

**CITY OF FRANKENMUTH**  
**Frankenmuth, Michigan**

**FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

CITY OF FRANKENMUTH  
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# Gardner | Provenzano Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner  
Giacamo Provenzano  
Heather A. Thomas  
Brett A. Luplow

## INDEPENDENT AUDITOR'S REPORT

December 19, 2014

Honorable Mayor and Members  
of the Frankenmuth City Council  
City of Frankenmuth  
Frankenmuth, Michigan

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 remaining fund information of City of Frankenmuth as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City of Frankenmuth'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 of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the remaining fund information of City of Frankenmuth as of June 30, 2014 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Required Supplementary Information

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Frankenmuth's basic financial statements. The combining and individual fund financial statements, statistical information and schedule of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, statistical information, the schedule of indebtedness and the schedule of expenditures and federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, statistical information, schedule of indebtedness and the schedule of expenditures of federal awards are 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 December 19, 2014, on our consideration of the City of Frankenmuth'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Frankenmuth's internal control over financial reporting and compliance.

  
Sandra Proenza, Thomas & Lupat  
Certified Public Accountants

### **Overview of the Financial Statements**

The City of Frankenmuth, Michigan's (the "City") annual report consists of this analysis (management's discussion and analysis), government-wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

The City fully implemented the Governmental Accounting Standards Board's (GASB) Statement No. 34. As allowed by Gasb-34 for Phase Three governments, the City of Frankenmuth did not recognize infrastructure assets that were not already in the general fixed assets account groups retroactively. This accounting pronouncement, among other changes, adds government-wide financial statements which were designed to provide a broad overview of the City's finances. The government-wide statements are presented on a full accrual basis of accounting, with an emphasis on measuring all economic resources and not just current financial resources as measured in the individual fund statements. These statements make a distinction between governmental activities for example public safety and public works and business-type activities such as the provision of water and sewerage service. Two government-wide statements are provided. These statements will show a comparison from the prior year's fiscal year data.

One government-wide statement, the statement of net position, presents information on all of the City's assets and liabilities with the difference shown as net position. Increases or decreases of net position from period to period provide useful information on the direction of the City's financial position over time.

The other government-wide statement, the statement of activities, provides information on how the government-wide net position changed during the fiscal year. This statement provides information on income, expenses, and other increases or decreases in net position.

Following the government-wide statements, individual fund financial statements are provided for the City's major funds and compiled financial information is provided for non-major funds. These statements are grouped into governmental funds, which account for the cost of providing governmental-type services for example public safety and public works and proprietary funds which account for business-type activities such as provision of water and sewer services.

Reconciliations between the individual fund statements and the government-wide financial statements are provided following the individual fund statements. The differences are primarily related to inclusion of capital assets and recognition of certain receivables and long-term liabilities in the government-wide statement of net position, which are not included in the fund balance sheets, and related to the timing of reporting capital outlays and debt principal repayment in the fund statements and a difference in the timing of the recognition of certain revenues and expenditures such as bond proceeds and accrued interest in the individual fund statements versus the government-wide statements.

CITY OF FRANKENMUTH  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Financial Position and Results of Operation for the City as a Whole**

The City of Frankenmuth's Governmental Wide activities indicates an increase in net position of \$862,420 for fiscal year 2013-14. This compares to an increase in net position of \$278,690 for the prior fiscal year. This is the consolidated results of the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds and Internal Service activity. Revenue increased \$733,604. While there were many variances the most significant were in property taxes and capital grant and contributions. Expense increased \$149,874. Management does not believe that variance is significant.

Net position of the Business-type activities, (Water and Waste Treatment Funds) increased by \$629,578 for fiscal year 2013-14. This compares to an increase of \$139,925 for the prior fiscal year. Most of the variance is due to the recognition of grant revenue for capital asset construction. Outside the purchase of water, the largest single expenditure in both funds is depreciation expense of \$1,100,285.

In a condensed format, the tables below show the net position and changes in net position as of June 30, 2014 with comparable data for the prior fiscal year.

	Government Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>						
Current assets	\$ 4,514,641	\$ 4,802,753	\$ 3,754,148	\$ 2,382,493	\$ 8,268,789	\$ 7,185,246
Noncurrent assets	11,308,727	10,229,876	10,381,725	9,358,115	21,690,452	19,587,991
Total Assets	<u>\$ 15,823,368</u>	<u>\$ 15,032,629</u>	<u>\$ 14,135,873</u>	<u>\$ 11,740,608</u>	<u>\$ 29,959,241</u>	<u>\$ 26,773,237</u>
<b>Liabilities</b>						
Current liabilities	2,985,341	2,448,576	1,780,006	941,211	4,765,347	3,389,787
Long-term liabilities	4,241,604	4,850,050	3,003,842	2,076,950	7,245,446	6,927,000
Total Liabilities	<u>7,226,945</u>	<u>7,298,626</u>	<u>4,783,848</u>	<u>3,018,161</u>	<u>12,010,793</u>	<u>10,316,787</u>
<b>Net Position</b>						
Net investment in capital assets	6,219,123	4,682,699	7,475,720	6,688,101	13,694,843	11,370,800
Unrestricted	2,377,300	3,051,304	1,876,305	2,034,346	4,253,605	5,085,650
Total Net Position	<u>\$ 8,596,423</u>	<u>\$ 7,734,003</u>	<u>\$ 9,352,025</u>	<u>\$ 8,722,447</u>	<u>\$ 17,948,448</u>	<u>\$ 16,456,450</u>

The above table presents the net position as of June 30, 2014 and 2013. The change in net position for the 2013-2014 and 2012-2013 years are presented and discussed below.

CITY OF FRANKENMUTH  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Financial Position and Results of Operation for the City as a Whole (cont.)**

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenue						
Program revenue						
Charges for services	\$ 1,435,568	\$ 1,332,766	\$ 3,377,427	\$ 3,415,358	\$ 4,812,995	\$ 4,748,124
Operating grants and contributions	975,007	778,336	-	-	975,007	778,336
Capital grants and contributions	360,202	150,426	543,156	73,580	903,358	224,006
General revenue						
Property taxes	2,925,623	2,687,861	-	-	2,925,623	2,687,861
State Shared revenue	408,359	396,918	-	-	408,359	396,918
License and permits	5,848	5,487	-	-	5,848	5,487
Unrestricted investment earnings	66,460	62,413	33,309	22,861	99,769	85,274
Other revenues	188,150	160,163	-	-	188,150	160,163
Transfers	120,728	177,971	(109,019)	(167,819)	11,709	10,152
Total Revenue	<u>6,485,945</u>	<u>5,752,341</u>	<u>3,844,873</u>	<u>3,343,980</u>	<u>10,330,818</u>	<u>9,096,321</u>
Program Expense						
General government	1,051,262	1,264,343	-	-	1,051,262	1,264,343
Public safety	1,447,358	1,388,971	-	-	1,447,358	1,388,971
Highways and Street	733,043	437,478	-	-	733,043	437,478
Sanitation	302,900	282,004	-	-	302,900	282,004
Economic development-DDA	519,720	458,633	-	-	519,720	458,633
Culture-recreations	934,932	955,723	-	-	934,932	955,723
Interest on long term debt	225,245	297,765	-	-	225,245	297,765
Equipment	402,099	374,671	-	-	402,099	374,671
Other	6,966	14,063	-	-	6,966	14,063
Water and waste water	-	-	3,215,295	3,204,055	3,215,295	3,204,055
Total Program Expenses	<u>5,623,525</u>	<u>5,473,651</u>	<u>3,215,295</u>	<u>3,204,055</u>	<u>8,838,820</u>	<u>8,677,706</u>
Change in Net Position	<u>\$ 862,420</u>	<u>\$ 278,690</u>	<u>\$ 629,578</u>	<u>\$ 139,925</u>	<u>\$ 1,491,998</u>	<u>\$ 418,615</u>

**Governmental Activities**

The City tax revenues increased this fiscal year (an increase of \$237,762) or (9%) from the previous year. This is a result of a modest increase in taxable value, levying the same millage rate of 8.75, and previous year had tax appeal refund. Taxable value increased 1.6% this year while assessed values in residential class and commercial and industrial class of property experienced 2-3% increases. Total expenditures increased by \$149,874 from the previous fiscal year. Management does not believe this variance is significant. We again experienced rate increases in employee health care premiums and in the employer contribution for employee pension benefits.

State-shared revenues, statutorily designated to support local community services and historically about 15% of the City's general operating revenues, have decreased over time but have leveled off at approximately 10% of total revenues. State shared revenue qualifications have changed significantly in the past few years and we continue to monitor this to maximize our state revenues.

### **Governmental Activities (continued)**

The City strives to maintain an unassigned fund balance reserve in the general fund of at least two months as recommended by the Government Accounting Standards Board in GASB statement number 54. Based upon the 2013-2014 budgeted general fund expenditures, we have approximately 3.18 months in reserves which fall within the desired level. This compares to 3.17 months reserve in the previous year.

### **Business-type Activities**

The City operates a water department and sewer treatment department. These departments provide water and sewage services to all the City's residents. Water is provided to some areas outside the City corporate limits. Rates are set to provide for annual operations, maintenance, replacement, and for the payment of debt service requirements. The Water Board reviews the rate structure. Water rates were adjusted effective August 2011. The City, in June 2012, signed a 22 year water service agreement with the City of Saginaw to be the wholesale supplier of water. The Waste Treatment Committee continues to review that department's operation. Waste Treatment rates were increased in August 2013 by 3.5%. A concerted effort is underway to reduce operational expenditures to hold the current waste treatment rates at their present level.

### **Analysis of Individual Funds**

Of the City's governmental funds, the General Fund, the Major and Local Street Funds, and the Downtown Development Authority Fund account for most of the significant expenditures other than for debt service.

The General Fund ended the fiscal year with an increase to the fund balance in the amount of \$88,295 as opposed to a decrease of \$519,896 in the previous fiscal year. This variance was a result of the City prepaying a long term debt early to save interest costs in the long term in the 2013 fiscal year. An ongoing concerted effort by the City Council and management is being made to stabilize and reduce operational expenditures. Property taxes remain the major revenue source (50.6%) followed by Charges for Services (29.8%), State shared revenue (10.4%), Other Revenues (9.2%) and licenses and permits, fines and forfeits making up the balance of the general fund revenue.

Both the Major and Local Street Funds continue to struggle with limited funds available to undertake construction or reconstruction projects. The major source of revenue comes from the State gas and weight taxes. The General Fund annually transfers money, as needed, into these street funds for any planned construction project. The ending fund balance in these street funds decreased to \$138,061 for fiscal year 2013-14, as compared to an ending balance of \$207,848 for the prior fiscal year. During the 2014 fiscal year both the Major and Local street funds had significant street improvements requiring additional transfers in.

**Analysis of Individual Funds (continued)**

The Downtown Development Authority Fund receives the majority of their revenue from property taxes, captured taxes and special assessments. The majority of the planned infrastructure and beautification projects have been completed. The fund balance decreased in 2014 in the amount of \$117,330, which is comparable to the \$167,905 decrease in 2013.

The Parks and Recreation fund had a fund balance decrease in the amount of \$15,381, resulting in an ending fund balance of \$1,059. This fund required a \$275,000 transfer from the general fund.

The City maintained two capital project funds in the 2014 fiscal year: the Dam Rock Ramp project and the EDC Business Park project. Both projects were still in progress at June 30, 2014. The fund balance for both projects decreased by \$583,562 to \$264,461.

**General Operating Fund Budget Highlights**

During the annual budget process, the City completes an extensive review of the current year budget, culminating in a budget amendment to appropriate the revised expenditure estimates.

The City did amend the originally adopted budget in March 2014 and a minor adjustment in June 2014.

The revenue budget was increased by \$100,652. The most significant increases were in property taxes and other revenues.

Budgeted expenditures were increased by \$143,074. The most significant increases were in public safety and other expenditures,

Significant variances between the final budget and actual results are as follows:

The actual results for revenue were \$31,172 better than anticipated. Most of the variance was in property taxes.

The actual results for expenditures were \$176,366 less than anticipated.

- Public safety was \$40,136 less than anticipated. That variance was in the police department.
- Highways and streets were \$87,846 less than anticipated due to a credit from Consumers Energy that was not taken into account for the final budget.
- Other expenditures were \$77,537 less than anticipated and mostly in the Economic Development program.

**Capital Asset and Long-term Debt Activity**

The City did service all outstanding debt in a timely basis. Additional debt was issued for the EDC Business Park project and the South of the River Sewer Project.

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

The City's tax levy rate for fiscal year 2013-14 was 8.75. The taxable value increased by .9% while assessed value increased by .39%. We are anticipating a modest increase in tax revenues in the next fiscal year. The limiting factor on tax revenue growth in the General Fund results from the capture of commercial tax values in the D.D.A. District.

Michigan Tax Tribunal tax appeals have been filed for major properties within the D.D.A. which may have an adverse impact on this fund.

The City has experienced no specific events which it believes will materially impact the finances of the City. It should be noted that certain long-term trends such as the capture of commercial property tax revenues, shrinking state-shared revenues, and modest growth in anticipated property tax revenue will have an adverse impact on the City's ability to provide current services as inflation and the cost of providing services increases. Currently, adequate cash reserves and authorized unlevied millage ensures provision of current services in the near term as the City meets these challenges and plans for the future.

**Contacting the City's Financial Management**

This financial report is designed to provide accountability of our stewardship of the resources provided by our citizens, taxpayers, and customers and to provide financial information to the City's investors and creditors. If you have any questions about this report or need additional financial information, please do not hesitate to contact the City Manager or City Treasurer at Frankenmuth City & Township Government Center, 240 West Genesee Street, Frankenmuth, MI 48734-1398.

