accumulation of resources to be used for benefit payments. The City has a separate postemployment benefits trust fund to accumulate and invest funds to provide for the funding of health care benefits to qualified retired employees of the City and their beneficiaries.

Custodial Funds account for property tax and other deposits collected on behalf of other units and individuals and district court activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 the water and sewer fund, senior housing fund, and the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for water and sewer fund, senior housing fund, and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Assets, liabilities, and net position or fund balances**

**Deposits and investments** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

**Receivables and payables** – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts, as applicable. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2020 taxable valuation of the City totaled \$470,133,961, on which ad valorem taxes consisted of the following, exclusive of any Michigan Tax Tribunal or Board of Review adjustments:

	<u>Millage</u>	<u>Amount of Levy</u>
Operating	18.2083	\$ 8,560,241
Refuse	1.4000	658,187
Ambulance	0.9679	455,042
Street Debt	0.7000	329,094
Public Safety	4.5000	1,972,803

**Prepaid items** – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the City follows the purchase method, and they therefore are expensed when paid in both government-wide and fund financial statements.

**Restricted assets** – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted cash.

**Capital assets** – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not



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increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated acquisition value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period. The City may report deferred outflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these

amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the City. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported net asset value.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The City reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan

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actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Fund Balances – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the City's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by the Council. The Council has granted the City Manager the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the City's policy is to

consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**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, deferred outflows, liabilities, deferred inflows 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 estimates.

**Adoption of New Accounting Standards**

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

**Upcoming Accounting and Reporting Changes**

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model

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for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

The City is evaluating the impact that the above GASB statements will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary information**

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 and Rubbish 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:

1. 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.

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

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

4. 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.

5. 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.

6. 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.

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**Note 3 - Deposits and Investments**

At year end the City's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Restricted Cash	Total
Governmental activities	\$ 19,252,058	\$ -	\$ -	\$ 19,252,058
Business-type activities	8,305,543	-	88,948	8,394,491
Total	27,557,601	-	88,948	27,646,549
Fiduciary funds	229,990	774,311	-	1,004,301
Component unit	384,445	-	-	384,445
Total	<u>\$ 28,172,036</u>	<u>\$ 774,311</u>	<u>\$ 88,948</u>	<u>\$ 29,035,295</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 24,643,916	\$ 229,990	\$ 384,445	\$ 25,258,351
Investments in securities, mutual funds and similar vehicles	3,000,133	774,311	-	3,774,444
Petty cash and cash on hand	2,500	-	-	2,500
	<u>\$ 27,646,549</u>	<u>\$ 1,004,301</u>	<u>\$ 384,445</u>	<u>\$ 29,035,295</u>

As of year end, the City had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
MERS Retiree Health Funding Vehicle MI CLASS	\$ 774,311 3,000,133	N/A 79 days	N/A AAAm	N/A S&P Global
	<u>\$ 3,774,444</u>			

Below is the breakdown between cash and cash equivalents and restricted cash and cash equivalents:

	Water and Sewer Fund
Cash and cash equivalents	\$ 7,798,817
Restricted cash and cash equivalents	88,948
	<u>\$ 7,887,765</u>

*Interest rate risk* – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturities of its investments to less than 60 months.

*Credit risk* – State statutes and the City's investment policy authorize the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**City of Fraser**  
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*Concentration of credit risk* – The City does not allow for an investment in any one issuer that is in excess of ten percent of the City’s total investments.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of year end, \$22,782,050 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments* – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in MI CLASS and the MERS RHFV were both uninsured and uncollateralized.

**Note 4 - Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

**Investments in Entities That Calculate Net Asset Value Per Share**

The City holds share or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The City had total investments valued with MERS Retiree Health Funding Vehicle in the Total Market Fund in the amount of \$774,311. This Fund is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity and commodities and is carried at net asset value. The objective

is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers. There is no redemption period and no unfunded commitments.

At year end, the net asset value of the City's investment in Michigan CLASS was \$3,000,133. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies. It has a rating of AAAM from Standard and Poor's with a weighted average maturity of 79 days.

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**Note 5 - Capital Assets**

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 4,938,136	\$ -	\$ -	\$ 4,938,136
Capital assets being depreciated				
Land improvements	1,314,919	511,184	-	1,826,103
Buildings, additions and improvements	7,253,561	59,642	-	7,313,203
Country road improvements	1,334,975	-	-	1,334,975
Machinery and equipment	859,441	79,393	-	938,834
Furniture and fixtures	218,982	-	-	218,982
Roads and sidewalks	89,649,292	1,503,583	-	91,152,875
Vehicles	3,116,135	280,702	-	3,396,837
Total capital assets being depreciated	<u>103,747,305</u>	<u>2,434,504</u>	<u>-</u>	<u>106,181,809</u>
Less accumulated depreciation for				
Land improvements	364,544	89,062	-	453,606
Buildings, additions and improvements	4,005,417	437,329	-	4,442,746
Country road improvements	427,269	77,356	-	504,625
Machinery and equipment	744,413	49,140	-	793,553
Furniture and fixtures	218,982	-	-	218,982
Roads and sidewalks	82,513,542	612,140	-	83,125,682
Vehicles	2,655,514	82,632	-	2,738,146
Total accumulated depreciation	<u>90,929,681</u>	<u>1,347,659</u>	<u>-</u>	<u>92,277,340</u>
Net capital assets being depreciated	<u>12,817,624</u>	<u>1,086,845</u>	<u>-</u>	<u>13,904,469</u>
Governmental activities capital assets, net	<u>\$ 17,755,760</u>	<u>\$ 1,086,845</u>	<u>\$ -</u>	<u>\$ 18,842,605</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 837,043	\$ -	\$ -	\$ 837,043
Construction-in-progress	1,267,622	-	1,267,622	-
Total capital assets not being depreciated	<u>2,104,665</u>	<u>-</u>	<u>1,267,622</u>	<u>837,043</u>
Capital assets being depreciated				
Buildings, additions and improvements	4,036,932	249,184	-	4,286,116
Machinery and equipment	89,580	-	-	89,580
Water and sewer system	47,138,950	7,126,784	-	54,265,734
Furniture and fixtures	13,782	-	-	13,782
Total capital assets being depreciated	<u>51,279,244</u>	<u>7,375,968</u>	<u>-</u>	<u>58,655,212</u>
Less accumulated depreciation for				
Buildings, additions and improvements	2,290,681	88,287	-	2,378,968
Machinery and equipment	19,584	2,917	-	22,501
Water and sewer system	20,413,466	1,554,342	-	21,967,808
Furniture and fixtures	6,891	1,378	-	8,269
Total accumulated depreciation	<u>22,730,622</u>	<u>1,646,924</u>	<u>-</u>	<u>24,377,546</u>
Net capital assets being depreciated	<u>28,548,622</u>	<u>5,729,044</u>	<u>-</u>	<u>34,277,666</u>
Business-type capital assets, net	<u>\$ 30,653,287</u>	<u>\$ 5,729,044</u>	<u>\$ 1,267,622</u>	<u>\$ 35,114,709</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 292,166
Public safety	203,247
Public works	609,740
Recreation and culture	165,138
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>77,368</u>
Total governmental activities	<u>1,347,659</u>
<b>Business-type activities</b>	
Water and Sewer	1,558,637
Senior Housing	88,287
Total business-type activities	<u>1,646,924</u>
Total primary government	<u>\$ 2,994,583</u>

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**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Internal service funds	\$ <u>197,738</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 1,594
Nonmajor governmental funds	Water and sewer fund	<u>211,792</u>
		<u>\$ 213,386</u>

A transfer was made to the General fund to close out remaining funds in the Capital projects fund. A transfer was made from the Debt service fund to the Water and sewer fund to close out the remaining funds in the Debt service fund.