City of Frankenmuth  
Statement of Net Position  
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash	\$ 1,570,034	\$ 1,862,262	\$ 3,432,296	\$ 259,896
Investments	678,710	267,250	945,960	-
Receivables	199,050	733,319	932,369	274
Special Assessments Receivable	985,064	50,105	1,035,169	-
Due from other funds	653,269	732,994	1,386,263	5
Due from other governmental units	297,628	-	297,628	-
Inventory	32,659	86,686	119,345	-
Prepaid expenses	98,227	21,532	119,759	3,547
Total Current assets	<u>4,514,641</u>	<u>3,754,148</u>	<u>8,268,789</u>	<u>263,722</u>
Noncurrent Assets				
Special Assessments net of current portion	-	160,294	160,294	-
Net Capital assets	<u>11,308,727</u>	<u>10,221,431</u>	<u>21,530,158</u>	<u>-</u>
Total Noncurrent Assets	<u>11,308,727</u>	<u>10,381,725</u>	<u>21,690,452</u>	<u>-</u>
Total assets	<u>15,823,368</u>	<u>14,135,873</u>	<u>29,959,241</u>	<u>263,722</u>
<u>Liabilities</u>				
Accruals	272,197	515,223	787,420	674
Accrued payroll	-	3,418	3,418	-
Due to other funds	732,999	652,870	1,385,869	399
Unearned revenue	1,132,029	159,940	1,291,969	-
Noncurrent liabilities:				
Net OPEB obligation	116	-	116	-
Due within one year	848,000	448,555	1,296,555	-
Due in more than one year	4,241,604	3,003,842	7,245,446	-
Total liabilities	<u>7,226,945</u>	<u>4,783,848</u>	<u>12,010,793</u>	<u>1,073</u>
<u>Net Position</u>				
Net investment in capital assets	6,219,123	7,475,720	13,694,843	-
Unrestricted	<u>2,377,300</u>	<u>1,876,305</u>	<u>4,253,605</u>	<u>262,649</u>
Total net position	<u>\$ 8,596,423</u>	<u>\$ 9,352,025</u>	<u>\$ 17,948,448</u>	<u>\$ 262,649</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total
					Governmental Activities	Business-type Activities		
<b>Governmental activities:</b>								
General Government	\$ 1,051,262	\$ 223,831	\$ 131,733	\$ 865	\$ (694,833)	\$ -	\$ (694,833)	
Public Safety	1,447,358	244,676	402,735	-	(799,947)	-	(799,947)	
Public Works	8,160	-	-	-	(8,160)	-	(8,160)	
Highways & Streets	733,043	-	400,737	9,843	(322,463)	-	(322,463)	
Sanitation	294,740	335,254	-	-	40,514	-	40,514	
Economic Development - DDA	519,720	-	-	349,494	(170,226)	-	(170,226)	
Culture - recreations	934,932	181,111	39,802	-	(714,019)	-	(714,019)	
Interest on Long Term Debt	225,245	-	-	-	(225,245)	-	(225,245)	
Equipment	402,099	450,696	-	-	48,597	-	48,597	
Other	6,966	-	-	-	(6,966)	-	(6,966)	
<b>Total governmental activities</b>	<b>5,623,525</b>	<b>1,435,568</b>	<b>975,007</b>	<b>360,202</b>	<b>(2,852,748)</b>	<b>-</b>	<b>(2,852,748)</b>	
<b>Business-type Activities:</b>								
Wastewater Treatment Fund	1,847,954	1,767,020	-	535,906	-	454,972	454,972	
Water Fund	1,367,341	1,610,407	-	7,250	-	250,316	250,316	
<b>Total business-type activities</b>	<b>3,215,295</b>	<b>3,377,427</b>	<b>-</b>	<b>543,156</b>	<b>-</b>	<b>705,288</b>	<b>705,288</b>	
<b>Total primary government</b>	<b>\$ 8,838,820</b>	<b>\$ 4,812,995</b>	<b>\$ 975,007</b>	<b>\$ 903,358</b>	<b>(2,852,748)</b>	<b>705,288</b>	<b>(2,147,460)</b>	
<b>Component unit:</b>								
Building Code Authority	\$ 88,801	\$ -	\$ 1,631	\$ -	\$ -	\$ -	\$ (87,170)	
<b>General revenues:</b>								
Property Taxes					2,925,623	-	2,925,623	
State Revenue					408,359	-	408,359	
License & Permits					5,848	-	5,848	
Interest					66,460	33,309	99,769	
Gain on sale of capital assets					40,752	-	40,752	
Other Revenues					147,398	-	147,398	
Transfers					120,728	(109,019)	11,709	
<b>Total general revenues</b>					<b>3,715,168</b>	<b>(75,710)</b>	<b>3,639,458</b>	
<b>Change in net position</b>					<b>862,420</b>	<b>629,578</b>	<b>1,491,998</b>	
<b>Net position - beginning</b>					<b>7,734,003</b>	<b>8,722,447</b>	<b>16,456,450</b>	
<b>Net position - ending</b>					<b>\$ 8,596,423</b>	<b>\$ 9,352,025</b>	<b>\$ 17,948,448</b>	

The accompanying notes are an integral part of these financial statements.

City of Frankenhuth  
Governmental Funds Balance Sheet  
June 30, 2014

	General	Major Street	Local Street	Parks and Recreation	DDA	Capital Projects	Other Nonmajor Governmental Fund	Total Governmental Funds
<u>Assets</u>								
Cash	\$ 846,767	\$ 97,146	\$ 19,842	\$ 122,787	\$ 132,950	\$ -	\$ -	\$ 1,219,492
Investments	678,710	-	-	-	-	-	-	678,710
Receivables								
Accounts	113,683	-	62,091	19,938	3,338	-	-	199,050
Special assessments	5,600	13,573	2,223	-	963,668	-	-	985,064
Due from other funds	213,941	-	-	2,500	-	659,651	2,340	878,432
Due from other governmental units	13,891	44,018	15,881	-	-	223,838	-	297,628
Inventory	25,731	-	-	-	-	-	-	25,731
Prepaid expenditures	80,465	-	-	5,488	1,973	-	-	87,926
Total	\$ 1,978,788	\$ 154,737	\$ 100,037	\$ 150,713	\$ 1,101,929	\$ 883,489	\$ 2,340	\$ 4,372,033
<u>Liabilities</u>								
Liabilities								
Accounts payable	\$ 134,627	\$ 746	\$ 778	6,446	\$ 12,625	\$ 18,310	\$ -	\$ 173,532
Accrued expenditures	77,426	-	-	1,748	8,991	-	-	88,165
Due to other funds	367,795	39,867	67,173	37,593	20,305	570,718	-	1,103,451
Unearned revenue	153,018	7,529	620	103,867	837,015	29,980	-	1,132,029
Total Liabilities	732,866	48,142	68,571	149,654	878,936	619,008	-	2,497,177
<u>Fund Balance</u>								
Restricted	-	106,595	31,466	-	-	264,481	-	402,542
Non-spendable								
Prepaid expenditures	80,465	-	-	5,488	1,973	-	-	87,926
Inventories	25,731	-	-	-	-	-	-	25,731
Committed	-	-	-	-	129,002	-	-	129,002
Assigned	95,000	-	-	(4,429)	92,018	-	2,340	184,929
Unassigned	1,044,726	-	-	-	-	-	-	1,044,726
Total Fund Balance	1,245,922	106,595	31,466	1,059	222,993	264,481	2,340	1,874,856
Total Liabilities and Fund Balance	\$ 1,978,788	\$ 154,737	\$ 100,037	\$ 150,713	\$ 1,101,929	\$ 883,489	\$ 2,340	\$ 4,372,033

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the City-Wide Statement of Net Position  
 June 30, 2014

Fund balances of governmental funds	\$	1,874,856
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.</p>		
Capital assets		18,244,390
Accumulated depreciation		(7,498,538)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period; and therefore, are not reported in the funds.</p>		
		(5,089,604)
Post-retirement benefits are not liabilities in the fund statements		(116)
<p>Internal service funds are used by management to charge the cost of fleet management to individual funds.</p>		
<p>The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>		
Net position of governmental activities	\$	8,596,423
		1,065,435

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
 Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance  
 For the Year Ended June 30, 2014

	General	Major Street	Local Street	Parks and Recreation	DDA	Debt Service	Capital Projects	Other Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues</b>									
Taxes	\$ 1,995,238	-	\$ -	\$ -	\$ 1,031,860	\$ -	\$ -	\$ -	\$ 3,027,098
Licenses	15,700	-	-	-	-	-	-	-	15,700
Intergovernmental	408,359	253,977	107,613	7,300	-	-	223,839	-	1,001,088
Charges for service	1,174,738	-	-	168,047	-	-	-	-	1,342,785
Fines and forfeits	11,489	-	-	-	-	-	-	-	11,489
Other revenues	334,000	46,958	4,109	47,151	200,296	-	380,395	1,435	1,014,344
<b>Total Revenues</b>	<b>3,939,524</b>	<b>300,935</b>	<b>111,722</b>	<b>222,498</b>	<b>1,232,156</b>	<b>-</b>	<b>604,234</b>	<b>1,435</b>	<b>6,412,504</b>
<b>Expenditures</b>									
General government	1,117,132	-	-	-	-	-	-	-	1,117,132
Public safety	1,446,597	-	-	-	-	-	-	-	1,446,597
Public works	317,894	383,363	511,301	-	-	-	-	-	1,212,558
Recreation and cultural	-	-	-	512,879	-	-	-	-	512,879
Other expenditures	312,310	-	-	-	540,984	2,504	1,228,438	1,647	2,085,883
Debt service	-	-	-	-	-	-	-	-	-
Principal retirement	177,274	-	-	-	-	706,175	-	-	883,449
Interest and fiscal agent charges	22	-	-	-	-	210,253	-	-	210,275
<b>Total Expenditures</b>	<b>3,371,229</b>	<b>383,363</b>	<b>511,301</b>	<b>512,879</b>	<b>540,984</b>	<b>918,932</b>	<b>1,228,438</b>	<b>1,647</b>	<b>7,468,773</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>568,295</b>	<b>(82,428)</b>	<b>(399,579)</b>	<b>(290,381)</b>	<b>691,172</b>	<b>(918,932)</b>	<b>(624,204)</b>	<b>(212)</b>	<b>(1,056,269)</b>
<b>Other Financing Sources (Uses)</b>									
Operating transfers in and other sources	-	105,000	400,533	275,000	-	918,932	-	-	1,699,465
Bond proceeds	-	-	-	-	-	-	308,175	-	308,175
Operating transfers (out)	(480,000)	(76,760)	(16,553)	-	(808,502)	-	(267,533)	-	(1,649,348)
<b>Total Other Financing Sources (Uses)</b>	<b>(480,000)</b>	<b>28,240</b>	<b>383,980</b>	<b>275,000</b>	<b>(808,502)</b>	<b>918,932</b>	<b>40,642</b>	<b>-</b>	<b>358,292</b>
<b>Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>88,295</b>	<b>(54,188)</b>	<b>(15,599)</b>	<b>(15,381)</b>	<b>(117,330)</b>	<b>-</b>	<b>(583,562)</b>	<b>(212)</b>	<b>(697,977)</b>
<b>Fund Balances, Beginning</b>	<b>1,157,627</b>	<b>160,783</b>	<b>47,065</b>	<b>16,440</b>	<b>340,323</b>	<b>-</b>	<b>848,043</b>	<b>2,552</b>	<b>2,572,833</b>
<b>Fund Balances, Ending</b>	<b>\$ 1,245,922</b>	<b>\$ 106,595</b>	<b>\$ 31,466</b>	<b>\$ 1,059</b>	<b>\$ 222,993</b>	<b>\$ -</b>	<b>\$ 264,481</b>	<b>\$ 2,340</b>	<b>\$ 1,874,856</b>

The Accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
 Reconciliation of the Governmental Funds Statement of Revenue, Expenditures, and  
 Changes in Fund Balance to the City-Wide Change in Net Position of Governmental Activities  
 For the Year Ended June 30, 2014

Net change in fund balances --total governmental funds \$ (697,977)

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

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

Depreciation expense	(579,305)
Capital Outlay	1,683,825

The proceeds of an issued debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Repayment of debt	761,621
Proceeds from issuing long-term debt	(308,175)

The difference between the actuarially determined Annual Required Contribution to fund Other Post-Employment Benefits and the actual contributions made during the year is reported as an expense in the Statement of Activities, but does not require the use of current resources and therefore is not reported as an expenditure in the fund level statements.

(4,243)

Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Change in net position of governmental activities	6,674
	\$ 862,420

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Proprietary Funds  
Statement of Net Position  
June 30, 2014

	Waste Water	Water	Enterprise Totals	Internal Service
<u>Assets</u>				
Current Assets				
Cash	\$ 5,549	\$ 1,856,713	\$ 1,862,262	\$ 350,542
Investments	-	267,250	267,250	-
Accounts receivable	574,856	158,463	733,319	-
Special assessments receivable	44,874	5,231	50,105	-
Due from other funds	462,492	310,882	773,374	145,730
Inventory	14,028	72,658	86,686	6,928
Prepaid Expenses	13,974	7,558	21,532	10,301
Current portion advance due from waste treatment fund	-	171,500	171,500	-
<b>Total Current Assets</b>	<b>1,115,773</b>	<b>2,850,255</b>	<b>3,966,028</b>	<b>513,501</b>
Non current Assets				
Special assessments receivable net of current portion	132,888	27,406	160,294	-
Advance due from waste treatment fund	-	358,200	358,200	-
Net Capital Assets	7,273,659	2,947,772	10,221,431	562,875
<b>Total Noncurrent Assets</b>	<b>7,406,547</b>	<b>3,333,378</b>	<b>10,739,925</b>	<b>562,875</b>
<b>Total Assets</b>	<b>\$ 8,522,320</b>	<b>\$ 6,183,633</b>	<b>\$ 14,705,953</b>	<b>\$ 1,076,376</b>
<u>Liabilities and Net Position</u>				
Current Liabilities				
Accounts Payable	\$ 412,451	\$ 102,772	\$ 515,223	\$ 10,501
Accrued Payroll	1,321	2,097	3,418	-
Due to other funds	375,544	317,706	693,250	440
Deferred Special Assessment Revenue	132,888	27,052	159,940	-
Current portion of advance due to water fund	171,500	-	171,500	-
Current Portion of Long-Term Debt	437,765	10,790	448,555	-
<b>Total Current Liabilities</b>	<b>1,531,469</b>	<b>460,417</b>	<b>1,991,886</b>	<b>10,941</b>
Noncurrent Liabilities				
Bonds Payable (net of current portion)	2,734,922	268,920	3,003,842	-
Advance due to water fund	358,200	-	358,200	-
<b>Total Noncurrent Liabilities</b>	<b>3,093,122</b>	<b>268,920</b>	<b>3,362,042</b>	<b>-</b>
<b>Total Liabilities</b>	<b>4,624,591</b>	<b>729,337</b>	<b>5,353,928</b>	<b>10,941</b>
Net Position				
Net investment in capital assets	4,527,947	2,947,772	7,475,720	562,875
Unrestricted	(630,218)	2,506,524	1,876,305	502,560
<b>Total Net Position</b>	<b>3,897,729</b>	<b>5,454,296</b>	<b>9,352,025</b>	<b>1,065,435</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 8,522,320</b>	<b>\$ 6,183,633</b>	<b>\$ 14,705,953</b>	<b>\$ 1,076,376</b>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Proprietary Funds  
Statement of Revenue, Expenses and Changes in Net Position  
For the Year Ended June 30, 2014