**Note 7 - Leases**

**Capital leases**

The City have capital leases for a printers and copiers, a plotter, phone system, lawn mower, sewer vacuum equipment, and water meters. The future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2022	\$ 147,326
2023	89,068
2024	89,109
2025	<u>72,146</u>
Total minimum lease payments	397,649
Less amount representing interest	<u>18,454</u>
Present value of minimum lease payments	<u>\$ 379,195</u>

**Asset**

Water and sewer system	\$ 1,229,308
Machinery and equipment	111,833
Vehicles	104,204
Less accumulated depreciation	<u>(699,817)</u>
Total	<u>\$ 745,528</u>



**City of Fraser**  
**Notes to the Financial Statements**  
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**Note 8 - Long-Term Debt**

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the City. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the general fund, and water and sewer fund. Long-term obligation activity is summarized as follows:

	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>								
Bonds and notes payable								
General obligation bonds								
2015 General Obligation Unlimited Streets	6/30/21	2.50%	\$0 - \$0	\$ 875,000	\$ -	\$ 875,000	\$ -	\$ -
Less deferred amounts								
For issuance premiums				23,426	-	23,426	-	-
Total				<u>898,426</u>	<u>-</u>	<u>898,426</u>	<u>-</u>	<u>-</u>
Capital leases								
HP printers and copiers				13,306	-	9,925	3,381	3,381
HP plotter				5,905	-	3,905	2,000	2,000
Toshiba telecom				17,046	-	10,009	7,037	7,037
Toro groundmaster 5900 mower				61,949	-	14,621	47,328	15,184
Total				<u>98,206</u>	<u>-</u>	<u>38,460</u>	<u>59,746</u>	<u>27,602</u>
Compensated absences				<u>1,049,292</u>	<u>584,914</u>	<u>670,027</u>	<u>964,179</u>	<u>670,027</u>
Claims payable				<u>-</u>	<u>942,581</u>	<u>870,075</u>	<u>72,506</u>	<u>-</u>
Total governmental activities				<u>\$ 2,045,924</u>	<u>\$ 1,527,495</u>	<u>\$ 2,476,988</u>	<u>\$ 1,096,431</u>	<u>\$ 697,629</u>

**City of Fraser**  
**Notes to the Financial Statements**  
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**Business-type activities**

Bonds and notes payable

General obligation bonds

2012A LMTD GO Refunding	7/1/2022	2.000%	\$140,000 - \$165,000	\$ 450,000	\$ -	\$ 145,000	\$ 305,000	\$ 140,000
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Direct borrowings

2009 Clean Water SRF	7/1/2029	2.500%	\$390,000 - \$460,000	4,155,000	-	370,000	3,785,000	380,000
2020 Drinking Water Revolving Fund SRF	10/1/2040	2.00%	\$180,000 - \$240,000	421,807	2,948,400	-	3,370,207	180,000
2016 CW Capital Improv (SRF-NFB) Max \$3.23M (5629-01)	6/30/2038	2.500%	\$115,000 - \$169,506	2,499,506	-	110,000	2,389,506	115,000
2010 North Gratiot Drainage District	10/1/2035	5.500% - 6.350%	\$1,333 - \$2,047	24,521	-	1,291	23,230	1,333
2010A OMID Drainage District	3/1/2031	4.51%	\$31,141 - \$37,996	370,322	-	29,630	340,692	30,330
2011 OMID Drainage District Seg 2	9/1/2033	2.500%	\$33,953 - \$45,509	546,245	-	33,097	513,148	33,953
2011 MID Drainage District - Clintondale	4/1/2031	5.000%	\$72,200 - \$133,120	972,445	-	47,381	925,064	72,200
2013A OMID Drainage District Seg 3	10/1/2035	2.440%	\$73,693 - \$95,288	1,249,113	-	72,228	1,176,885	73,693
2014A OMID Drainage District	10/1/2034	2.000% - 3.125%	\$10,279 - \$15,257	185,505	-	10,119	175,386	10,279
2015 North Gratiot Interceptor Refunding (2008)	5/1/2033	4.513%	\$16,633 - \$19,805	234,144	-	16,718	217,426	16,718
2015A OMID Drainage District (SAW) Seg4	4/1/2036	2.500%	\$20,534 - \$29,295	389,317	-	19,986	369,331	20,534
2017A MID Refunding (2010A MID LTO)	5/1/2035	3.939%	\$112,261 - \$210,344	2,302,545	-	106,944	2,195,601	112,261
2017A MID (15 Mile Sinkhole)	5/1/2042	4.208%	\$65,642 - \$167,260	2,366,677	-	62,486	2,304,191	65,642
2019B OMID Drainage District Refunding of 2010B	4/1/2030	2.324%	\$8,482 - \$11,619	98,417	-	8,250	90,167	8,482
2020A OMID Drainage District	7/1/2040	2.000% - 5.000%	\$49,252 - \$141,752	-	2,020,032	34,423	1,985,609	49,252
2019 OMID District	7/1/2026	.000%	\$30,097 - \$64,414	326,844	-	138,774	188,070	64,414
2015A MID CWRF Project 5624-01 (SRF)	11/1/2036	4.435%	\$4,061 - \$9,314	101,197	-	7,097	94,100	7,097

Total direct borrowings				16,243,605	4,968,432	1,068,424	20,143,613	1,241,188
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Capital leases

Sewer vacuum equipment				85,000	-	40,000	45,000	45,000
Water meters				338,797	-	64,348	274,449	66,010
Total				423,797	-	104,348	319,449	111,010

Compensated absences

				26,365	14,452	25,715	15,102	15,102
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Total business-type activities				<u>\$ 17,143,767</u>	<u>\$ 4,982,884</u>	<u>\$ 1,343,487</u>	<u>\$ 20,783,164</u>	<u>\$ 1,507,300</u>
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**City of Fraser**  
**Notes to the Financial Statements**  
**June 30, 2021**

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Business-type Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 140,000	\$ 4,700	\$ 1,241,188	\$ 611,227
2023	165,000	1,650	1,239,672	573,961
2024	-	-	1,281,529	536,269
2025	-	-	1,323,700	496,971
2026	-	-	1,391,715	456,235
2027-2031	-	-	6,992,183	1,619,726
2032-2036	-	-	4,680,457	682,524
2037-2041	-	-	1,825,909	191,084
2042-2046	-	-	167,260	8,363
	<u>\$ 305,000</u>	<u>\$ 6,350</u>	<u>\$ 20,143,613</u>	<u>\$ 5,176,360</u>

**Note 9 - Employee Retirement and Benefit Systems**

**Defined contribution pension plan**

The City provides three defined contribution pension plans, which provide retirement benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City and participants contribute a percentage of participant's salary to the plans. City contributions to the plan at 8.00% of salary and participant contributions are optional. City contributions for the fiscal year 2021 were \$12,719 and participant contributions were \$352,575. The plans' provisions and contribution amounts were established by the City Council and may be amended by the Council. The plans are administered along with the defined benefit pension plans, through Hartford and ICMA.

**Defined benefit pension plan**

Plan description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the City. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers ranging from 1% to 2.75%. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 10 years of service. Final average compensation is calculated based on a range of 3 to 5 years. Member contributions range from 3 to 7%.

Employees covered by benefit terms – At the December 31, 2020 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	119
Inactive employees entitled to, but not yet receiving benefits	33
Active employees	<u>55</u>
	<u>207</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from

**City of Fraser**  
**Notes to the Financial Statements**  
**June 30, 2021**

3.72% to 665.62% based on annual payroll for open divisions. Closed divisions to new employees have an annual employer contribution amount of ranging from \$0 - \$57,940.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases 3.00% in the long-term; 3) Investment rate of return of 7.35%, net of investment expense, including inflation.