	Waste Water	Water	Enterprise Totals	Internal Service
Operating Revenues				
Sewage disposal charges	\$ 1,756,877	\$ -	\$ 1,756,877	\$ -
Water sales	-	1,559,244	1,559,244	-
Penalties on late payments	10,143	9,813	19,956	-
Hydrant rental	-	3,000	3,000	-
Billings to departments	-	-	-	408,952
Other revenues	-	38,350	38,350	8,149
Total Operating Revenues	<u>1,767,020</u>	<u>1,610,407</u>	<u>3,377,427</u>	<u>417,101</u>
Operating Expenses				
Transmission Maintenance	69,011	-	69,011	-
Sewage purification	1,511,025	-	1,511,025	-
Maintenance, Township	-	27,012	27,012	-
Distribution System				
Maintenance, City	-	195,886	195,886	-
Purification	-	1,064,231	1,064,231	-
Motor Vehicle Maintenance	-	-	-	371,677
Administration	215,416	130,466	345,882	41,346
Customer service	55	26,546	26,601	-
Total Operating Expenses	<u>1,795,507</u>	<u>1,444,141</u>	<u>3,239,648</u>	<u>413,023</u>
Operating Income (Loss)	<u>(28,487)</u>	<u>166,266</u>	<u>137,779</u>	<u>4,078</u>
Non-Operating Revenues (Expenses)				
Interest	12,584	20,725	33,309	996
Miscellaneous	53,579	7,250	60,829	-
Interest expense and agent fees	(130,356)	(6,587)	(136,943)	-
Contribution from other funds	52,279	-	52,279	1,600
Grant revenue	385,171	-	385,171	-
Total Non-operating Revenues	<u>373,257</u>	<u>21,388</u>	<u>394,645</u>	<u>2,596</u>
Income before other revenues	<u>344,770</u>	<u>187,654</u>	<u>532,424</u>	<u>6,674</u>
Other Revenue				
Capital Contributions	97,154	-	97,154	-
Total Other Revenue	<u>97,154</u>	<u>-</u>	<u>97,154</u>	<u>-</u>
Increase (decrease) in net position	441,924	187,654	629,578	6,674
Net Position, Beginning	3,455,805	5,266,642	8,722,447	1,058,761
Net Position, Ending	<u>\$ 3,897,729</u>	<u>\$ 5,454,296</u>	<u>\$ 9,352,025</u>	<u>\$ 1,065,435</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2014

	Waste Water Fund	Water Fund	Enterprise Totals	Internal Service
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 1,381,272	\$ 1,594,535	\$ 2,975,807	\$ -
Billings from other departments	-	-	-	380,078
Payments to suppliers	(166,600)	(831,357)	(997,957)	(186,638)
Payments to employees	(341,367)	(239,038)	(580,405)	(106,581)
Internal activity - Net payments to other funds	(592,027)	87,426	(504,601)	(31,000)
Net cash provided by (used in) operating activities	<u>281,278</u>	<u>611,566</u>	<u>892,844</u>	<u>55,859</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(1,480,220)	(686,413)	(2,166,633)	(70,244)
Gain on sale of capital assets	-	-	-	1,600
Capital contributions	97,154	-	97,154	-
Proceeds from long-term debt	1,151,325	290,500	1,441,825	-
Grant proceeds	385,171	-	385,171	-
Principal and interest paid on capital debt	(575,975)	(17,377)	(593,352)	-
Net cash provided by (used in) capital and related financing activities	<u>(422,545)</u>	<u>(413,290)</u>	<u>(835,835)</u>	<u>(68,644)</u>
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	12,584	20,725	33,309	996
Special assessment revenue	50,104	7,250	57,354	-
Other	55,753	-	55,753	-
Change in investments	-	(708)	(708)	-
Net cash provided by (used in) investing activities	<u>118,441</u>	<u>27,267</u>	<u>145,708</u>	<u>996</u>
<b>Net Increase (Decrease) in Cash and cash equivalents</b>	<u>(22,826)</u>	<u>225,543</u>	<u>202,717</u>	<u>(11,789)</u>
Cash and cash equivalents - Beginning of year	28,375	1,631,170	1,659,545	362,331
Cash and cash equivalents - End of year	<u>\$ 5,549</u>	<u>\$ 1,856,713</u>	<u>\$ 1,862,262</u>	<u>\$ 350,542</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ (28,487)	\$ 166,266	\$ 137,779	\$ 4,078
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation	828,565	271,720	1,100,285	91,786
Receivables	(385,748)	(15,872)	(401,620)	54
Due from other funds	(459,180)	(291,773)	(750,953)	(36,903)
Other assets	757	161,377	162,134	(4,404)
Accounts payable	381,847	29,956	411,803	1,368
Accrued and other liabilities	(208,177)	(2,913)	(211,090)	-
Due to other funds	151,701	292,805	444,506	(120)
Net Cash provided by (used in) operating activities	<u>\$ 281,278</u>	<u>\$ 611,566</u>	<u>\$ 892,844</u>	<u>\$ 55,859</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies

The City of Frankenmuth is organized under Michigan's Comprehensive Home Rule City Act. City government is directed by a seven-member City Council, including the Mayor, who is elected by the community at large. This legislative body appoints a City Manager to administer the affairs of the City. The City provides the following services as authorized by its charter: public safety, highways and streets, sanitation, cultural and recreation, public improvements, and general administrative services.

The City of Frankenmuth complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions.

The Reporting Entity

The accompanying financial statements present the City and one component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship to the City. In addition, the City has consolidated the Frankenmuth Beautification Committee into these financial statements.

Construction Codes Group Authority

The Construction Codes Group Authority (CCGA) was formed in conjunction with Frankenmuth City, Frankenmuth Township and Blumfield Township in 2004. Members of this authority are appointed by each jurisdiction. The CCGA is included as part of the City's financial statements because of the significance of its financial relationship with the City and the City Council's ability to influence the operations. The financial statements of this component unit of the City, which are reported for the fiscal year ending June 30, 2014, are presented as a discretely presented component unit of the City.

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 governmental and business-type activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within 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 that cannot be attributed directly to any one function are reported instead as general revenue.

The City does not allocate indirect costs. An administrative fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement to recover the direct costs of the General Fund services provided.

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. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(continued)

A fund is defined as a fiscal and accounting entity with self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the City:

Governmental Funds

General Fund--The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds--Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds--Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds--Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Enterprise Funds--Enterprise Funds report operations that provide services to citizens financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds--These funds are used to record the financing of goods or services by the City to other departments and funds, or to other governmental units, on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and waste water function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services.

Operating expenses for proprietary funds include the cost of source of supply, transmission and distribution maintenance, and administrative and general expenses, including depreciation and capital assets.

All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash

Cash includes cash on hand and demand deposits.

Investments

Investments include money markets fund and certificates of deposit and are stated at fair value.

Receivables

Receivables consist of all revenues earned at year-end but not yet received. Outstanding balances between funds are reported as "due to/from other funds".

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the governmental-wide financial statements as "internal balances".

Inventories

Inventories consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method.

Prepaid

Prepaid amounts consist of payments for which the City will have a future benefit and will be used up at a date beyond the current year-end.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. The City owns infrastructure assets such as water and sewer systems and roads and sidewalks. Depreciation on all assets is provided on the straight-line method.

Assets are depreciated over the following estimated useful lives:

Equipment and other	3-10 years
Vehicles	5-10 years
Buildings	50 years
Water and sewer mains	20-50 years
Water Towers	50 years
Water Meters	10-20 years
Other equipment	5-10 years
Infrastructure	5-50 years

The City elected not to retroactively report some infrastructure assets, which is allowable under the provisions of GASB 34.

Accounts Payable

Accounts payable consist of items from which the City benefited during the current fiscal year but has not yet paid.

Accrued Sick Leave

Accumulated and unused sick leave at year end is recognized as a liability of the respective funds in which each employee's wages are reported. The liability is calculated based upon various labor terms. Total accrued sick leave at June 30, 2014, was \$91,584.

Unearned Revenue

Unearned revenue represents amounts for which the City has received or is due to receive but has not yet earned. The revenues are considered unearned until the proceeds have been fully expensed/expended.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Inter-fund Activity

Inter-fund activity is reported as payables and transfers. Both are eliminated upon consolidation.

Property Taxes

City property taxes are an enforceable lien on property, when levied on July 1. They are due without penalty on or before July 31. These summer tax bills include the City's own property taxes, and a portion of Saginaw County taxes billed on behalf of the Intermediate School District and Delta College. Real property taxes not collected as of March 1 are returned to Saginaw County for collection. The County settles with the City for 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

The City acts as a collection agent for a portion of Saginaw County, Saginaw ISD, Delta College and the Frankenmuth School District for winter property taxes. Taxes collected on behalf of these entities are turned over immediately following collection, and are accounted for in a designated agency fund. At December 31, 2013, the taxable value of real and personal property located in the City totaled \$264,536,707, including industrial and commercial facilities. The City taxable value, exclusive of industrial facilities and commercial facilities tax units, amounted to \$263,505,778.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

The levy for the year was based on the following rate:

	<u>Millage Rate Used</u>	<u>Authorized Millage Rate by Either State Law or City Charter</u>
General Operating	8.75	20* General

\*Limited by Headlee amendment to 18.7860 mills

Fund Balance

In the fund financial statements, governmental funds report the following components of fund balance:

- Non-spendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed – Amounts that have been formally set aside by the City of Frankenmuth for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- Assigned – Intent to spend resources on specific purposes expressed by the City of Frankenmuth.
- Unassigned-Amounts that are available for any purpose.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 19, 2014, which is the date the financial statements were available to be issued.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred* outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred* inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has no items that qualify for reporting in this category.

Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 2--Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At their March meeting, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution at the May City Council meeting.
4. Formal budgetary integration is employed as a measurement control device during the year for all funds.
5. Budgets for all funds are adopted and have been prepared in accordance with accounting principles generally accepted in the United States of America.
6. The legal level of budgetary control adopted by the City is the activity level.
7. Adoption and amendments of all budgets used by the City are governed by Public Act 621. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. The City did amend its budget for the fiscal year. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

NOTE 3--Deposits and Investments

The City is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The City is also authorized to invest in the following:

- a. U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury STRIPS,
- b. TINTS-Treasury Interest Securities,
- c. PRINS or STRIPS-Treasury Principal Securities,
- d. Certificates of Deposits, Saving Deposit Receipt and Savings Accounts,
- e. Commercial Paper-short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short term cash,
- f. Repurchase Agreements,
- g. Banker's Acceptance,
- h. Investment Pools.

CITY OF FRANKENMUTH  
 NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments (continued)

Cash and cash equivalents include demand deposits with original maturities of 90 days or less. All cash is held by federally insured financial institutions. The FDIC, SPIC and NCUA insure up to \$250,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposits for the \$250,000 limitation. Investments consist of money market funds. These investments are carried at fair market value. A summary of cash and investments follow:

	Insured	Collateralized	Uninsured Uncollateralized	Total	Carrying Value
Governmental Activities					
Cash	\$ 383,872	\$ -	\$ 1,246,756	\$ 1,630,628	\$ 1,570,034
Investments	176,424	-	502,286	678,710	678,710
Business-type Activities					
Cash	-	-	1,862,262	1,862,262	1,862,262
Investments	-	-	267,250	267,250	267,250
Total Deposits & Investments	<u>\$ 560,296</u>	<u>\$ -</u>	<u>\$ 3,878,554</u>	<u>\$ 4,438,850</u>	<u>\$ 4,378,256</u>
Component Unit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,896</u>	<u>\$ 259,896</u>	<u>\$ 259,896</u>

Some of the operating cash of the City is handled through a common checking account at a bank. Each Fund's share of the cash balance is accounted for by using a separate cash general ledger account within each fund.

The investment policy of the City is to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the City and comply with all state statutes governing the investment of public funds.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 4--Capital Assets**

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not subject to depreciation				
Land	\$ 1,465,526	\$ -	\$ -	\$ 1,465,526
Construction in progress	63,730	1,495,969	-	1,559,699
Subtotal	<u>1,529,256</u>	<u>1,495,969</u>	<u>-</u>	<u>3,025,225</u>
Capital assets subject to depreciation				
Infrastructure	9,161,501	160,766	-	9,322,267
Furniture and Equipment	1,544,509	46,540	-	1,591,049
Vehicles	1,405,999	50,794	37,191	1,419,602
Buildings	5,067,849	-	-	5,067,849
Subtotal	<u>17,179,858</u>	<u>258,100</u>	<u>37,191</u>	<u>17,400,767</u>
Accumulated Depreciation				
Infrastructure	4,042,697	381,548	-	4,424,245
Furniture and Equipment	1,111,901	69,230	-	1,181,131
Vehicles	1,035,441	75,104	37,191	1,073,354
Buildings	2,293,326	145,209	-	2,438,535
Subtotal	<u>8,483,365</u>	<u>671,091</u>	<u>37,191</u>	<u>9,117,265</u>
Net capital assets being depreciated	8,696,493	(412,991)	-	8,283,502
Net governmental capital assets	<u>\$ 10,225,749</u>	<u>\$ 1,082,978</u>	<u>\$ -</u>	<u>\$ 11,308,727</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not subject to depreciation				
Land	\$ 22,963	\$ -	\$ -	\$ 22,963
Construction in progress	-	1,567,152	-	1,567,152
Subtotal	<u>22,963</u>	<u>1,567,152</u>	<u>-</u>	<u>1,590,115</u>
Capital assets subject to depreciation				
Buildings	18,190,516	4,554	-	18,195,070
Water towers	533,842	-	-	533,842
Distribution systems	6,404,985	435,695	-	6,840,680
Collection systems	4,210,165	4,250	-	4,214,415
Machinery & equipment	1,801,109	187,522	-	1,988,631
Meters & boxes	395,422	-	13,760	381,662
Furniture & fixtures	80,914	-	18,748	62,166
Subtotal	<u>31,616,953</u>	<u>632,021</u>	<u>32,508</u>	<u>32,216,466</u>
Accumulated Depreciation				
Buildings	13,977,415	612,211	-	14,589,626
Water towers	385,422	10,268	-	395,690
Distribution systems	4,225,396	235,956	-	4,461,352
Collection systems	2,249,253	159,156	-	2,408,409
Machinery & equipment	1,279,260	71,574	-	1,350,834
Meters & boxes	308,249	9,080	-	317,329
Furniture & fixtures	59,870	2,040	-	61,910
Subtotal	<u>22,484,865</u>	<u>1,100,285</u>	<u>-</u>	<u>23,585,150</u>
Net capital assets being depreciated	9,132,088	(468,264)	32,508	8,631,316
Net Business-type capital assets	<u>\$ 9,155,051</u>	<u>\$ (468,264)</u>	<u>\$ 32,508</u>	<u>\$ 10,221,431</u>

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Capital Assets (continued)

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 41,855
Public safety	29,075
Public works	8,160
Recreation and culture	164,675
Economic Development - DDA	277,144
Highway & Streets	58,396
Internal Service	91,786
Total governmental activities	<u>\$ 671,091</u>
Business-type activities:	
Waste Water Treatment	\$ 828,565
Water	271,720
Total business-type activities	<u>\$ 1,100,285</u>

NOTE 5--Inter-fund Receivables, Payables and Transfers

The composition of inter-fund balances as of June 30, 2014, is as follows:

**Due To/From Other Funds**

Receivable		Payable		Receivable		Payable	
General	\$ 29,970	Major Street	\$ 29,970	Waste Water	\$ 152,983	General	\$ 152,983
	55,475	Local	55,475		476	Parks & Recreation	476
	5,476	Parks & Recreation	5,476		65	DDA	65
	3,916	DDA	3,916		32,531	Water	32,531
	399	Building	399		276,437	Capital projects	276,437
	112,228	Waste Water	112,228		<u>\$ 462,492</u>		<u>\$ 462,492</u>
	3,504	Capital projects	3,504	Water	\$ 9,483	General	\$ 9,483
	2,563	Water	2,563		155	Local Street	155
	410	Equipment	410		9	Major Street	9
	<u>\$ 213,941</u>		<u>\$ 213,941</u>		944	Parks & Recreation	944
Building	\$ 5	Parks & Recreation	\$ 5		30	Equipment	30
Drug	\$ 2,340	General	\$ 2,340		2,024	DDA	2,024
Capital projects	\$ 168,640	General	\$ 168,640		290,388	Capital projects	290,388
	251,645	Water	251,645		7,849	Waste Water	7,849
	239,366	Waste Water	239,366		<u>\$ 310,882</u>		<u>\$ 310,882</u>
	<u>\$ 659,651</u>		<u>\$ 659,651</u>	Equipment	\$ 31,849	General	\$ 31,849
Parks	\$ 2,500	General	\$ 2,500		9,888	Major Street	9,888
					11,543	Local Street	11,543
					30,692	Parks & Recreation	30,692
					14,300	DDA	14,300
					16,101	Waste Water	16,101
					390	Capital projects	390
					30,967	Water	30,967
					<u>\$ 145,730</u>		<u>\$ 145,730</u>

CITY OF FRANKENMUTH  
 NOTES TO FINANCIAL STATEMENTS

NOTE 5--Inter-fund Receivables, Payables and Transfers (continued)

The majority of the interfund receivables and payables for the City consist of amounts due to the general fund for administrative charges, to water and waste funds for service charges, and to the equipment fund for equipment rental charges. The majority of interfund transfers consisted of payments from the general fund for operations of the special revenue funds and transfers to debt service for the payment of bond principal and interest.

The composition of inter-fund transfers as of June 30, 2014, is as follows:

<u>Transfers In/Out</u>							
<u>Transfers In</u>		<u>Transfers Out</u>		<u>Transfers In</u>		<u>Transfers Out</u>	
Major	\$ 105,000	General	\$ 105,000	Debt Service	\$ 102,396	General	\$ 102,396
Local Street	\$ 267,533	Capital projects	\$ 267,533	Debt Service	43,760	Major Street	43,760
	33,000	Major Street	33,000	Debt Service	16,553	Local Street	16,553
	100,000	General	100,000	Debt Service	808,502	DDA	808,502
	<u>\$ 400,533</u>		<u>\$ 400,533</u>		<u>\$ 971,211</u>		<u>\$ 971,211</u>
Parks	\$ 275,000	General	\$ 275,000	Waste Water	\$ 52,278	Debt	\$ 52,278

NOTE 6--Defined Benefit Pension Plan

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377. Employees hired after January 1, 2007 will participate in a hybrid plan with an employer match at 4% and a mandatory employee match of 4%.

Funding Policy

The City is required to contribute at an actuarially determined rate; the rate at June 30, 2014 was a flat rate for all employees other than new hires. City employees are required to contribute 5% of their annual compensation. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City depending on the MERS contribution program adopted by the City.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 6—Defined Benefit Pension Plan (continued)

Annual Pension Cost

For the year ended June 30, 2014, the City's annual pension cost of \$298,479 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2012, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) an assumed rate of investment return, which is used to discount liabilities and project what plan assets will earn, (b) a mortality table projecting the number of employees who will die before retirement and duration of benefit payments after retirement, (c) assumed retirement rates projecting when employees will retire and commence receiving benefits, (d) a set of withdrawal and disability rates to estimate the number of employees who will leave the work force before retirement, (e) assumed rates of salary increase to project employees' compensation in future years. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

Three-year Trend information

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>Pension</u> <u>Cost</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>
6/30/2012	\$ 288,112	100%
6/30/2013	\$ 266,318	100%
6/30/2014	\$ 298,479	100%

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>(Over</u> <u>Funded)</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL</u> <u>as a</u> <u>% of</u> <u>Covered</u> <u>Payroll</u> <u>(b-a)/(c)</u>
12/31/2011	\$ 9,758,477	\$ 12,831,148	\$ 3,072,671	76%	\$ 1,583,491	194%
12/31/2012	\$ 9,912,884	\$ 13,310,250	\$ 3,397,366	75%	\$ 1,613,444	211%
12/31/2013	\$ 10,154,979	\$ 13,753,901	\$ 3,598,922	75%	\$ 1,574,513	229%

NOTE 7--Unemployment Compensation

The City is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the City must reimburse the Employment Commission for all benefits charged against the City. For the year ended June 30, 2014, the City did not incur any unemployment expenditures.

CITY OF FRANKENMUTH  
 NOTES TO FINANCIAL STATEMENTS

NOTE 8--Long-Term Debt

Long-term debt obligations for the year ended June 30, 2014, were as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
1997 General Fund Streetscape					
Amount of issue: \$1,200,000					
Maturing through 10/1/16	\$ 365,000	\$ -	\$ 85,000	\$ 280,000	\$ 90,000
1999 Major Street Bonds					
Amount of issue: \$332,000					
Maturing through 9/1/14	40,000	-	20,000	20,000	20,000
2012 Capital Improvement Bonds					
Amount of issue: \$875,000					
Maturing through 10/01/2022	875,000	-	88,000	787,000	88,000
2005 Downtown Development Refunding Bonds					
Amount of issue: \$3,260,000					
Maturing through 05/01/2021	1,925,000	-	315,000	1,610,000	325,000
2013 Capital Improvement Bonds					
Amount of issue: \$175,000					
Maturing through 05/01/2033	-	1,750,000	65,000	1,685,000	65,000
Total Governmental Activities					
General Obligation Bonds	<u>\$ 3,205,000</u>	<u>\$ 1,750,000</u>	<u>\$ 573,000</u>	<u>\$ 4,382,000</u>	<u>\$ 588,000</u>
<b>Governmental Activities</b>					
<b>Special Assessment Bonds</b>					
2001 DDA Phase 3 Bonds					
Amount of issue: \$750,000					
Maturing through 10/1/25	\$ 270,000	\$ -	\$ 45,000	\$ 225,000	\$ 40,000
1999 Major Street Bonds					
Amount of issue: \$332,000					
Maturing through 9/1/14	40,000	-	20,000	20,000	20,000
2004 Weiss Street Bonds					
Amount of issue: \$1,800,000					
Maturing through 4/1/24	1,230,000	-	80,000	1,150,000	85,000
2001 DDA Snowmelt Bonds					
Amount of issue: \$490,000					
Maturing through 9/1/16	160,000	-	40,000	120,000	40,000
2010 DDA refunding bonds					
Amount of issue: \$855,000					
Maturing through 10/1/2025	715,000	-	70,000	645,000	75,000
Total Governmental Activities					
Special Assessment Bonds	<u>\$ 2,415,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ 2,160,000</u>	<u>\$ 260,000</u>

CITY OF FRANKENMUTH  
 NOTES TO FINANCIAL STATEMENTS

NOTE 8--Long-Term Debt (continued)

The 2001 DDA Phase 3 bonds are related to debt in both the Governmental activities and the Business-type activities. Of the \$225,000 balance, \$64,125 is debt held in the Waste Water Treatment Fund.

The 2013 Capital Improvement bonds are related to both Governmental activities and Business-type activities. Of the \$1,685,000 balance, \$1,108,562 is held in the Waste Water Treatment Fund and \$279,710 is held in the Water fund.

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
<b>Business-type Activities</b>					
General Obligation Bonds					
2001 Waste Treatment Bonds					
Amount of issue: \$300,000					
Maturing through 10/1/15					
	\$ 80,000	\$ -	\$ 25,000	\$ 55,000	\$ 25,000
1999 Waste Treatment SRF Bonds					
Amount of issue: \$6,645,000					
Maturing through 4/1/19					
	<u>2,310,000</u>	<u>-</u>	<u>365,000</u>	<u>1,945,000</u>	<u>370,000</u>
<b>Total Business-type Activities</b>	<u>\$ 2,390,000</u>	<u>\$ -</u>	<u>\$ 390,000</u>	<u>\$ 2,000,000</u>	<u>\$ 395,000</u>

Annual debt service requirements to maturity for the above governmental and business-type bonds and contracts are as follows:

June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 848,000	\$ 257,373	\$ 1,105,373	\$ 395,000	\$ 45,887	\$ 440,887
2016	838,000	221,973	1,059,973	410,000	36,188	446,188
2017	818,000	189,749	1,007,749	390,000	26,888	416,888
2018	528,000	158,919	686,919	400,000	18,112	418,112
2019	533,000	139,879	672,879	405,000	9,112	414,112
2020-2024	2,007,000	419,300	2,426,300	-	-	-
2025-2029	520,000	165,136	685,136	-	-	-
2030-2032	450,000	52,648	502,648	-	-	-
<b>Totals</b>	<u>\$ 6,542,000</u>	<u>\$ 1,604,977</u>	<u>\$ 8,146,977</u>	<u>\$ 2,000,000</u>	<u>\$ 136,187</u>	<u>\$ 2,136,187</u>

For the year ended June 30, 2014, the total interest paid on long-term debt was \$335,205.

Total principal paid on long-term debt for the City totaled \$1,218,000 for the year ended June 30, 2014.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 9—Restricted, Non-Spendable, Committed and Assigned Fund Balance

The general fund, parks and recreation fund and the DDA fund have non-spendable fund balances in the amounts of \$80,465 \$5,488, and \$1,973 respectively for prepaid expenditures. The general fund has \$25,731 in non-spendable fund balance for inventories. The major street and local street have restricted fund balances for street repairs in the amounts of \$106,595 and \$31,466, respectively. The DDA has committed \$49,002 in prepaid special assessments for future debt service and \$80,000 for capital replacements. Parks and recreations, the DDA fund and the Drug enforcement fund have the following fund balance amounts assigned for that fund purpose: \$(4,429) \$92,018 and \$2,340. The general fund has assigned fund balance in the amount of \$95,000 for a reduction in the 2014-2015 fiscal year fund balance.

NOTE 10--Downtown Development Authority Captured Value

The Downtown Development Authority initial assessed valuation was established when the district was set. Subsequent to that initial value, additions and deletions to that valuation are captured and tax dollars from that captured value are recorded in the Downtown Development Authority Fund. Proposal A changed the formula to exclude school operating millage in the captured formula.

NOTE 11--Self-Insurance Program

The City of Frankenmuth offers a medical plan to all full-time employees. The City established an HRA fund for these claims through Basic HRA Benefit Services. The City is billed for the claims.

NOTE 12--Risk Management

The City of Frankenmuth 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, 2014, the City of Frankenmuth participated in the Michigan Municipal League Liability and Property Pool, a public entity risk pool currently operating as a common risk management program for municipalities in the State of Michigan. The City Council pays an annual premium to the pool for its general insurance coverage. The pool is self-sustaining through member premiums.

During the year ended June 30, 2014, the City also participated in the Michigan Municipal League Worker's Compensation Self-Insurer's Fund (SIF) for its workers' compensation benefits. The SIF is also a common risk management program for municipalities in the State of Michigan and is self-sustaining through premiums. In the event of unusually high claims, both the SIP and the SIF have the authority to bill the members retroactively. The City continues to carry commercial insurance for other risks of loss, including employee health and property insurance.

CITY OF FRANKENMUTH  
 NOTES TO FINANCIAL STATEMENTS

NOTE 13--Post Employment Health Benefits

Plan Description

1. The City of Frankenmuth Retiree Medical Plan is a single employer plan administered by The City of Frankenmuth.
2. The plan was established by The City of Frankenmuth and can be amended at its discretion.
3. Membership of the plan consisted of the following for the 2013 valuation:

	Non-Union	Union	Total
Retirees and survivors	3	1	4
Active plan members	19	6	25
Total plan members	22	7	29

Funding Policy

1. The City of Frankenmuth has the authority to establish and amend the obligations of The City of Frankenmuth and plan members to contribute to the plan.
2. Actively employed plan members are currently not obligated to make contributions to the plan.
3. Only benefit payments directly to or on behalf of retirees from general operating funds will be counted as plan contributions.

Annual Cost for Other Post-Employment Benefits (OPEB) – 06/30/2014

Annual required contribution (ARC)	\$	24,154
Interest on net OPEB obligation		(352)
Less adjustments to ARC		541
Annual OPEB cost		<u>24,343</u>
Amounts contributed:		
Payments of current premiums		20,100
Advance funding		-
Increase (decrease) in net OPEB obligation		4,243
OPEB obligation beginning of year		<u>(4,127)</u>
OPEB obligation end of the year	\$	<u>116</u>

Plan Contributions

(1)	(2)	(3)	(4)	(5)
Fiscal Year Ending	Annual OPEB Cost	Contribution*	Ratio (3)/(2)	Net OPEB Obligation at End of Year
6/30/2010	\$24,633	\$22,702	92%	\$1,931
6/30/2011	\$23,862	\$24,170	101%	\$1,591
6/30/2012	\$23,149	\$26,970	117%	-\$2,326
6/30/2013	\$23,951	\$25,796	108%	-\$4,127
6/30/2014	\$24,154	\$20,100	83%	\$116

CITY OF FRANKENMUTH  
 NOTES TO FINANCIAL STATEMENTS

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NOTE 13--Post Employment Health Benefits (continued)

Actuarial assumptions (required supplementary information)

The information required for reporting purposes from the most recent actuarial valuation (regarding actuarial methods and assumptions used to determine the ARC) is listed below.

Valuation date	June 30, 2013
Actuarial cost method	Projected Unit Credit (level dollar)
Amortization method	Level dollar, closed
Remaining amortization period	27 years (30 initially at June 30, 2010).