Mortality rates used were based on the 2014 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

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

Asset Class	Target Allocation	Target Allocation Gross Rate Of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global fixed income	20.00%	3.75%	0.75%	2.50%	0.25%
Private investments	20.00%	9.75%	1.95%	2.50%	1.45%
	<u>100.00%</u>		<u>7.35%</u>		<u>4.85%</u>

Discount rate – The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Fraser**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Changes in Net Pension Liability**

**Total Pension Liability**

Service cost	\$ 685,288
Interest on the total pension liability	4,597,978
Experience differences	700,268
Change in actuarial assumptions	1,293,824
Benefit payments and refunds	<u>(4,131,673)</u>
Net change in total pension liability	3,145,685
Total pension liability - beginning	<u>62,222,900</u>
Total pension liability - ending (a)	<u>\$ 65,368,585</u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 2,655,927
Employee contributions	333,101
Pension plan net investment income	4,188,487
Benefit payments and refunds	<u>(4,131,673)</u>
Pension plan administrative expense	<u>(66,662)</u>
Net change in plan fiduciary net position	2,979,180
Plan fiduciary net position - beginning	<u>33,430,423</u>
Plan fiduciary net position - ending (b)	<u>\$ 36,409,603</u>

Net pension liability (a-b) \$ 28,958,982

Plan fiduciary net position as a percentage of total pension liability 55.70%

Covered employee payroll \$ 4,360,370

Net pension liability as a percentage of covered employee payroll 664.14%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6.60%) or 1% higher (8.60%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total pension liability	\$ 72,808,325	\$ 65,368,585	\$ 59,148,098
Fiduciary net position	<u>36,409,603</u>	<u>36,409,603</u>	<u>36,409,603</u>
Net pension liability	<u>\$ 36,398,722</u>	<u>\$ 28,958,982</u>	<u>\$ 22,738,495</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2021 the employer recognized pension expense of \$2,952,726. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ 466,845	\$ (560,713)	\$ (93,868)
Differences in assumptions	1,572,532	-	1,572,532
Net difference between projected and actual earning on plan investments	-	(1,187,320)	(1,187,320)
Contributions subsequent to the measurement date*	<u>1,346,103</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,385,480</u>	<u>\$ (1,748,033)</u>	<u>\$ 291,344</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2022.

**City of Fraser**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

<u>Year ended June 30,</u>	
2022	\$ 578,257
2023	727,719
2024	(675,888)
2025	<u>(338,744)</u>
	<u>\$ 291,344</u>

**Note 10 - Other Postemployment Benefits**

Plan description – The City provides retiree healthcare benefits through the City of Fraser’s retiree healthcare plan (The “Plan”) to eligible employees and their spouses. The benefits are provided under collective bargaining agreements. The plan does not issue a publicly available financial report. The plan is a single-employer defined benefit plan administered by the city.

Benefits provided – The Plan provides healthcare benefits for retirees and their dependents.

Employees covered by benefit terms – At June 30, 2019, the plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	106
Inactive employees entitled to, but not yet receiving benefits	14
Active employees	<u>40</u>
	<u>160</u>

The plan is closed to new employees.

Contributions – The City Council establishes rates based on an actuarially determined rate. For the year ended June 30, 2021, the City’s average contribution rate was 47.37 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

Investment policy – The Plans policy in regards to the allocation of invested assets is established and may be amended by the City Council. It is the policy of the City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plans investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 24.76%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability – The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability as of June 30, 2021 were as follows:

Total OPEB liability	\$ 37,661,448
Plan fiduciary net position	<u>(774,311)</u>
Net OPEB liability	<u>\$ 36,887,137</u>

Plan fiduciary net position as a percentage of the total OPEB liability is 2.06%.

**City of Fraser**  
**Notes to the Financial Statements**  
**June 30, 2021**

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Initial trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.50%

Mortality rates were based on the Pub-2010 mortality tables with future mortality improvement projected generationally using scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2014 to December 31, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate – The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Total OPEB Liability**

Service cost	\$ 309,743
Interest	2,370,660
Differences between expected and actual experience	(743,303)
Benefit payments	<u>(1,184,959)</u>
Net change in total OPEB liability	752,141
Total OPEB liability - beginning	<u>36,909,307</u>
Total OPEB liability - ending (a)	<u>\$ 37,661,448</u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 1,391,959
Net investment income	142,070
Benefit payments	<u>(1,184,959)</u>
Net change in plan fiduciary net position	349,070
Plan fiduciary net position - beginning	<u>425,241</u>
Plan fiduciary net position - ending (b)	<u>\$ 774,311</u>

Net OPEB liability (a-b)	\$ 36,887,137
Plan fiduciary net position as a % of TOL	2.06%
Covered payroll	2,938,650
Net OPEB liability as a % of covered payroll	1255.2%

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.5%) or 1% higher (7.5%) than the current discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 41,601,426</u>	<u>\$ 36,887,137</u>	<u>\$ 32,992,410</u>

**City of Fraser**  
**Notes to the Financial Statements**  
**June 30, 2021**

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (7.25%) or 1% higher (9.25%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
Net OPEB liability	\$ 32,387,629	\$ 36,887,137	\$ 42,380,816

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2021 the employer recognized OPEB expense of (\$3,865,015). The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ -	\$ (748,544)	\$ (748,544)
Differences in assumptions	36,620	-	36,620
Net difference between projected and actual earning on plan investments	<u>-</u>	<u>(80,564)</u>	<u>(80,564)</u>
Total	<u>\$ 36,620</u>	<u>\$ (829,108)</u>	<u>\$ (792,488)</u>

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

<u>Year ended June 30,</u>	
2022	\$ (731,576)
2023	(19,653)
2024	(19,717)
2025	<u>(21,542)</u>
	<u>\$ (792,488)</u>

**Note 11 - Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the government carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

The City is self-insured through Blue Cross Blue Shield of Michigan. The charges in the claims liability for the fiscal years ended June 30, 2021 and 2020 are as follows:

	<u>Beginning of year balance</u>	<u>Current year claims &amp; changes in estimates</u>	<u>Claim payments</u>	<u>End of year balance</u>
2020	\$ -	\$ 710,286	\$ 710,286	\$ -
2021	-	942,581	870,075	72,506



**City of Fraser**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**Note 12 - Tax Abatements**

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2021, the City's property taxes were reduced by \$149,030 under this program.

**Note 13 - Prior Period Adjustment**

The OPEB Trust Fund was improperly omitted from the City's financial statements for the year ended June 30, 2020, due to an error in implementation of GASB Statement No. 84, *Fiduciary Activities*. To correct this error, the OPEB Trust Fund has been reinstated to the financial statements. This reinstatement was accomplished by a prior period adjustment, restating the beginning net position for the year ending June 30, 2021 in the amount of \$425,241.

**City of Fraser**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Revenues</b>				
Taxes				
Property taxes	\$ 9,365,869	\$ 9,365,869	\$ 9,194,882	\$ (170,987)
Other taxes	2,474,562	2,474,562	2,406,157	(68,405)
Penalties and interest	11,000	11,000	22,795	11,795
Licenses and permits	612,915	687,285	655,284	(32,001)
Federal grants	-	569,220	504,465	(64,755)
State-shared revenue	1,080,000	1,080,000	1,609,653	529,653
State grants	747,156	851,625	1,525,237	673,612
Local contributions	52,720	52,720	161,634	108,914
Charges for services	765,510	750,510	760,132	9,622
Fines and forfeitures	323,063	323,063	389,285	66,222
Interest income	20,600	20,600	3,581	(17,019)
Other revenue	57,000	83,589	307,287	223,698
Transfers in	106,222	193,140	1,594	(191,546)
Total revenues	<u>15,616,617</u>	<u>16,463,183</u>	<u>17,541,986</u>	<u>1,078,803</u>

**City of Fraser**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Expenditures</b>				
General government				
City council	\$ 155,445	\$ 200,445	\$ 208,285	\$ 7,840
City administration	174,929	233,409	153,707	(79,702)
Clerk	184,189	239,189	241,440	2,251
Finance	349,778	312,696	330,316	17,620
Assessor	117,938	117,938	108,373	(9,565)
Information technology	537,312	537,314	314,236	(223,078)
Buildings and grounds	375,741	407,771	379,115	(28,656)
Attorney	<u>230,000</u>	<u>400,000</u>	<u>411,165</u>	<u>11,165</u>
Total general government	<u>2,125,332</u>	<u>2,448,762</u>	<u>2,146,637</u>	<u>(302,125)</u>
Public safety				
Police	6,392,824	6,403,515	6,165,919	(237,596)
Dispatch	260,630	260,630	260,630	-
Building inspection department	482,602	482,602	340,598	(142,004)
Civil defense	<u>642,050</u>	<u>642,050</u>	<u>598,447</u>	<u>(43,603)</u>
Total public safety	<u>7,778,106</u>	<u>7,788,797</u>	<u>7,365,594</u>	<u>(423,203)</u>