Actuarial assumptions:

Discount rate	4.0%			
Mortality rate	IRS 1.430(h) Annuitant (sex distinct) Mortality Table			
Turnover rates	Years of Service	Rate	Age	Rate
	0	18%	30	9%
	1	18	35	7
	2	16	40	5
	3	12	45	4
	4	10	50	4
Retirement	Age	Rate	Age	Rate
	50-53	22%	60	20%
	54	24	61-63	24
	55	18	64	27
	56	14	65-69	30
	57	16	70	100
	58-59	18		
Marital Status	70% will have covered spouse at retirement with females 3 years younger than males; actual spouse coverage used for retirees			
Monthly medical stipend	\$450.00			
Medical inflation rates	N/A; monthly amount capped			
Co-pay reimbursement	\$100.00 per person per year			

CITY OF FRANKENMUTH  
 NOTES TO FINANCIAL STATEMENTS

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NOTE 13--Post Employment Health Benefits (continued)

Actuarial valuation information

	First Preceding Report	Most Recent Report
a. Valuation date	6/30/2010	06/30/2013
b. Market value of plan assets	\$ 0	\$ 0
c. Actuarial accrued liability	265,241	280,395
d. Unfunded actuarial liability	265,241	280,395
e. Funded ratio, = (b)÷(c)	0%	0%
f. Covered payroll	Not Available	Not Available
g. Unfunded liability payroll ratio, = (d)÷(f)	Not Available	Not Available

Factors Significantly Affecting Trends

1. Mortality table updated to 2013 table.
2. Impact of Affordable Care Act considered.

NOTE 14--Contingencies and Commitments

The City is a third party guarantor of a loan between the Frankenmuth Chamber of Commerce and Frankenmuth Credit Union in the amount of \$217,316 for remodeling of the Chamber building which the Chamber leases from the City.

NOTE 15--Joint Venture

In 1960, the City entered into a Joint Venture with the Township of Frankenmuth to form the Frankenmuth City-Township Commission. The Commission manages jointly owned property and equipment. The City contributes to the Frankenmuth City-Township Commission based upon the adopted budget of the Commission. Contributions to the Commission for the year ended June 30, 2014, are as follows: General Fund \$58,788 Fire Fund \$132,516, Cemetery \$16,326 and Debt Service \$68,411.

NOTE 16--Advances

During the year ended June 30, 2012 the water fund advanced the waste treatment fund \$856,300 to pay off waste treatment bonded debt. The advance is to be paid off October 2016. Interest is set at 2%. The balance of the advance at June 30, 2014 was \$529,700.

NOTE 17--Advance Refund of Bond Resulting in Defeasance of Debt

During the fiscal year ended June 30, 2006, the City issued \$3,260,000 in general obligation-refunding bonds with interest rates ranging between 2.75% to 4.40%. The City issued the bonds to advance refund \$3,150,000 of the outstanding series 1997 Downtown Development Bonds, 2000 Downtown Development Bonds and 2001 Downtown Development Bonds with interest rates ranging from 4.85% to 5.75%. The City used the net proceeds along with other sources to purchase State and Local Government securities. These securities

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 17--Advance Refund of Bond Resulting in Defeasance of Debt (continued)

were deposited in an irrevocable trust to provide for all future debt service on the refunded series bonds. As a result, the above mentioned series bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$1,630,000 as of June 30, 2014.

The advance refunding reduced the total debt service payments over 20 years by \$140,638. This results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$101,184.

During the fiscal year ended June 30, 2011, the City issued \$855,000 in general obligation-refunding bonds with interest rates ranging between 4.0% to 5.0%. The City issued the bonds to advance refund \$1,045,000 of the outstanding series 1997 Special Assessment Bonds, 1999 Street Improvement Bonds and 2000 Public Improvement Bonds with interest rates ranging from 5.1% to 6.1%. The City used the net proceeds along with other sources to purchase State and Local Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded series bonds. As a result, the above mentioned series bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$790,000 as of June 30, 2014.

The advance refunding reduced the total debt service payments over 14 years by \$133,085. This results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$59,096.

NOTE 18--Upcoming Accounting Pronouncement

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the City's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

REQUIRED SUPPLEMENTAL INFORMATION

City of Frankenmuth  
**General Fund**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Revenue and Expenditures Actual	Over (Under) Budget
<b>Revenues</b>				
Taxes	\$ 1,930,000	\$ 1,970,000	\$ 1,995,238	\$ 25,238
State revenue	383,600	395,600	408,359	12,759
Licenses and permits	11,000	11,000	15,700	4,700
Charges for Service	1,169,800	1,171,700	1,174,738	3,038
Fines and forfeits	14,400	14,400	11,489	(2,911)
Other revenues	292,900	339,652	334,000	(5,652)
<b>Total Revenues</b>	<b>3,801,700</b>	<b>3,902,352</b>	<b>3,939,524</b>	<b>37,172</b>
<b>Expenditures</b>				
General Government	1,096,825	1,096,825	1,117,132	20,307
Public Safety	1,456,000	1,493,627	1,446,597	(47,030)
Highways and streets	111,000	111,000	23,154	(87,846)
Sanitation	279,000	279,000	294,740	15,740
Other Expenditures	284,400	389,847	312,310	(77,537)
<b>Total Expenditures</b>	<b>3,227,225</b>	<b>3,370,299</b>	<b>3,193,933</b>	<b>(176,366)</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>574,475</b>	<b>532,053</b>	<b>745,591</b>	<b>213,538</b>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)	(636,065)	(636,065)	(657,296)	(21,231)
<b>Total Other Financing Sources (Uses)</b>	<b>(636,065)</b>	<b>(636,065)</b>	<b>(657,296)</b>	<b>(21,231)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(61,590)</b>	<b>(104,012)</b>	<b>88,295</b>	<b>192,307</b>
<b>Fund Balances, Beginning</b>	<b>1,157,627</b>	<b>1,157,627</b>	<b>1,157,627</b>	<b>-</b>
<b>Fund Balances, Ending</b>	<b>\$ 1,096,037</b>	<b>\$ 1,053,615</b>	<b>\$ 1,245,922</b>	<b>\$ 192,307</b>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
**Major Street Fund**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Revenues and Expenditures Actual
Revenues			
State	\$ 212,700	\$ 212,700	\$ 253,977
Other revenues	28,400	28,400	46,958
Total Revenues	<u>241,100</u>	<u>241,100</u>	<u>300,935</u>
Expenditures			
Public works	334,000	367,700	383,363
Total Expenditures	<u>334,000</u>	<u>367,700</u>	<u>383,363</u>
Excess (Deficiency) of Revenues over Expenditures	(92,900)	(126,600)	(82,428)
Other Financing Sources (Uses)			
Operating transfers in	105,000	105,000	105,000
Operating transfers (out)	<u>(76,100)</u>	<u>(76,760)</u>	<u>(76,760)</u>
Total Other Financing Sources (Uses)	<u>28,900</u>	<u>28,240</u>	<u>28,240</u>
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(64,000)	(98,360)	(54,188)
Fund Balances, Beginning	160,783	160,783	160,783
Fund Balances, Ending	<u>\$ 96,783</u>	<u>\$ 62,423</u>	<u>\$ 106,595</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
**Local Street Fund**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Revenues and Expenditures Actual</u>
Revenues			
State	\$ 92,000	\$ 92,000	\$ 107,613
Other revenues	2,900	2,900	4,109
Total Revenues	<u>94,900</u>	<u>94,900</u>	<u>111,722</u>
Expenditures			
Public works	<u>240,370</u>	<u>240,370</u>	<u>511,301</u>
Total Expenditures	<u>240,370</u>	<u>240,370</u>	<u>511,301</u>
Excess (Deficiency) of Revenues over Expenditures	(145,470)	(145,470)	(399,579)
Other Financing Sources (Uses)			
Operating transfers in	133,000	133,000	400,533
Operating transfers (out)	<u>(16,530)</u>	<u>(16,530)</u>	<u>(16,553)</u>
Total Other Financing Sources (Uses)	<u>116,470</u>	<u>116,470</u>	<u>383,980</u>
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(29,000)	(29,000)	(15,599)
Fund Balances, Beginning	47,065	47,065	47,065
Fund Balances, Ending	<u>\$ 18,065</u>	<u>\$ 18,065</u>	<u>\$ 31,466</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
**Parks and Recreation Fund**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Revenues and Expenditures Actual
<b>Revenues</b>			
Other Governmental Units	\$ 13,000	\$ 13,000	\$ 20,300
Charges for Services	152,500	152,500	168,047
Interest	500	500	515
Donations	26,000	26,000	19,502
Utilities reimbursement	8,000	8,000	10,401
Miscellaneous	3,000	3,000	3,733
Nonresident fees	5,500	5,500	-
Total Revenues	<u>208,500</u>	<u>208,500</u>	<u>222,498</u>
<b>Expenditures</b>			
Administration	153,800	153,800	172,978
Parks division	281,500	281,500	271,745
Recreation	59,700	59,700	68,156
Total expenditures	<u>495,000</u>	<u>495,000</u>	<u>512,879</u>
Excess of revenues over expenditures	<u>(286,500)</u>	<u>(286,500)</u>	<u>(290,381)</u>
<b>Other financing sources (uses)</b>			
Transfer in	272,500	272,500	275,000
Total other financing sources (uses)	<u>272,500</u>	<u>272,500</u>	<u>275,000</u>
Excess revenues and other financing sources over expenditures and other (uses)	<u>(14,000)</u>	<u>(14,000)</u>	<u>(15,381)</u>
Fund balance, beginning	16,440	16,440	16,440
Fund balance, ending	<u>\$ 2,440</u>	<u>\$ 2,440</u>	<u>\$ 1,059</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
**DDA Fund**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Revenues and Expenditures Actual
Revenues			
Taxes levied	\$ 42,000	\$ 42,000	\$ 40,541
Taxes captured	947,703	947,703	991,319
Total Taxes	<u>989,703</u>	<u>989,703</u>	<u>1,031,860</u>
Other Revenue			
Special assessments	173,735	168,317	125,655
Interest earnings	3,000	2,000	50,613
Miscellaneous	1,000	1,000	24,028
Total other revenues	<u>177,735</u>	<u>171,317</u>	<u>200,296</u>
Total revenues	<u>1,167,438</u>	<u>1,161,020</u>	<u>1,232,156</u>
Expenditures			
Administration	225,260	192,600	193,098
Maintenance	241,650	350,000	347,886
Total expenditures	<u>466,910</u>	<u>542,600</u>	<u>540,984</u>
Excess of revenues over expenditures	<u>700,528</u>	<u>618,420</u>	<u>691,172</u>
Other financing sources (uses)			
Transfer out	<u>(710,433)</u>	<u>(808,343)</u>	<u>(808,502)</u>
Total other financing sources (uses)	<u>(710,433)</u>	<u>(808,343)</u>	<u>(808,502)</u>
Excess revenues and other financing sources over expenditures and other (uses)	<u>(9,905)</u>	<u>(189,923)</u>	<u>(117,330)</u>
Fund balance, beginning	340,323	340,323	340,323
Fund balance, ending	<u>\$ 330,418</u>	<u>\$ 150,400</u>	<u>\$ 222,993</u>

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTAL INFORMATION

CITY OF FRANKENMUTH  
GENERAL FUND

City of Frankenmuth  
General Fund  
Comparative Balance Sheets  
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 846,767	\$ 1,453,897
Investments	678,710	677,344
Receivables		
Accounts	113,683	120,219
Special assessment receivable	5,600	6,465
Due from other funds	213,941	343,425
Due from other governmental units	13,891	12,665
Inventory, supplies	25,731	25,731
Prepaid expenditures	80,465	63,269
Total Assets	<u>\$ 1,978,788</u>	<u>\$ 2,703,015</u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 134,627	\$ 113,632
Due to other funds	367,795	1,244,956
Accrued expenditures	77,426	73,015
Unearned revenue	153,018	113,785
Total Liabilities	<u>732,866</u>	<u>1,545,388</u>
Fund Balance		
Non-spendable		
Prepaid expenditures	80,465	63,269
Inventories	25,731	25,731
Assigned for budget	95,000	61,950
Unassigned	1,044,726	1,006,677
Total Fund Balance	<u>1,245,922</u>	<u>1,157,627</u>
Total Liabilities and Fund Balance	<u>\$ 1,978,788</u>	<u>\$ 2,703,015</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
<b>Revenues</b>				
Taxes	\$ 1,970,000	\$ 1,995,238	\$ 25,238	\$ 1,959,186
State revenue	395,600	408,359	12,759	396,918
Licenses and permits	11,000	15,700	4,700	12,253
Charge for services	1,171,700	1,174,738	3,038	1,142,174
Fine and forfeits	14,400	11,489	(2,911)	10,810
Other revenues	339,652	334,000	(5,652)	340,596
Total revenues	<u>3,902,352</u>	<u>3,939,524</u>	<u>37,172</u>	<u>3,861,937</u>
<b>Expenditures</b>				
General government	1,096,825	1,117,132	20,307	1,134,611
Public safety	1,493,627	1,446,597	(47,030)	1,384,078
Highway and streets	111,000	23,154	(87,846)	77,920
Sanitation	279,000	294,740	15,740	272,274
Other expenditures	389,847	312,310	(77,537)	282,143
Total expenditures	<u>3,370,299</u>	<u>3,193,933</u>	<u>(176,366)</u>	<u>3,151,026</u>
Excess of revenues over expenditures	<u>532,053</u>	<u>745,591</u>	<u>213,538</u>	<u>710,911</u>
Other financing sources (uses)				
(Uses)	<u>(636,065)</u>	<u>(657,296)</u>	<u>(21,231)</u>	<u>(1,230,807)</u>
Total other financing sources (uses)	<u>(636,065)</u>	<u>(657,296)</u>	<u>(21,231)</u>	<u>(1,230,807)</u>
Excess revenues and other financing sources over expenditures and other (uses)	<u>(104,012)</u>	<u>88,295</u>	<u>192,307</u>	<u>(519,896)</u>
Fund balance, beginning	1,157,627	1,157,627	-	1,677,523
Fund balance, ending	<u>\$ 1,053,615</u>	<u>\$ 1,245,922</u>	<u>\$ 192,307</u>	<u>\$ 1,157,627</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
 General Fund-Statement of Revenues  
 Budget and Actual  
 For the Year Ended June 30, 2014  
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
<b>Revenues</b>				
<b>Taxes</b>				
Real property taxes	\$ 1,690,000	\$ 1,698,283	\$ 8,283	\$ 1,687,665
Personal property taxes	180,000	187,262	7,262	167,333
Administration fee	100,000	109,693	9,693	104,188
<b>Total taxes</b>	<b>1,970,000</b>	<b>1,995,238</b>	<b>25,238</b>	<b>1,959,186</b>
<b>State revenues</b>				
PA #48 maintenance fee	22,000	22,274	274	22,716
State grant - PA#302	1,600	3,927	2,327	1,637
State liquor licenses	12,000	13,498	1,498	12,689
State shared revenue	360,000	368,660	8,660	359,876
<b>Total state revenues</b>	<b>395,600</b>	<b>408,359</b>	<b>12,759</b>	<b>396,918</b>
<b>Fees</b>				
Zoning fees	11,000	15,700	4,700	12,253
<b>Charges for services</b>				
Customer services	111,000	100,731	(10,269)	94,669
Reserve police services	13,400	12,840	(560)	12,993
Refuse collection	325,000	332,608	7,608	325,989
Township police services	229,800	229,776	(24)	224,608
Recovery of benefits	120,000	160,628	40,628	137,306
DPW fringe benefit recovery	170,000	134,849	(35,151)	168,487
Administration fee	202,500	203,306	806	178,122
<b>Total charges for services</b>	<b>1,171,700</b>	<b>1,174,738</b>	<b>3,038</b>	<b>1,142,174</b>
<b>Fines and forfeits</b>				
Penalties on tax collections	11,000	8,218	(2,782)	7,134
Ordinance fines	1,000	625	(375)	1,020
Penalties on refuse collection	2,400	2,646	246	2,656
<b>Total fines and forfeits</b>	<b>14,400</b>	<b>11,489</b>	<b>(2,911)</b>	<b>10,810</b>
<b>Other revenues</b>				
Interest	10,000	13,983	3,983	2,239
Sale of fixed assets	40,752	40,752	-	-
Donations	123,000	126,858	3,858	136,876
Sister City	20,000	26,916	6,916	29,741
Sister City Fountain	14,900	298	(14,602)	17,349
Miscellaneous	14,000	24,184	10,184	38,613
Tower site leases	35,000	15,200	(19,800)	34,878
Franchise fees	80,000	84,944	4,944	79,480
Special assessments	2,000	865	(1,135)	1,420
<b>Total other revenues</b>	<b>339,652</b>	<b>334,000</b>	<b>(5,652)</b>	<b>340,596</b>
<b>Total revenues</b>	<b>\$ 3,902,352</b>	<b>\$ 3,939,524</b>	<b>\$ 37,172</b>	<b>\$ 3,861,937</b>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
General Fund  
Statement of Expenditures Budget and Actual  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
<b>Expenditures</b>				
<b>General Government</b>				
Election	\$ 5,000	\$ 4,354	\$ (646)	\$ 9,700
Independent audit	11,000	11,165	165	14,295
Assessor	45,900	44,996	(904)	43,309
General office staff	497,900	510,268	12,368	539,101
City-Township hall and grounds	58,800	60,208	1,408	70,741
City property	78,700	81,785	3,085	78,566
City-Township cemetery	16,325	16,326	1	2,997
City Hall	77,200	51,593	(25,607)	50,533
Other personal services and supplies	306,000	336,437	30,437	325,369
<b>Total General Government</b>	<b>1,096,825</b>	<b>1,117,132</b>	<b>20,307</b>	<b>1,134,611</b>
<b>Public Safety</b>				
Police department	1,169,700	1,129,564	(40,136)	1,135,343
Fire protection	203,927	203,927	-	206,351
Flood protection	120,000	113,106	(6,894)	42,384
<b>Total Public Safety</b>	<b>1,493,627</b>	<b>1,446,597</b>	<b>(47,030)</b>	<b>1,384,078</b>
<b>Highways and Streets</b>				
Street lighting	111,000	23,154	(87,846)	77,920
<b>Sanitation</b>				
Refuse collection	279,000	294,740	15,740	272,274
<b>Other Expenditures</b>				
Engineering and supervision	75,200	91,817	16,617	88,052
City Beautification Committee	124,300	118,323	(5,977)	119,079
Insurance and bonds	16,500	14,739	(1,761)	16,525
Michigan Week activities	2,000	846	(1,154)	4,365
Sister City Committee activities	20,500	27,018	6,518	24,985
Sister City Fountain	-	298	298	17,349
Economic Development program	146,347	54,998	(91,349)	5,547
DDA special assessments	4,000	3,593	(407)	3,987
Other community promotion	1,000	678	(322)	2,254
<b>Total Other Expenditures</b>	<b>389,847</b>	<b>312,310</b>	<b>(77,537)</b>	<b>282,143</b>
<b>Total Expenditures</b>	<b>3,370,299</b>	<b>3,193,933</b>	<b>(176,366)</b>	<b>3,151,026</b>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
General Fund  
Statement of Expenditures Budget and Actual (continued)  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Other Financing Uses (Sources)				
Operating transfers out (in)				
Major Street Fund	105,000	105,000	-	(37,000)
Local Street Fund	100,000	100,000	-	185,000
Parks and Recreation Fund	272,500	275,000	2,500	258,000
Capital projects				
2000 DDA G.O.	102,100	102,396	296	101,682
Debt Service Funds				
Land Acquisition 2007 Debt Service	-	-	-	678,852
2012 Capital improvement-Damn	56,465	56,465	-	-
EDC Business park	-	18,413	18,413	-
Bonding costs	-	22	22	7,500
Total Other Financing Uses (sources)	<u>636,065</u>	<u>657,296</u>	<u>21,231</u>	<u>1,230,807</u>
Total Expenditures and Other Financing Uses	<u>\$ 4,006,364</u>	<u>\$ 3,851,229</u>	<u>\$ (155,135)</u>	<u>\$ 4,381,833</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
SPECIAL REVENUE FUNDS

Major Street

Local Street

Parks and Recreation

Downtown Development Authority

Drug Law Enforcement

City of Frankenmuth  
Major Street Fund  
Comparative Balance Sheets  
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 97,146	\$ 154,062
Due from other governmental units	44,018	41,504
Special assessment receivable	13,573	13,598
Total Assets	\$ 154,737	\$ 209,164
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 746	\$ 350
Due to other funds	39,867	40,783
Unearned revenue	7,529	7,248
Total Liabilities	48,142	48,381
Fund balance-Restricted	106,595	160,783
Total Liabilities and Fund Balance	\$ 154,737	\$ 209,164

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Major Street Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		2013	
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenues</b>				
State revenue				
Local roads program	\$ 7,700	\$ 8,201	\$ 501	\$ 8,210
Other state revenue	-	-	-	1,440
State gas and weight tax	205,000	245,776	40,776	228,751
Total State Revenues	<u>212,700</u>	<u>253,977</u>	<u>41,277</u>	<u>238,401</u>
Other revenues				
Interest	3,000	1,095	(1,905)	1,857
Miscellaneous	15,400	37,621	22,221	19,492
Special Assessments	10,000	8,242	(1,758)	6,349
Total Other Revenues	<u>28,400</u>	<u>46,958</u>	<u>18,558</u>	<u>27,698</u>
Total Revenues	<u>241,100</u>	<u>300,935</u>	<u>59,835</u>	<u>266,099</u>
<b>Expenditures</b>				
Highway and Streets				
Routine maintenance	58,000	66,355	8,355	53,148
Improvements	142,000	141,336	(664)	-
Traffic services, maintenance	17,000	17,886	886	14,920
Signal charges and channel service	4,000	1,081	(2,919)	3,131
Winter maintenance	45,000	54,134	9,134	20,441
Admin. and engineering	23,700	24,420	720	23,696
State Trunkline maintenance	25,000	41,390	16,390	23,576
Tree planting and maintenance	25,000	5,946	(19,054)	18,621
Sidewalks	28,000	30,815	2,815	22,650
Total Expenditures	<u>367,700</u>	<u>383,363</u>	<u>15,663</u>	<u>180,183</u>
Excess of Revenues Over Expenditures	<u>(126,600)</u>	<u>(82,428)</u>	<u>44,172</u>	<u>85,916</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	105,000	105,000	-	-
Debt service payment and transfers out	(76,760)	(76,760)	-	(110,920)
Total Other Financing Sources (Uses)	<u>28,240</u>	<u>28,240</u>	<u>-</u>	<u>(110,920)</u>
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	(98,360)	(54,188)	44,172	(25,004)
Fund Balance, Beginning	160,783	160,783	-	185,787
Fund Balance, Ending	<u>\$ 62,423</u>	<u>\$ 106,595</u>	<u>\$ 44,172</u>	<u>\$ 160,783</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Local Street Fund  
Comparative Balance Sheets  
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 19,842	\$ 11,925
Due from other governmental units	15,881	15,482
Accounts receivable	62,091	124,218
Special assessment receivable	2,223	3,497
Total Assets	<u>\$ 100,037</u>	<u>\$ 155,122</u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 778	\$ 126
Due to other funds	67,173	105,710
Unearned revenue	620	2,221
Total Liabilities	<u>68,571</u>	<u>108,057</u>
Fund balance-Restricted	<u>31,466</u>	<u>47,065</u>
Total Liabilities and Fund Balance	<u>\$ 100,037</u>	<u>\$ 155,122</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Local Street Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
<b>Revenues</b>				
State revenue				
Local roads program	\$ 3,000	\$ 3,239	\$ 239	\$ 3,240
State gas and weight tax	89,000	104,374	15,374	90,264
Total State Revenues	<u>92,000</u>	<u>107,613</u>	<u>15,613</u>	<u>93,504</u>
Other revenues				
Interest	1,000	258	(742)	368
Donations	-	2,250	2,250	194,438
Miscellaneous	-	-	-	1,153
Special Assessments	1,900	1,601	(299)	1,275
Total Other Revenues	<u>2,900</u>	<u>4,109</u>	<u>1,209</u>	<u>197,234</u>
Total Revenues	<u>94,900</u>	<u>111,722</u>	<u>16,822</u>	<u>290,738</u>
<b>Expenditures</b>				
Highway and Streets				
Improvements	-	267,530	267,530	252,784
Routine maintenance	109,000	107,399	(1,601)	90,115
Traffic services, maintenance	8,000	4,456	(3,544)	4,353
Winter maintenance	40,000	54,834	14,834	23,501
Admin. and engineering	8,370	9,689	1,319	9,350
Tree planting and maintenance	45,000	36,199	(8,801)	60,146
Sidewalks	30,000	31,194	1,194	35,366
Total Expenditures	<u>240,370</u>	<u>511,301</u>	<u>270,931</u>	<u>475,615</u>
Excess of Revenues Over Expenditures	<u>(145,470)</u>	<u>(399,579)</u>	<u>(254,109)</u>	<u>(184,877)</u>
Other Financing Sources (Uses)				
Operating transfer in	133,000	400,533	267,533	218,000
Operating transfer out	(16,530)	(16,553)	(23)	(17,169)
Total Other Financing Sources (Uses)	<u>116,470</u>	<u>383,980</u>	<u>267,510</u>	<u>200,831</u>
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	(29,000)	(15,599)	13,401	15,954
Fund Balance, Beginning	47,065	47,065	-	31,111
Fund Balance, Ending	<u>\$ 18,065</u>	<u>\$ 31,466</u>	<u>\$ 13,401</u>	<u>\$ 47,065</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Parks and Recreation Fund  
Comparative Balance Sheets  
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 122,787	\$ 87,400
Accounts receivable	19,938	15,012
Due from other governmental units	-	28,000
Due from other funds	2,500	-
Prepaid expenditures	5,488	4,363
<b>Total Assets</b>	<b><u>\$ 150,713</u></b>	<b><u>\$ 134,775</u></b>
 <u>Liabilities and Fund Balance</u> 		
<b>Liabilities</b>		
Accounts payable	\$ 6,446	\$ 19,758
Due to other funds	37,593	32,049
Accrued expenditures	1,748	1,514
Unearned revenue	103,867	65,014
<b>Total Liabilities</b>	<b><u>149,654</u></b>	<b><u>118,335</u></b>
 <b>Fund balance</b>		
Non-spendable		
Prepaid expenditures	5,488	4,363
Assigned	(4,429)	12,077
<b>Total Fund Balance</b>	<b><u>1,059</u></b>	<b><u>16,440</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 150,713</u></b>	<b><u>\$ 134,775</u></b>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Parks and Recreation Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		2013	
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenues</b>				
Other Governmental Units				
State revenue	\$ -	\$ 7,300	\$ 7,300	\$ 28,000
Frankenmuth Township	13,000	13,000	-	13,000
Total Other Governmental Units	<u>13,000</u>	<u>20,300</u>	<u>7,300</u>	<u>41,000</u>
<b>Charges for Services</b>				
Youth basketball	5,000	5,949	949	5,069
Men's volleyball	5,000	1,359	(3,641)	966
Women's volleyball	-	3,113	3,113	2,716
Men's slow pitch	4,500	5,503	1,003	4,719
Women's softball	7,500	4,712	(2,788)	4,462
Youth league	9,500	14,887	5,387	9,229
Co-ed volleyball	-	2,310	2,310	1,696
Miscellaneous	10,000	11,156	1,156	10,712
Ball diamonds rental	10,000	16,809	6,809	10,289
Scout building	10,500	11,057	557	11,487
Park facilities rental	90,500	91,192	692	92,845
Total Charge for Services	<u>152,500</u>	<u>168,047</u>	<u>15,547</u>	<u>154,190</u>
<b>Other Revenue</b>				
Interest	500	515	15	466
Donations	26,000	19,502	(6,498)	6,774
Utilities reimbursement	8,000	10,401	2,401	12,389
Miscellaneous	3,000	3,733	733	10,353
Nonresident fees	5,500	-	(5,500)	5,002
Total Other Revenues	<u>43,000</u>	<u>34,151</u>	<u>(8,849)</u>	<u>34,984</u>
Total Revenues	<u>\$ 208,500</u>	<u>\$ 222,498</u>	<u>\$ 13,998</u>	<u>\$ 230,174</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Parks and Recreation Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (continued)  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Expenditures				
Administration	\$ 153,800	\$ 172,978	\$ 19,178	\$ 141,404
Park Division				
Capital improvements	45,000	36,715	(8,285)	39,919
Utilities	23,500	21,395	(2,105)	24,624
Maintenance				
Memorial Park	56,000	58,800	2,800	72,554
Heritage Park	116,000	90,731	(25,269)	114,841
Other parks	30,000	26,050	(3,950)	24,042
Scout building	11,000	11,170	170	10,826
Harvey Kern Pavilion	-	26,884	26,884	29,058
Total Parks Division	<u>281,500</u>	<u>271,745</u>	<u>(9,755)</u>	<u>315,864</u>
Recreation				
Tennis	200	226	26	360
Ball diamonds	22,000	23,052	1,052	20,180
Skating rink	-	677	677	5,897
Volleyball	3,500	2,360	(1,140)	4,235
Youth basketball	4,500	4,818	318	4,405
Men's slow pitch	4,000	4,702	702	3,328
Women's softball	4,500	4,772	272	3,720
Youth league	7,000	11,730	4,730	5,668
Miscellaneous	14,000	15,819	1,819	13,804
Total Recreation Division	<u>59,700</u>	<u>68,156</u>	<u>8,456</u>	<u>61,597</u>
Total Expenditures	<u>495,000</u>	<u>512,879</u>	<u>17,879</u>	<u>518,865</u>
Excess (Deficiency) of Revenues Over Expenditures	(286,500)	(290,381)	(3,881)	(288,691)
Other Financing Sources				
Operating transfers in	272,500	275,000	2,500	258,000
Total Other Financing Sources	<u>272,500</u>	<u>275,000</u>	<u>2,500</u>	<u>258,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(14,000)	(15,381)	(1,381)	(30,691)
Fund Balance, Beginning	16,440	16,440	-	47,131
Fund Balance, Ending	<u>\$ 2,440</u>	<u>\$ 1,059</u>	<u>\$ (1,381)</u>	<u>\$ 16,440</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Downtown Development Authority Fund  
Comparative Balance Sheets  
June 30, 2014 and 2013