**City of Fraser**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Public works				
Department of public works	\$ 2,748,836	\$ 2,748,836	\$ 2,424,303	\$ (324,533)
Street lighting	158,575	205,575	223,542	17,967
Senior housing	145,712	80,199	35,356	(44,843)
Refuse collection	860,170	860,170	857,286	(2,884)
Total public works	<u>3,913,293</u>	<u>3,894,780</u>	<u>3,540,487</u>	<u>(354,293)</u>
Community and economic development				
Planning	95,018	152,018	157,496	5,478
Zoning	4,015	4,015	1,621	(2,394)
Total community and economic development	<u>99,033</u>	<u>156,033</u>	<u>159,117</u>	<u>3,084</u>
Recreation and culture				
Parks and recreation	381,756	1,053,396	729,930	(323,466)
Historical commission	6,598	6,598	1,706	(4,892)
Total recreation and culture	<u>388,354</u>	<u>1,059,994</u>	<u>731,636</u>	<u>(328,358)</u>

**City of Fraser**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Other functions				
Insurance and bonds	\$ 2,892,774	\$ 2,978,111	\$ 2,191,611	\$ (786,500)
Debt service				
Principal retirement	29,000	29,000	23,839	(5,161)
Total expenditures	<u>17,225,892</u>	<u>18,355,477</u>	<u>16,158,921</u>	<u>(2,196,556)</u>
Excess (deficiency) of revenues over expenditures	(1,609,275)	(1,892,294)	1,383,065	3,275,359
Fund balance - beginning of year	<u>9,961,901</u>	<u>9,961,901</u>	<u>9,961,901</u>	<u>-</u>
Fund balance - end of year	<u>\$ 8,352,626</u>	<u>\$ 8,069,607</u>	<u>\$ 11,344,966</u>	<u>\$ 3,275,359</u>

**City of Fraser**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2021**

Fiscal year ended June 30,	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>							
Service cost	\$ 685,288	\$ 711,380	\$ 697,426	\$ 881,648	\$ 894,748	\$ 859,087	\$ 896,348
Interest on the total pension liability	4,597,978	4,697,613	4,536,139	4,509,170	4,163,696	3,768,012	3,636,330
Experience differences	700,268	(1,682,139)	-	(829,041)	2,371,775	1,095,026	-
Changes in actuarial assumptions	1,293,824	2,129,951	-	-	-	2,184,098	-
Other changes	-	-	702,477	(380,513)	488,772	2,149,753	-
Benefit payments and refunds	(4,131,673)	(3,996,805)	(3,852,343)	(3,651,748)	(3,536,304)	(3,869,714)	(1,961,048)
Net change in total pension liability	3,145,685	1,860,000	2,083,699	529,516	4,382,687	6,186,262	2,571,630
Total pension liability - beginning	62,222,900	60,362,900	58,279,201	57,749,685	53,366,998	47,180,736	44,609,106
Total pension liability - ending (a)	<u>\$ 65,368,585</u>	<u>\$ 62,222,900</u>	<u>\$ 60,362,900</u>	<u>\$ 58,279,201</u>	<u>\$ 57,749,685</u>	<u>\$ 53,366,998</u>	<u>\$ 47,180,736</u>
<b>Plan Fiduciary Net Position</b>							
Employer contributions	\$ 2,655,927	\$ 3,876,884	\$ 2,540,557	\$ 2,153,010	\$ 2,039,477	\$ 3,407,010	\$ 878,683
Employee contributions	333,101	331,977	403,449	508,697	349,173	744,496	149,899
Pension plan net investment income (loss)	4,188,487	4,031,897	(1,217,883)	3,750,994	2,981,535	(425,297)	348,982
Benefit payments and refunds	(4,131,673)	(3,996,805)	(3,852,343)	(3,651,748)	(3,536,304)	(3,869,714)	(1,961,048)
Pension plan administrative expense	(66,662)	(69,640)	(60,527)	(59,395)	(58,818)	(60,463)	(19,181)
Net change in plan fiduciary net position	2,979,180	4,174,313	(2,186,747)	2,701,558	1,775,063	(203,968)	(602,665)
Plan fiduciary net position - beginning	33,430,423	29,256,110	31,442,857	28,741,299	26,966,236	27,170,204	27,772,869
Plan fiduciary net position - ending (b)	<u>\$ 36,409,603</u>	<u>\$ 33,430,423</u>	<u>\$ 29,256,110</u>	<u>\$ 31,442,857</u>	<u>\$ 28,741,299</u>	<u>\$ 26,966,236</u>	<u>\$ 27,170,204</u>
Net pension liability (a-b)	<u>\$ 28,958,982</u>	<u>\$ 28,792,477</u>	<u>\$ 31,106,790</u>	<u>\$ 26,836,344</u>	<u>\$ 29,008,386</u>	<u>\$ 26,400,762</u>	<u>\$ 20,010,532</u>
Plan fiduciary net position as a percentage of total pension liability	55.70%	53.73%	48.47%	53.95%	49.77%	50.53%	57.59%
Covered payroll	\$ 4,360,370	\$ 4,347,825	\$ 4,132,846	\$ 4,892,530	\$ 5,053,190	\$ 4,824,059	\$ 5,019,636
Net pension liability as a percentage of covered payroll	664.14%	662.23%	752.67%	548.52%	574.06%	547.27%	398.65%

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**City of Fraser**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Employer Contributions**  
**June 30, 2021**

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/2015	\$ 2,383,976	\$ 1,633,298	\$ 750,678	\$ 5,019,636	32.54%
6/30/2016	2,010,203	2,414,393	(404,190)	4,952,333	48.75%
6/30/2017	2,140,225	2,486,713	(346,488)	5,478,174	45.39%
6/30/2018	1,313,472	2,041,503	(728,031)	4,892,530	41.73%
6/30/2019	1,982,549	3,355,545	(1,372,996)	4,194,839	79.99%
6/30/2020	2,569,561	3,369,561	(800,000)	4,689,309	71.86%
6/30/2021	2,696,096	2,696,096	-	4,287,150	62.89%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	18 Years
Asset valuation method	5-year smoothed
Inflation	2.50%
Salary increases	3.00%, long-term
Investment rate of return	7.35%, net of investment expense, including inflation
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Rates used were based on the RP-2014 Group Annuity Mortality Table of 50% male and 50% female blend

**City of Fraser**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**June 30, 2021**

Fiscal year ended June 30,	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 309,743	\$ 468,955	\$ 958,738	\$ 972,690
Interest	2,370,660	2,354,655	1,922,925	1,866,367
Differences between expected and actual experience	(743,303)	(6,623,843)	(313,732)	(247,781)
Changes in assumptions	-	591,046	(13,158,589)	(460,659)
Benefit payments	<u>(1,184,959)</u>	<u>(1,195,101)</u>	<u>(1,471,728)</u>	<u>(1,388,659)</u>
Net change in total OPEB liability	752,141	(4,404,288)	(12,062,386)	741,958
Total OPEB liability - beginning	<u>36,909,307</u>	<u>41,313,595</u>	<u>53,375,981</u>	<u>52,634,023</u>
Total OPEB liability - ending (a)	<u>\$ 37,661,448</u>	<u>\$ 36,909,307</u>	<u>\$ 41,313,595</u>	<u>\$ 53,375,981</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 1,391,959	\$ 1,402,101	\$ 1,678,728	\$ 1,388,659
Net investment income	142,070	8,899	3,412	-
Benefit payments and refunds	(1,184,959)	(1,195,101)	(1,471,728)	(1,388,659)
Administrative expense	<u>-</u>	<u>(754)</u>	<u>(316)</u>	<u>-</u>
Net change in plan fiduciary net position	349,070	215,145	210,096	-
Plan fiduciary net position - beginning	<u>425,241</u>	<u>210,096</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 774,311</u>	<u>\$ 425,241</u>	<u>\$ 210,096</u>	<u>\$ -</u>
Net OPEB liability (a-b)	<u>\$ 36,887,137</u>	<u>\$ 36,484,066</u>	<u>\$ 41,103,499</u>	<u>\$ 53,375,981</u>
Plan fiduciary net position as a percentage of total OPEB liability	2.06%	1.15%	0.51%	- %
Covered payroll	\$ 2,938,650	\$ 3,019,935	\$ 3,772,187	\$ 4,416,566
Net OPEB liability as a percentage of covered payroll	1,255.24%	1,208.11%	1,089.65%	1,208.54%

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.



**City of Fraser**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Employer Contributions**  
**June 30, 2021**

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 3,597,282	\$ 1,388,659	\$ 2,208,623	\$ 4,416,566	31.44%
2019	3,601,371	1,678,728	1,922,643	3,772,187	44.50%
2020	4,345,400	1,402,101	2,943,299	3,019,335	46.44%
2021	4,345,413	1,391,959	2,953,454	2,938,650	47.37%

**Notes to Schedule of Contributions**

Valuation date:

June 30, 2019

Notes:

The mortality tables and other demographic assumptions were updated to be consistent with the MERS pension assumptions. The new assumptions were reflected in the June 30, 2019 funding valuation which develops the contribution amounts for the fiscal years ending June 30, 2022 and June 30, 2023. The new assumptions were also reflected in the development of the Total OPEB Liability as of June 30, 2021.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization method, closed
Remaining amortization period	18 years
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	3.75 to 14.75, including inflation
Investment rate of return	5.75%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The RP-2014 Healthy Annuitant Mortality Tables, with rated multiplied by 105% The RP-2014 Employee Mortality Tables The RP-2014 Juvenile Mortality Tables
Health care trend rates	Initial trend starting at 9.0% and gradually decreasing to an ultimate trend rate of 3.75%
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

**City of Fraser**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Investment Returns**

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Fiscal Year Ended June 30,	Annual Return % *
2017	N/A
2018	N/A
2019	N/A
2020	N/A
2021	24.76%

\* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**City of Fraser**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Special Revenue Funds						Debt Service Fund		Capital Projects Funds	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Ambulance	Drug Forfeiture	Gambling Forfeiture	District Court Operations Fund	General Debt Service	2015 General Obligation Fund	2015 Street Bond Construction Fund	
<b>Assets</b>										
Cash and cash equivalents	\$ 1,741,521	\$ 943,642	\$ 1,347,728	\$ 586,733	\$ 971,684	\$ 1,071,588	\$ -	\$ 253,547	\$ -	\$ 6,916,443
Receivables	-	-	1,676	-	-	-	-	-	-	1,676
Due from other units of government	159,910	68,983	11,268	-	-	9,801	-	8,151	-	258,113
Prepaid items	5,349	5,349	6,846	-	-	-	-	-	-	17,544
<b>Total assets</b>	<b>\$ 1,906,780</b>	<b>\$ 1,017,974</b>	<b>\$ 1,367,518</b>	<b>\$ 586,733</b>	<b>\$ 971,684</b>	<b>\$ 1,081,389</b>	<b>\$ -</b>	<b>\$ 261,698</b>	<b>\$ -</b>	<b>\$ 7,193,776</b>
<b>Liabilities</b>										
Accounts payable	\$ -	\$ -	\$ 9,038	\$ 795	\$ -	\$ 2,534	\$ -	\$ -	\$ -	\$ 12,367
Accrued and other liabilities	2,803	3,196	38,429	-	-	-	-	-	-	44,428
<b>Total liabilities</b>	<b>2,803</b>	<b>3,196</b>	<b>47,467</b>	<b>795</b>	<b>-</b>	<b>2,534</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,795</b>
<b>Fund Balances</b>										
Non-spendable										
Prepaid items	5,349	5,349	6,846	-	-	-	-	-	-	17,544
Restricted for										
Public works	1,898,628	1,009,429	-	-	-	-	-	-	-	2,908,057
Public safety	-	-	1,313,205	585,938	971,684	-	-	-	-	2,870,827
District court operations fund	-	-	-	-	-	1,078,855	-	-	-	1,078,855
Debt service	-	-	-	-	-	-	-	261,698	-	261,698
<b>Total fund balances</b>	<b>1,903,977</b>	<b>1,014,778</b>	<b>1,320,051</b>	<b>585,938</b>	<b>971,684</b>	<b>1,078,855</b>	<b>-</b>	<b>261,698</b>	<b>-</b>	<b>7,136,981</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,906,780</b>	<b>\$ 1,017,974</b>	<b>\$ 1,367,518</b>	<b>\$ 586,733</b>	<b>\$ 971,684</b>	<b>\$ 1,081,389</b>	<b>\$ -</b>	<b>\$ 261,698</b>	<b>\$ -</b>	<b>\$ 7,193,776</b>

**City of Fraser**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Special Revenue Funds						Debt Service Fund		Capital Projects Funds	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Ambulance	Drug Forfeiture	Gambling Forfeiture	District Court Operations Fund	General Debt Service	2015 General Obligation Fund	2015 Street Bond Construction Fund	
<b>Revenues</b>										
Taxes	\$ -	\$ -	\$ 461,946	\$ -	\$ -	\$ -	\$ 128	\$ 334,397	\$ -	\$ 796,471
Other state grants	985,465	459,192	-	-	-	-	-	-	-	1,444,657
Local contributions	-	-	43,472	-	-	-	29,530	212,626	-	285,628
Charges for services	-	-	339,704	-	-	94,972	-	-	-	434,676
Fines and forfeitures	-	-	-	72,472	79,795	-	-	-	-	152,267
Interest income	334	211	340	145	322	320	-	90	-	1,762
<b>Total revenues</b>	<b>985,799</b>	<b>459,403</b>	<b>845,462</b>	<b>72,617</b>	<b>80,117</b>	<b>95,292</b>	<b>29,658</b>	<b>547,113</b>	<b>-</b>	<b>3,115,461</b>
<b>Expenditures</b>										
Current										
Public safety	-	-	738,316	50,841	41,055	-	-	-	-	830,212
Public works	309,584	247,404	-	-	-	-	-	-	-	556,988
Debt service										
Principal retirement	-	-	-	-	-	-	-	875,000	-	875,000
Interest and fiscal charges	-	-	-	-	-	-	166	11,437	-	11,603
<b>Total expenditures</b>	<b>309,584</b>	<b>247,404</b>	<b>738,316</b>	<b>50,841</b>	<b>41,055</b>	<b>-</b>	<b>166</b>	<b>886,437</b>	<b>-</b>	<b>2,273,803</b>
Excess (deficiency) of revenues over expenditures	676,215	211,999	107,146	21,776	39,062	95,292	29,492	(339,324)	-	841,658
<b>Other financing sources (uses)</b>										
Transfers out	-	-	-	-	-	-	(211,792)	-	(1,594)	(213,386)
<b>Net change in fund balance</b>	<b>676,215</b>	<b>211,999</b>	<b>107,146</b>	<b>21,776</b>	<b>39,062</b>	<b>95,292</b>	<b>(182,300)</b>	<b>(339,324)</b>	<b>(1,594)</b>	<b>628,272</b>
Fund balance - beginning of year	1,227,762	802,779	1,212,905	564,162	932,622	983,563	182,300	601,022	1,594	6,508,709
Fund balance - end of year	\$ 1,903,977	\$ 1,014,778	\$ 1,320,051	\$ 585,938	\$ 971,684	\$ 1,078,855	\$ -	\$ 261,698	\$ -	\$ 7,136,981

**City of Fraser**  
**Other Supplementary Information**  
**Custodial Funds**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2021**