<u>Assets</u>	2014	2013
Cash	\$ 132,950	\$ 234,384
Accounts receivable	3,338	2,842
Due from other funds	-	130
Special assessment receivable	963,668	1,090,296
Prepaid expenditures	1,973	684
Total Assets	<u>\$ 1,101,929</u>	<u>\$ 1,328,336</u>
 <u>Liabilities and Fund Balance</u> 		
Liabilities		
Accounts payable	\$ 12,625	\$ 4,934
Due to other funds	20,305	12,676
Unearned revenue	837,015	962,648
Accrued expenditures	8,991	7,755
Total Liabilities	<u>878,936</u>	<u>988,013</u>
Fund Balance		
Non-spendable		
Prepaid expenditures	1,973	684
Committed		
Prepaid special assessments	49,002	64,285
Capital replacements	80,000	70,000
Assigned	92,018	205,354
Total Fund Balance	<u>222,993</u>	<u>340,323</u>
Total Liabilities and Fund Balance	<u>\$ 1,101,929</u>	<u>\$ 1,328,336</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Downtown Development Authority Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Budget	Actual
<b>Revenues</b>					
Taxes levied	\$ 42,000	\$ 40,541	\$ (1,459)	\$ 41,700	
Taxes captured	947,703	991,319	43,616	784,030	
Total Taxes	<u>989,703</u>	<u>1,031,860</u>	<u>42,157</u>	<u>825,730</u>	
<b>Other Revenue</b>					
Special assessments	168,317	125,655	(42,662)	138,270	
Interest earnings	2,000	1,776	(224)	2,321	
Interest from special assessments	-	48,837	48,837	54,863	
Miscellaneous	1,000	24,028	23,028	8,438	
Total other revenues	<u>171,317</u>	<u>200,296</u>	<u>28,979</u>	<u>203,892</u>	
Total revenues	<u>1,161,020</u>	<u>1,232,156</u>	<u>71,136</u>	<u>1,029,622</u>	
<b>Expenditures</b>					
Administration	192,600	193,098	498	176,734	
Maintenance	350,000	347,886	(2,114)	308,804	
Total expenditures	<u>542,600</u>	<u>540,984</u>	<u>(1,616)</u>	<u>485,538</u>	
Excess of revenues over expenditures	<u>618,420</u>	<u>691,172</u>	<u>72,752</u>	<u>544,084</u>	
<b>Other financing sources (uses)</b>					
Transfer out	(808,343)	(808,502)	(159)	(711,989)	
Total other financing sources (uses)	<u>(808,343)</u>	<u>(808,502)</u>	<u>(159)</u>	<u>(711,989)</u>	
Excess revenues and other financing sources over expenditures and other (uses)	<u>(189,923)</u>	<u>(117,330)</u>	<u>72,593</u>	<u>(167,905)</u>	
Fund balance, beginning	340,323	340,323	-	508,228	
Fund balance, ending	<u>\$ 150,400</u>	<u>\$ 222,993</u>	<u>\$ 72,593</u>	<u>\$ 340,323</u>	

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Downtown Development Authority  
Operating Statistics  
For the Year Ended June 30, 2014

Memo Information:

	Ad Valorem		CFT/IFT	Total
	Real	Personal	Real/ Personal	
<u>Initial assessed value:</u>	<u>\$ 29,416,400</u>	<u>\$ 10,046,900</u>	<u>\$ 2,753,250</u>	<u>\$ 42,216,550</u>
<u>Captured taxable value:</u>				
Year ended June 30, 2014	\$ 43,364,257	\$ 5,511,900	\$ (1,617,300)	\$ 47,258,857
Year ended June 30, 2013	\$ 43,582,925	\$ 4,035,800	\$ (1,479,403)	\$ 46,139,322
Year ended June 30, 2012	\$ 45,648,930	\$ 3,249,100	\$ (164,818)	\$ 48,733,212
Year ended June 30, 2011	\$ 47,897,469	\$ 4,747,000	\$ (1,546,308)	\$ 51,098,161
Year ended June 30, 2010	\$ 47,964,369	\$ 4,776,800	\$ (2,452,566)	\$ 50,288,603
Year ended June 30, 2009	\$ 42,517,218	\$ 5,058,287	\$ (2,272,852)	\$ 45,302,653
Year ended June 30, 2008	\$ 43,725,184	\$ 4,010,500	\$ (2,361,152)	\$ 45,374,532
Year ended June 30, 2007	\$ 40,067,165	\$ 4,395,000	\$ (2,368,489)	\$ 42,093,676
Year ended June 30, 2006	\$ 37,289,823	\$ 2,042,300	\$ (2,387,450)	\$ 36,944,673
Year ended June 30, 2005	\$ 37,338,129	\$ 1,771,700	\$ (2,341,050)	\$ 36,768,779
Year ended June 30, 2004	\$ 32,951,377	\$ 735,377	\$ (1,878,450)	\$ 31,808,304
Year ended June 30, 2003	\$ 31,261,176	\$ 354,755	\$ (1,780,900)	\$ 29,835,031

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Drug Law Enforcement Fund  
Comparative Balance Sheets  
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Due from other funds	\$ 2,340	\$ 2,552
Total Assets	\$ 2,340	\$ 2,552
<u>Fund Balance</u>		
Fund balance-Assigned	\$ 2,340	\$ 2,552
Total Fund Balance	\$ 2,340	\$ 2,552

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Drug Law Enforcement Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		2013	
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Drug forfeiture	\$ 1,000	\$ 1,435	\$ 435	\$ 2,116
Total revenue	<u>1,000</u>	<u>1,435</u>	<u>435</u>	<u>2,116</u>
Expenditures				
New equipment	2,000	1,647	(353)	-
Total expenditures	<u>2,000</u>	<u>1,647</u>	<u>(353)</u>	<u>-</u>
Excess of revenues over expenditures	<u>(1,000)</u>	<u>(212)</u>	<u>788</u>	<u>2,116</u>
Fund balance, beginning	2,552	2,552	-	436
Fund balance, ending	<u>\$ 1,552</u>	<u>\$ 2,340</u>	<u>\$ 788</u>	<u>\$ 2,552</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
**Component Unit**  
 Construction Codes Group Authority  
 Balance Sheets  
 June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 259,896	\$ 164,669
Accounts Receivable	274	218
Due from other funds	5	5
Prepaid expenditures	3,547	3,042
Total Assets	<u>\$ 263,722</u>	<u>\$ 167,934</u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts Payable	\$ 674	\$ 353
Due to other funds	399	393
Total Liabilities	<u>1,073</u>	<u>746</u>
Fund balance-Assigned	262,649	167,188
Total Liabilities and Fund Balance	<u>\$ 263,722</u>	<u>\$ 167,934</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
**Component Unit**  
Construction Codes Group Authority  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenues</b>				
Building permits and plan reviews	\$ 50,000	\$ 126,419	\$ 76,419	\$ 69,763
Plumbing permits and plan reviews	8,000	14,959	6,959	9,136
Electrical permits and plan reviews	12,000	25,941	13,941	16,867
Mechanical permits and plan reviews	10,000	26,036	16,036	17,042
Interest	100	41	(59)	44
Miscellaneous	3,500	4,206	706	4,128
<b>Total Revenues</b>	<u>83,600</u>	<u>197,602</u>	<u>114,002</u>	<u>116,980</u>
<b>Expenditures</b>				
Administration	25,000	24,995	(5)	21,661
Building Inspection	37,000	43,730	6,730	41,404
Plumbing/Mechanical Inspections	19,000	19,111	111	14,520
Electrical Inspections	14,000	14,305	305	13,905
<b>Total Expenditures</b>	<u>95,000</u>	<u>102,141</u>	<u>7,141</u>	<u>91,490</u>
<b>Excess (Deficiency) of revenues over expenditures</b>	<u>(11,400)</u>	<u>95,461</u>	<u>106,861</u>	<u>25,490</u>
Fund Balance, Beginning	167,188	167,188	-	141,698
Fund Balance, Ending	<u>\$ 155,788</u>	<u>\$ 262,649</u>	<u>\$ 106,861</u>	<u>\$ 167,188</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
DEBT SERVICE FUNDS

1992 Woodland Acres

1997 S.A. DDA

2000 G.O. Streetscape

1999 W. Tuscola G.O.

1999 W. Tuscola S.A.

1999 MTF

2001 Georgetown G.O.

City of Frankenmuth  
Debt Service Funds  
Comparative Balance Sheets  
June 30, 2014 and 2013

	<u>Assets</u>	2014	2013
Total Assets		\$ -	\$ -
		-----	-----
	<u>Liabilities and Fund Balances</u>		
Total Liabilities		\$ -	\$ -
		-----	-----
Fund Balance-Restricted		-	-
Total Liabilities and Fund Balances		\$ -	\$ -
		-----	-----

The accompanying notes are an integral part of these financial statements.

City of Frankenhuth  
Debt Service Funds

Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	Refunded and						Totals
	2000 G.O.	1997 S.A.	1999 W. Tuscola G.O. Bonds	1999 W. Tuscola S.A. Bonds	2001 Georgetown G.O.	2013	
Revenues							
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,112
Interest	-	-	-	-	-	-	303
Total revenues	-	-	-	-	-	-	3,415
Expenditures							
Debt service							
Principal retirement	85,000	568,350	20,000	20,000	12,825	706,175	677,175
Interest and fiscal charges	17,070	186,476	1,530	1,530	3,647	210,253	228,451
Other expenditures	325	1,398	350	350	81	2,504	3,134
Total expenditures	102,395	756,224	21,880	21,880	16,553	918,932	908,760
Excess (deficiency) of revenues over expenditures	(102,395)	(756,224)	(21,880)	(21,880)	(16,553)	(918,932)	(905,345)
Other financing sources (uses)							
Transfer in (out)	102,395	756,224	21,880	21,880	16,553	918,932	871,760
Total other financing sources (uses)	102,395	756,224	21,880	21,880	16,553	918,932	871,760
Excess revenues and other financing sources over expenditures	-	-	-	-	-	-	(33,585)
Fund balance, beginning	-	-	-	-	-	-	33,585
Fund balance, ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
 Capital Projects Fund  
 Combining Balance Sheet  
 June 30, 2014

	Dam Rock Ramp	EDC Business Park	Totals	
			2014	2013
<u>Assets</u>				
Due from other governments	\$ -	\$ 223,838	\$ 223,838	\$ -
Due from other funds	48,789	610,862	659,651	1,208,511
Total Assets	<u>\$ 48,789</u>	<u>\$ 834,700</u>	<u>\$ 883,489</u>	<u>\$ 1,208,511</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Unearned revenue	\$ 29,980	\$ -	\$ 29,980	\$ 347,050
Due to other funds	499	570,219	570,718	-
Accounts payable	18,310	-	18,310	13,418
Total Liabilities	<u>48,789</u>	<u>570,219</u>	<u>619,008</u>	<u>360,468</u>
Fund balance	-	264,481	264,481	848,043
Total Liabilities and Fund Balances	<u>\$ 48,789</u>	<u>\$ 834,700</u>	<u>\$ 883,489</u>	<u>\$ 1,208,511</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Capital Projects Funds  
Statement of Revenue, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	Dam <u>Rock Ramp</u>	EDC <u>Business Park</u>	Totals	
			<u>2014</u>	<u>2013</u>
Revenue				
Grants	\$ -	\$ 223,839	\$ 223,839	\$ -
Contributions	<u>380,395</u>	<u>-</u>	<u>380,395</u>	<u>36,773</u>
Total Revenue	<u>380,395</u>	<u>223,839</u>	<u>604,234</u>	<u>36,773</u>
Expenditures				
Capital Project	<u>1,228,438</u>	<u>-</u>	<u>1,228,438</u>	<u>63,730</u>
Total Expenditures	<u>1,228,438</u>	<u>-</u>	<u>1,228,438</u>	<u>63,730</u>
Excess (Deficiency) of Revenues over Expenses	<u>(848,043)</u>	<u>223,839</u>	<u>(624,204)</u>	<u>(26,957)</u>
Other Financing Sources (uses)				
Bond proceeds	-	308,175	308,175	875,000
Transfers out	-	(267,533)	(267,533)	-
Total Other Financing Sources (use)	<u>-</u>	<u>40,642</u>	<u>40,642</u>	<u>875,000</u>
Excess (Deficiency) of Revenues Over Other Financing Sources (Uses)	<u>(848,043)</u>	<u>264,481</u>	<u>(583,562)</u>	<u>848,043</u>
Fund Balance, Beginning	<u>848,043</u>	<u>-</u>	<u>848,043</u>	<u>-</u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ 264,481</u>	<u>\$ 264,481</u>	<u>\$ 848,043</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
WASTE WATER ENTERPRISE FUND