	Custodial Funds		
	Tax Fund	District Court	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 179,494	\$ 50,496	\$ 229,990
Due from other units of government	-	5,346	5,346
Total assets	<u>179,494</u>	<u>55,842</u>	<u>235,336</u>
<b>Liabilities</b>			
Accounts payable	-	24,695	24,695
Due to other units of government	179,494	-	179,494
Total liabilities	<u>179,494</u>	<u>24,695</u>	<u>204,189</u>
<b>Net Position</b>			
Restricted for other governments	<u>\$ -</u>	<u>\$ 31,147</u>	<u>\$ 31,147</u>

**City of Fraser**  
**Other Supplementary Information**  
**Custodial Funds**  
**Combining Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2021**

	Custodial Funds		
	Tax Fund	District Court	Total
<b>Investment earnings</b>			
Interest, dividends and other	\$ -	\$ 216	\$ 216
<b>Other</b>			
Property tax collections for other governments	15,502,664	-	15,502,664
Bonds received	-	141,477	141,477
Total other additions	<u>15,502,664</u>	<u>141,477</u>	<u>15,644,141</u>
 Total additions	 <u>15,502,664</u>	 <u>141,693</u>	 <u>15,644,357</u>
<b>Deductions</b>			
Payments of property tax to other governments	15,502,664	-	15,502,664
Bonds released	-	110,546	110,546
 Total deductions	 <u>15,502,664</u>	 <u>110,546</u>	 <u>15,613,210</u>
 Change in net position	 -	 31,147	 31,147
Net position - beginning of year	-	-	-
Net position - end of year	<u>\$ -</u>	<u>\$ 31,147</u>	<u>\$ 31,147</u>

**City of Fraser**  
**Other Supplementary Information**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2021**

	Internal Service Funds		
	Self Insurance	Motor Pool	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 265,799	\$ 920,988	\$ 1,186,787
Prepaid items	-	6,041	6,041
Total current assets	265,799	927,029	1,192,828
Capital assets, net of accumulated depreciation	-	627,647	627,647
Total assets	265,799	1,554,676	1,820,475
<b>Liabilities</b>			
Current liabilities			
Accounts payable	-	18,744	18,744
Accrued and other liabilities	-	456	456
Due to other funds	197,738	-	197,738
Current portion of noncurrent liabilities	-	15,184	15,184
Total current liabilities	197,738	34,384	232,122
Noncurrent liabilities			
Claims payable	72,506	-	72,506
Long-term debt net of current portion	-	32,144	32,144
Total liabilities	270,244	66,528	336,772
<b>Net Position</b>			
Net investment in capital assets	627,647	-	627,647
Unrestricted (deficit)	(632,092)	1,488,148	856,056
Total net position	\$ (4,445)	\$ 1,488,148	\$ 1,483,703

**City of Fraser**  
**Other Supplementary Information**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2021**

	Internal Service Funds		
	Self Insurance	Motor Pool	Total
<b>Operating revenue</b>			
Billings to other funds	\$ 593,699	\$ 849,536	\$ 1,443,235
Other revenue	15,147	8,370	23,517
Total operating revenue	<u>608,846</u>	<u>857,906</u>	<u>1,466,752</u>
<b>Operating expenses</b>			
Personnel services	-	2,205	2,205
Supplies	-	1,716	1,716
Contractual services	-	121,477	121,477
Utilities	-	69,598	69,598
Repairs and maintenance	-	236,125	236,125
Other operating expenses	-	92,171	92,171
Claims paid	962,964	-	962,964
Depreciation	-	77,368	77,368
Total operating expenses	<u>962,964</u>	<u>600,660</u>	<u>1,563,624</u>
Operating income (loss)	<u>(354,118)</u>	<u>257,246</u>	<u>(96,872)</u>
<b>Nonoperating revenue (expenses)</b>			
Interest income	56	141	197
Gain on sale of capital assets	-	8,351	8,351
Interest expense	-	(2,245)	(2,245)
Total nonoperating revenues (expenses)	<u>56</u>	<u>6,247</u>	<u>6,303</u>
Change in net position	(354,062)	263,493	(90,569)
Net position - beginning of year	<u>349,617</u>	<u>1,224,655</u>	<u>1,574,272</u>
Net position - end of year	<u>\$ (4,445)</u>	<u>\$ 1,488,148</u>	<u>\$ 1,483,703</u>



**City of Fraser**  
**Other Supplementary Information**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

	Internal Service Funds		
	Self Insurance	Motor Pool	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 608,846	\$ 857,906	\$ 1,466,752
Receipts from other funds	72,506	-	72,506
Payments to suppliers	(765,226)	(530,411)	(1,295,637)
Payments to employees	-	(2,205)	(2,205)
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided (used) by operating activities	(83,874)	325,290	241,416
<b>Cash flows from capital and related financing activities</b>			
Purchases/construction of capital assets	-	(280,702)	(280,702)
Principal and interest paid on long-term debt	-	(16,866)	(16,866)
Proceeds from sale of capital assets	-	8,351	8,351
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash used by capital and related financing activities	-	(289,217)	(289,217)
<b>Cash flows from investing activities</b>			
Interest received	56	141	197
	<u>          </u>	<u>          </u>	<u>          </u>
Net increase (decrease) in cash and cash equivalents	(83,818)	36,214	(47,604)
Cash and cash equivalents - beginning of year	349,617	884,774	1,234,391
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents - end of year	\$ 265,799	\$ 920,988	\$ 1,186,787
	<u>          </u>	<u>          </u>	<u>          </u>

**City of Fraser**  
**Other Supplementary Information**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

	Internal Service Funds		
	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (354,118)	\$ 257,246	\$ (96,872)
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	-	77,368	77,368
Changes in assets and liabilities			
Prepaid items	-	(4,747)	(4,747)
Accounts payable	-	(4,437)	(4,437)
Accrued and other liabilities	-	(140)	(140)
Due to other funds	72,506	-	72,506
Due to component unit	197,738	-	197,738
	<u>197,738</u>	<u>-</u>	<u>197,738</u>
Net cash provided (used) by operating activities	<u>\$ (83,874)</u>	<u>\$ 325,290</u>	<u>\$ 241,416</u>

February 28, 2022

Management and the City Council  
City of Fraser  
Fraser, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fraser (the City) as of and for the year ended June 30, 2021. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the City during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

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

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan

## Appendix I

### Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 15, 2021 and as amended, dated December 23, 2021. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### 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 are described in the footnotes of the financial statements. The City has adopted the following Governmental Accounting Standards Board Statement effective July 1, 2020:

- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

We noted no transactions entered into by the City during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement 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 City's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Other post-employment benefits. The estimate is derived from a calculation including factors such as: life expectancy, historical insurance costs, probability of retirement, and the applicable federal interest rates in effect at the time of the calculation.

We evaluated the key factors and assumptions used to develop these 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.

## Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

## Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at [www.nist.gov](http://www.nist.gov). Once you have performed a risk assessment, it's time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.
- **Offsite back up location** – Frequent data back ups are a good safeguard; but if your entire network is compromised, restoring a back up saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.
- **Require routine password changes** – Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.
- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.
- **Provide cybersecurity training** – Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

Placing significant emphasis on evaluating your organization's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat and help lessen the impact of a breach.

## 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 were detected as a result of our audit procedures and corrected by management:

- GASB Statement No. 84, *Fiduciary Activities* was not implemented correctly in the prior year. The effect was that the OPEB Trust Fund was omitted from the reporting entity. An audit adjustment was proposed to restate beginning fund net position by \$425,421 and record the activity for the fiscal year to bring the ending assets held in trust to \$774,311.
- Tax collection and disbursement activity was not recorded as additions or deductions within the tax collection fund, as required by GASB Statement No. 84. An audit adjustment was proposed to gross up the amounts by \$15,502,664 for taxes that were collected and disbursed to other governments. There was no effect on net position.

Management has determined that the effects of the uncorrected misstatement summarized below is immaterial both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

- Revenues were recorded related to receivables of \$167,786 within the General Fund that were not received within 60 days of year end. This caused an overstatement of Revenues and Fund Balance.

## **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 as of the date of the audit report.

## **Management's Consultations with Other 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.

## **Emphasis of Matter in Independent Auditors' Report**

Our report will include the following emphasis of matter paragraph:

As described in Note 13 to the financial statements, the OPEB Trust Fund beginning fund net position was restated by \$425,241 to record the fund in the reporting entity. Our opinion is not modified with respect to this matter.

## **Other Reports**

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read those reports to ensure you are aware of relevant information.

## **Report on Required Supplementary Information**

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## **Report on Other Supplementary Information**

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

## **Appendix II Matters for Management's Consideration**

In planning and performing our audit of the financial statements of the City of Fraser as of and for the year ended June 30, 2021, we considered the City of Fraser's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion 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.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls and improving compliance. This letter does not affect our report dated February 28, 2022, on the financial statements of the City of Fraser. Our comments and recommendations are:

### **Written Accounting Policies and Procedures**

As part of our audit, we review policies and procedures to ensure that they are in compliance with the laws and regulations of the State of Michigan and to ensure our clients are following best practices. During our review of these policies and procedures, we noted that the City had incomplete written accounting policies and procedures. We recommend the City develop an accounting policies and procedures manual that reflect the functions of the City. Certain policies and procedures should be included, as identified below, but is not considered to be an all-inclusive list of best practices.

#### **Capital Asset Policy**

The City does not have a written capital asset policy that provides appropriate linkage between the capital asset schedules and the useful lives disclosed in the notes to the financial statements. The footnote disclosure has been the working policy of past practice. We recommend the City evaluate the useful lives, the categories of related assets, as well as capitalization thresholds and develop a formal written policy to use when considering whether to capitalize an asset going forward and which time period to depreciate the asset.

#### **Written Electronic Transactions Policy**

We identified that the City does not have an approved policy for the usage of Electronic Fund Transactions. We recommend that the City drafts and approves this policy immediately to ensure compliance with state laws and regulations. This will require a resolution by the City Council to approve the electronic transactions policy. Further information on the requirements of these resolutions and policies may be found at the following link:

[http://www.legislature.mi.gov/\(S\(ab3mhymjxb0wnc0w3dpt00hk\)\)/mileg.aspx?page=getObject&objectName=mcl-Act-738-of-2002](http://www.legislature.mi.gov/(S(ab3mhymjxb0wnc0w3dpt00hk))/mileg.aspx?page=getObject&objectName=mcl-Act-738-of-2002)

#### **Credit Card Acceptance Policies/Resolutions**

Although the City accepts payments by credit card, the City does not have an approved policy for the acceptance of credit cards. We recommend that the City drafts and approves this policy immediately to ensure compliance with state law. This will require a resolution by the City Council to approve the acceptance of credit card policy. Further information on the requirements of these resolutions and policies may be found at the following link:

[http://www.legislature.mi.gov/\(S\(gxxl4goehjy33safszbkbu3\)\)/mileg.aspx?page=getObject&objectName=mcl-Act-280-of-1995](http://www.legislature.mi.gov/(S(gxxl4goehjy33safszbkbu3))/mileg.aspx?page=getObject&objectName=mcl-Act-280-of-1995)



### **Month and Year End Close Process**

Through our analysis on various balance sheet accounts, namely cash, accounts payable, and accounts receivable, we identified that various cash accounts were not reconciled timely and accounts payable / receivable balances also had not been reconciled. Cash accounts should be reconciled on a monthly basis normally within four to six weeks after month end. It is typical for accounts receivable and accounts payable to be reconciled only upon year end as a policy election. In addition, we noted there was not a secondary review for any of these account areas. We recommend a written procedure be implemented to provide guidelines about how often and timely these account areas should be reconciled. In addition, this procedure should document who is responsible for preparation and review of the reconciliations.

### **Manual Journal Entries**

Manual journal entries are often an area of increased risk and can provide the opportunity for fraud. We identified certain journal entries for which there was not appropriate sufficient source data to validate the journal entries. We had discussions with various personnel at the City and reviewed the general ledger or subsidiary ledgers to gain a comfort level over these entries, however, a best practice is to have a written procedure regarding manual journal entries. We recommend this procedure require all original supporting documentation be attached to each manual entry and that there is a formal review process put in place.

### **Michigan Escheat Laws**

During our audit of the City's cash accounts, it was noted that Michigan escheat laws were not followed timely. The escheat laws established in the State of Michigan require outstanding payroll checks in excess of one year outstanding and all other checks in excess of three years outstanding to be reported to the State as unclaimed property. There are various materiality thresholds that the State applies dependent upon the type of check, for example, wages must be over \$50 to be reportable. These materiality thresholds should be considered during the escheat process. We recommend that all future outstanding payments be treated in accordance with these laws. The Michigan Manual for Reporting Unclaimed Property provides guidance on reporting and escheating uncashed checks. The manual is available at: <https://unclaimedproperty.michigan.gov/>

### **Tax Disbursements**

As part of our audit procedures, we reviewed tax disbursements made by the City to other local units to ensure that they were made within 10 business days of collections on hand as of the 1<sup>st</sup> and 15<sup>th</sup> day of the month, as required by Public Act 206 of 1893, The General Property Tax Act. The disbursement we selected for review was not made within 10 business days. We recommend that the City develop a procedure to ensure that tax disbursements are made timely to ensure that they are in compliance with state law.

### **Capital Asset Administration**

In addition to the policy recommendation above, our scrutiny on the capital asset listing identified that there were various old capital assets that are very likely to be out of service. Most of these assets appear to be fully depreciated. We recommend an inventory of capital assets be performed and updates made to the schedule to ensure it is reflective of assets in use by the City.

**City of Fraser**

**Single Audit**

**June 30, 2021**



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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fraser as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Fraser's basic financial statements, and have issued our report thereon dated February 28, 2022. Our report includes a reference to other auditors who audited the financial statements of the Fraser Public Library, as described in our report on the City of Fraser's financial statements. This report includes our consideration of the results of other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by other auditors. However, this report, insofar as it relates to the results of other auditors, is based solely on the report of the other auditors. The financial statements of the Fraser Public Library were not audited in accordance with *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Fraser'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 of Fraser's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fraser'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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

*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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-003 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Fraser's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003.

### **The City of Fraser's Response to Findings and Corrective Action Plans**

The City of Fraser's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Fraser's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Auburn Hills, Michigan  
February 28, 2022



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## **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **Independent Auditors' Report**

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

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Fraser's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fraser's major federal programs for the year ended June 30, 2021. The City of Fraser's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Our report includes a reference to other auditors who audited the financial statements of the Fraser Public Library, as described in our report on the City of Fraser's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

The City of Fraser's basic financial statements includes the operations of the Fraser Public Library, whose federal awards are not included in the schedule during the year ended June 30, 2021. Our audit, described below, did not include the operations of the Fraser Public Library because the Fraser Public Library engaged other auditors and an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) was not required based on the amount of federal award contracts.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Fraser's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fraser's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Fraser's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the City of Fraser complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## **Report on Internal Control over Compliance**

Management of the City of Fraser is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Fraser's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fraser's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fraser, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Fraser's basic financial statements. We issued our report thereon dated February 28, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
February 28, 2022



**City of Fraser**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

	<u>Assistance Listing Number</u>	<u>Federal or Pass-Through Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through Macomb County CDBG Entitlement Grants Cluster	14.218	21-0012741	\$ <u>28,819</u>
<b>U.S. Department of Treasury</b>			
Passed through the Michigan Department of Treasury Coronavirus Relief Fund			
Public Safety and Public Health Payroll Reimbursement Program (PSPHPR)	21.019	2021	382,792
First Responder Hazard Pay Premiums Program (FRHPPP)	21.019	2021	43,000
Coronavirus Relief Local Government Grants (CRLGG)	21.019	2021	<u>49,854</u>
Total Coronavirus Relief Fund			<u>475,646</u>
<b>U.S. Environmental Protection Agency</b>			
Passed through State of Michigan Department of Environment, Great Lakes and Energy Capitalization Grants for Drinking Water State Revolving Funds Cluster	66.468	7425-01	<u>704,286</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,208,751</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**City of Fraser**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2021**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fraser (the City) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the modified accrual or full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

The City has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Reconciliation to the Financial Statements**

The following table describes the reconciliation of the federal revenue per the financial statements to the expenditures reported on the Schedule:

Federal revenue per the financial statements - governmental funds	\$ 504,465
Add Capitalization Grants for Drinking Water State Revolving Funds Cluster draw recorded as debt	<u>704,286</u>
Total expenditures of federal awards per the Schedule	<u>\$ 1,208,751</u>

**Note 4 - Subrecipients**

No amounts were provided to subrecipients.

**City of Fraser**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:  
 Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X     yes            no
- Significant deficiency(ies) identified   X     yes            none reported
- Noncompliance material to financial statements noted?   X     yes            no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?          yes     X     no
- Significant deficiency(ies) identified          yes     X     none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?          yes     X     no

Identification of major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
66.468	Capitalization Grants for Drinking Water State Revolving Funds Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?          yes     X     no

**City of Fraser**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**Section II – Government Auditing Standards Findings**

**Finding 2021-001: Material Weakness – Audit Adjustments and Correction of an Error**

<b>Criteria:</b>	Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles and the proper implementation of new Governmental Accounting Standards Board (GASB) Statements.
<b>Condition:</b>	Material journal entries were proposed by the auditors to properly account for various financial statement amounts. These misstatements were not detected by the City’s internal control over financial reporting in a timely manner. These entries were considered qualitatively or quantitatively material to various funds and opinion units. The most significant adjustments were to record tax additions and deductions and to restate the OPEB Trust Fund’s beginning net position and record the activity for fiscal year 2021 in order to record the fund within the reporting entity, both required by GASB Statement No. 84, <i>Fiduciary Activities</i> .
<b>Cause and Effect:</b>	GASB Statement No. 84 was early implemented during the fiscal year ended June 30, 2019 incorrectly. Statements of Fiduciary Net Position and Changes in Fiduciary Net Position were not presented, which required correction. In addition, there was turnover in key accounting personnel throughout the 2021 year and therefore there were learning curves related to their new roles. This resulted in material journal entries that were not detected by the City’s internal control over financial reporting.
<b>Recommendation:</b>	We recommend the City ensure that all accounts are reconciled in a timely manner and that material journal entries are identified and recorded, including proper implementation of new accounting standards.
<b>Views of Responsible Officials:</b>	Management agrees with the finding.
<b>Corrective Action Plan:</b>	See attached.

**City of Fraser**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**Finding 2021-002: Significant Deficiency and Noncompliance – Audit Report Not Filed Timely**

<b>Criteria:</b>	The State of Michigan Department of Treasury <i>Accounting Procedures Manual for Local Units of Government in Michigan</i> requires local units to complete and file an audit annually within six months of the local unit's fiscal year end.
<b>Condition:</b>	The annual audit report was not filed within six months of their fiscal year end.
<b>Cause and Effect:</b>	The City had significant turnover in key accounting positions. In addition, a significant federal award was identified late in the audit process that then required the City to undergo a Single Audit. The effect was untimely reconciliations, unidentified audit requirements and ultimately a late audit filing.
<b>Recommendation:</b>	We recommend that the City implement written policies and procedures over the accounting functions as well as federal awards that will guide the reconciliation process in order to complete audits timely.
<b>Views of Responsible Officials:</b>	Management agrees with the finding.
<b>Corrective Action Plan:</b>	See attached.

**City of Fraser**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**Finding 2021-003: Material Weakness and Material Noncompliance – Federal Policies and Procedures**

<b>Criteria:</b>	Management is responsible for establishing federal policies and procedures in accordance with Uniform Guidance.
<b>Condition:</b>	The City does not have the required written policies and procedures over federal awards in accordance with Uniform Guidance.
<b>Cause and Effect:</b>	The City has traditionally received minimal federal awards and has not undergone a Single Audit since the implementation of Uniform Guidance, and therefore, compliant federal policies and procedures have not been created. The effect was that a significant federal award was not identified as federally sourced until very late in the audit process. This award breached the \$750,000 threshold and triggered the need for a Single Audit, also causing delays in the overall audit process.
<b>Recommendation:</b>	<p>In order to be compliant with Uniform Guidance we suggest that written policies and procedures be developed based on the following compliance areas, with careful attention to the specified requirements in 2 CFR 200.</p> <ul style="list-style-type: none"><li>• Cash management</li><li>• Allowability of costs</li><li>• Travel policy</li><li>• Procurement and suspension and debarment</li><li>• Conflict of interest</li><li>• Conducting technical evaluations</li><li>• Equipment and real property management</li><li>• Subrecipient monitoring</li></ul>
<b>Views of Responsible Officials:</b>	Management agrees with the finding.
<b>Corrective Action Plan:</b>	See attached.

**Section III – Federal Award Findings**

There were no federal award findings for the year ended June 30, 2021.

**City of Fraser**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2021**

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**Section IV – Prior Audit Findings**

***Government Auditing Standards Findings***

There were no *Government Auditing Standards* findings for the year ended June 30, 2020.

**Federal Award Findings**

A Single Audit was not performed for the year ended June 30, 2020 as federal expenditures were below \$750,000.



# City of Fraser

CENTENNIAL COMMUNITY

**CITY MANAGER**  
Elaine Leven  
**CITY CLERK**  
Cynthia Greenia

**MAYOR**  
Michael Carnagie  
**MAYOR PRO-TEM**  
Patrice M. Schornak  
**COUNCIL**  
Amy Baranski  
Kathy Blanke  
Patrick O'Dell  
Dana Sutherland  
David Winowiecki

Februaury 28, 2022

Yeo & Yeo, CPAs  
691 N Squirrel Road #100  
Auburn Hills, Michigan 48326

RE: Audit June 30, 2021

Please note the following corrective action plans relating to the material weakness and noncompliance in the City's audit as of June 30, 2021.

2021-001 – Material Weakness and Material Noncompliance – Audit Adjustments and Correction of an Error

Corrective Action Plan: Management agrees that there were errors in the implementation of GASB Statement No. 84, Fiduciary Activities. We are working on implementing a comprehensive policy and procedure plan for financial operations in accordance with those recommended by the MGFOA Accounting Standard Committee. Departmental staffing stability, continued education, training programs for staff, and through the implementation of comprehensive policies and procedures we hope to eliminate future problems of this nature.

2021-002- Significant Deficiency and Noncompliance –Audit Not Filed Timely

Corrective Action Plan: Management agrees that there was a significant delay in the completion of the audit and are working to ensure that proper reporting and procedures are implemented to prevent this from occurring again. We are working on implementing a comprehensive policy and procedure plan for financial operations in accordance with those recommended by the MGFOA Accounting Standard Committee. Proper delegation of duties year round will ensure that adequate time is afforded to all reporting processes. Departmental staffing stability, continued education, training programs for staff, and through the implementation of comprehensive policies and procedures we hope to eliminate future problems of this nature.

2021-003- Material Weakness and Material Noncompliance- Federal Policies and Procedures

Corrective Action Plan: Management agrees that there are inadequate policies and procedures in place over federal awards in accordance with Uniform Guidance. We are working on implementing a comprehensive policy and procedure plan for financial



operations in accordance with those recommended by the MGFOA Accounting Standard Committee. Departmental staffing stability, continued education, training programs for staff, and through the implementation of comprehensive policies and procedures we hope to eliminate future problems of this nature.

We initially began drafting policies and addressing the aforementioned deficiencies in November when it was first brought to light by auditors while on site. It is our goal to have these comprehensive financial policies and procedures implemented before the close of this fiscal year. Staff will continue to be afforded the opportunity to attend both onsite and offsite training to bolster their financial acumen and aid in the transition and development of the department.

Thank you for your attention to this matter.

Regards,

A handwritten signature in black ink, appearing to read "Sarah Mistretta". The signature is fluid and cursive, with a prominent initial "S" and a long, sweeping tail.

Sarah Mistretta, MBA SHRM-CP  
Assistant City Manager