City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Statements of Net Position  
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>		
Cash	\$ 5,549	\$ 28,375
Accounts receivable	574,856	146,209
Due from other funds	462,492	3,312
Special assessments receivable	44,874	47,416
Inventory		
Supplies	1,966	2,245
Chemicals	12,062	15,829
Prepaid Expenses	13,974	10,685
<b>Total Current Assets</b>	<b>1,115,773</b>	<b>254,071</b>
<b>Other Assets</b>		
Special assessments receivable net of current portion	132,888	173,245
<b>Property, Plant, &amp; Equipment</b>		
Land	6,090	6,090
Buildings	17,966,249	17,961,695
Machinery and equipment	1,611,086	1,452,325
Collection systems	4,210,165	4,210,165
Furniture and fixtures	38,444	37,014
Construction in progress	1,315,507	-
Less accumulated depreciation	(17,873,882)	(17,045,317)
<b>Net Property, Plant and Equipment</b>	<b>7,273,659</b>	<b>6,621,972</b>
<b>Total Assets</b>	<b>\$ 8,522,320</b>	<b>\$ 7,049,288</b>
<u>Liabilities and Net Position</u>		
<b>Current Liabilities</b>		
Accounts payable	\$ 412,451	\$ 30,604
Accrued payroll	1,321	633
Due to other funds	375,544	223,843
Unearned special assessment revenue	132,888	174,803
Current portion of advance due to water fund	171,500	166,950
Current portion long-term debt	437,765	390,000
<b>Total Current Liabilities</b>	<b>1,531,469</b>	<b>986,833</b>
<b>Long-Term Liabilities</b>		
Bonds Payable (net of current portion)	2,734,922	2,076,950
Advance due to water fund	358,200	529,700
<b>Total Long-Term Liabilities</b>	<b>3,093,122</b>	<b>2,606,650</b>
<b>Total Liabilities</b>	<b>4,624,591</b>	<b>3,593,483</b>
<b>Net Position</b>		
Net investment in capital assets	4,527,947	4,155,022
Unrestricted	(630,218)	(699,217)
<b>Total Net Position</b>	<b>3,897,729</b>	<b>3,455,805</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 8,522,320</b>	<b>\$ 7,049,288</b>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Sewage Disposal Charges		
Industrial	\$ 23,089	\$ 22,425
Residential	714,064	702,815
Commercial	744,620	760,564
Major commercial	269,959	252,450
Municipality	5,145	8,472
Penalties on late payments	10,143	10,871
Total Operating Revenues	<u>1,767,020</u>	<u>1,757,597</u>
Operating Expenses		
Transmission Maintenance	69,011	82,190
Sewage Purification	1,511,025	1,521,451
Administration	215,416	211,011
Customer Services	55	217
Total Operating Expenses	<u>1,795,507</u>	<u>1,814,869</u>
Operating Income (Loss)	<u>(28,487)</u>	<u>(57,272)</u>
Non-Operating Revenues (Expense)		
Interest revenue	12,584	15,573
Interest expense and agent fees	(130,356)	(85,858)
Special Assessments	50,104	51,926
Miscellaneous	3,475	16,405
Contribution from other funds	52,279	-
Grant revenue	385,171	-
Total Non-Operating Revenues (Expenses)	<u>373,257</u>	<u>(1,954)</u>
Income before other revenues	344,770	(59,226)
Other Revenue		
Capital Contributions	97,154	10,000
Total Other Revenue	<u>97,154</u>	<u>10,000</u>
Increase (decrease) in net position	<u>\$ 441,924</u>	<u>\$ (49,226)</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Statement of Operating Expenses  
For the Years Ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Transmission Maintenance		
Wages and Salaries	\$ 38,204	\$ 45,732
Repairs and Maintenance	6,101	3,824
Equipment Rental	12,477	17,136
Contracted Services	12,229	15,498
Total Transmission Maintenance	<u>69,011</u>	<u>82,190</u>
Sewage Purification		
Wages and Salaries	200,677	192,278
Operating Supplies	4,323	7,485
Chemicals	58,358	72,383
Tools and Supplies	28,768	23,024
Utilities	164,326	184,888
Building and Grounds Maintenance	69,708	81,944
Equipment Maintenance	5,096	9,997
Equipment Rental	1,885	12,395
Contracted Services	149,319	108,192
Depreciation	828,565	828,865
Total Sewage Purification	<u>1,511,025</u>	<u>1,521,451</u>
Administration		
Administration	62,000	60,000
Wages and Salaries	12,080	10,267
Fringe Benefits	90,360	81,215
Office Supplies	5,051	4,387
Safety Equipment	1,656	1,619
Professional Services	5,760	5,760
Equipment Maintenance and Support	1,685	1,810
Association Dues	770	247
Telephone, Pagers	5,539	6,812
Transportation and Conference	11,348	15,132
Insurance	18,767	20,356
Regulating Fees	400	-
Contracted Services	-	3,406
Total Administration	<u>215,416</u>	<u>211,011</u>
Customer Service		
Wages and Salaries	46	155
Equipment Rental	9	62
Total Customer Service	<u>55</u>	<u>217</u>
Total Operating Expenses	<u>\$ 1,795,507</u>	<u>\$ 1,814,869</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
WATER ENTERPRISE FUND

City of Frankenmuth  
Water Enterprise Fund  
Statements of Net Position  
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>		
Cash	\$ 1,856,713	\$ 1,631,170
Investments	267,250	266,542
Accounts receivable	158,463	142,591
Special assessments receivable	5,231	6,008
Due from other funds	310,882	19,109
Inventory	72,658	65,505
Prepaid Expenses	7,558	5,948
Current portion advance due from waste treatment fund	171,500	166,950
Total Current Assets	2,850,255	2,303,823
<b>Other Assets</b>		
Special assessments receivable net of current portion	27,406	29,819
Advance due from waste treatment fund	358,200	529,700
Total Other Assets	385,606	559,519
<b>Property, Plant, &amp; Equipment</b>		
Land	16,873	16,873
Buildings	228,821	228,821
Water Towers	533,842	533,842
Machinery and Equipment	349,932	348,784
Meters and Boxes	395,844	395,422
Distribution System	6,835,349	6,404,985
Furniture and Fixtures	46,735	43,900
Construction in progress	251,645	-
Less accumulated depreciation	(5,711,269)	(5,439,548)
Net Property, Plant and Equipment	2,947,772	2,533,079
Total Assets	\$ 6,183,633	\$ 5,396,421
<u>Liabilities and Net Position</u>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 102,772	\$ 72,816
Accrued Payroll	2,097	2,056
Due to other funds	317,706	24,901
Unearned Special Assessment Revenue	27,052	30,006
Current Portion of Long-Term Debt	10,790	-
Total Current Liabilities	460,417	129,779
<b>Long-Term Liabilities</b>		
Bonds Payable (net of current portion)	268,920	-
Total Long-Term Liabilities	268,920	-
Total Liabilities	729,337	129,779
<b>Net Position</b>		
Net investment in capital assets	2,947,772	2,533,079
Unrestricted	2,506,524	2,733,563
Total Net Position	5,454,296	5,266,642
Total Liabilities and Net Position	\$ 6,183,633	\$ 5,396,421

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Water Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Water Sales, City	\$ 1,328,591	\$ 1,383,196
Water Sales, Township	230,653	234,592
Penalties on Late Payments	9,813	10,942
Hydrant Rental	3,000	4,000
Other Revenue	38,350	29,648
Total Operating Revenues	<u>1,610,407</u>	<u>1,662,378</u>
Operating Expenses		
Distribution System Maintenance, Township	27,012	19,804
Distribution System Maintenance, City	195,886	215,624
Purification	1,064,231	1,107,997
Administration	130,466	114,494
Customer Services	26,546	34,250
Total Operating Expenses	<u>1,444,141</u>	<u>1,492,169</u>
Operating Income (Loss)	<u>166,266</u>	<u>170,209</u>
Non-Operating Revenues (Expense)		
Interest revenue	20,725	7,288
Interest expense and agent fees	(6,587)	-
Special Assessments	7,250	6,675
Total Non-Operating Revenues (Expenses)	<u>21,388</u>	<u>13,963</u>
Income before other revenues	187,654	184,172
Other Revenues		
Capital Contributions	-	4,979
Total Other Revenues	<u>-</u>	<u>4,979</u>
Net Income (Loss)	<u>\$ 187,654</u>	<u>\$ 189,151</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Water Enterprise Fund  
Statement of Operating Expenses  
For the Years Ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Expenses		
Distribution System		
Maintenance, Township		
Wages and Salaries	\$ 16,157	\$ 14,284
Other	5,136	1,888
Equipment Rental	5,719	3,632
Total Distribution System Maintenance, Township	<u>27,012</u>	<u>19,804</u>
Distribution System Maintenance, City		
Wages and Salaries	119,570	122,986
Repairs and Maintenance	14,918	34,658
Equipment Rental	25,023	21,833
Contracted Services	36,375	36,147
Total Distribution System Maintenance, City	<u>195,886</u>	<u>215,624</u>
Purification		
Wages and Salaries	37,365	40,071
Operating Supplies	250	-
Tools and Supplies	299	-
Utilities	3,401	2,489
Water Purchase	748,259	789,580
Building and Grounds Maintenance	2,444	2,138
Equipment Maintenance	141	921
Contracted Services	352	957
Equipment Rental	-	11
Depreciation	271,720	271,830
Total Purification	<u>1,064,231</u>	<u>1,107,997</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Water Enterprise Fund  
Statement of Operating Expenses (continued)  
For the Years Ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Administration		
Administration, general	\$ 42,000	\$ 40,000
Fringe Benefits	42,805	34,322
Office Supplies	2,819	612
Postage	3,800	3,629
Safety Equipment	650	656
Computer Services	1,525	1,234
Association Dues	335	428
Telephone, Pagers, Cell	3,060	3,990
Regulatory Fees	1,225	1,630
Transportation and Conference	21,387	18,226
Insurance	8,322	8,789
Contracted Services	2,538	978
Total Administration	<u>130,466</u>	<u>114,494</u>
Customer Service		
Wages and Salaries	20,228	27,698
Supplies	3,494	3,869
Equipment Rental	2,824	2,349
Contracted Services	-	3,334
Total Customer Service	<u>26,546</u>	<u>37,250</u>
Total Operating Expenses	<u>\$ 1,444,141</u>	<u>\$ 1,495,169</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Water Enterprise Fund  
Operating Statistics  
For the Year Ended June 30, 2014  
With Comparative Totals For the Year Ended June 30, 2013

	Residential	Commercial Industrial	Municipal	Totals	
				2014	2013
Average Number of Meters in Service	2,307	481	14	2,802	2,780
Water Utility					
Gallons Sold	117,083,000	157,686,000	7,420,000	282,189,000	295,571,000
Revenue From Sales	\$ 832,765	\$ 695,058	\$ 21,420	\$ 1,549,243	\$ 1,617,787

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
EQUIPMENT INTERNAL SERVICE FUND

City of Frankenmuth  
Equipment Internal Service Fund  
Statements of Net Position  
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current Assets		
Cash	\$ 350,542	\$ 362,331
Due from other funds	145,730	108,827
Other receivables	-	54
Inventory, supplies	6,928	3,585
Prepaid Expenses	10,301	9,240
Total Current Assets	<u>513,501</u>	<u>484,037</u>
Property and Equipment	2,181,602	2,148,549
Less: Accumulated depreciation	<u>(1,618,727)</u>	<u>(1,564,132)</u>
Net Property and Equipment	<u>562,875</u>	<u>584,417</u>
Total Assets	<u>\$ 1,076,376</u>	<u>\$ 1,068,454</u>
<u>Liabilities and Net Position</u>		
Current Liabilities		
Accounts Payable	\$ 10,501	\$ 9,133
Due to other funds	440	560
Total Current Liabilities	<u>10,941</u>	<u>9,693</u>
Net Position		
Net investment in capital assets	562,875	584,417
Unrestricted	502,560	474,344
Total Net Position	<u>1,065,435</u>	<u>1,058,761</u>
Total Liabilities and Net Position	<u>\$ 1,076,376</u>	<u>\$ 1,068,454</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Equipment Internal Service Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Billing to Departments	\$ 408,952	\$ 346,442
DPW Fringe Recovery	8,149	8,772
Total Operating Revenues	<u>417,101</u>	<u>355,214</u>
Operating Expenses		
Motor Vehicle Maintenance		
Salaries and Wages	81,269	75,836
Benefits	25,312	23,059
Tools and Supplies	30,118	19,519
Gasoline and Oil	66,486	59,153
Repairs and Maintenance	76,607	58,806
Transportation	99	-
Depreciation	91,786	97,671
Total Motor Vehicle Maintenance Expense	<u>371,677</u>	<u>334,044</u>
Administration Expense		
Administration, general	31,000	30,000
Fleet Insurance	10,346	13,124
Total Administration Expense	<u>41,346</u>	<u>43,124</u>
Total Operating Expense	<u>413,023</u>	<u>377,168</u>
Operating Income	<u>4,078</u>	<u>(21,954)</u>
Non-Operating Revenues		
Interest	996	993
Gain (loss) on sale of capital assets	1,600	(13,141)
Total Non-Operating Revenue	<u>2,596</u>	<u>(12,148)</u>
Increase (decrease) in Net Position	6,674	(34,102)
Net Position, Beginning	1,058,761	1,092,863
Net Position, Ending	<u>\$ 1,065,435</u>	<u>\$ 1,058,761</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Schedule of Indebtedness  
June 30, 2014

<b>Governmental Activities</b>							
<b>General Obligation Bonds</b>	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	<b>Annual Principal 1-Oct</b>	<b>Semiannual Interest Payment</b>		<b>Total Fiscal Year Requirement</b>
					<b>1-Oct</b>	<b>1-Apr</b>	
1997 GF Streetscape	8/1/1997	\$ 1,200,000					
2014-15			5.30	\$ 90,000	\$ 7,420	\$ 5,035	\$ 102,455
2015-16			5.30	95,000	5,035	2,517	102,552
2016-17			5.30	95,000	2,518	-	97,518
Paid from General Fund Phase I				\$ 280,000	\$ 14,973	\$ 7,552	\$ 302,525
	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	<b>Annual Principal 1-Sep</b>	<b>Semiannual Interest Payment</b>		<b>Total Fiscal Year Requirement</b>
					<b>1-Sep</b>	<b>1-Mar</b>	
1999 G.O. Major Street	8/9/1999	\$ 332,000	5.12				
W. Tuscola				\$ 20,000	\$ 510	\$ -	\$ 20,510
2014-15				\$ 20,000	\$ 510	\$ -	\$ 20,510
	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	<b>Annual Principal 1-Oct</b>	<b>Semiannual Interest Payment</b>		<b>Total Fiscal Year Requirement</b>
					<b>1-Oct</b>	<b>1-Apr</b>	
2012 Capital improvement bonds	10/1/2012	\$ 875,000					
2014-15			3.00	\$ 88,000	\$ 11,805	\$ 10,485	\$ 110,290
2015-16			3.00	88,000	10,485	9,165	107,650
2016-17	Debt Service as follows:		3.00	88,000	9,165	7,845	105,010
2017-18	General Fund	50%	3.25	88,000	7,845	7,069	102,914
2018-19	DDA	50%	3.50	88,000	7,069	6,073	101,142
2019-20			3.75	88,000	6,073	4,856	98,929
2020-21			4.00	88,000	4,856	3,420	96,276
2021-22			4.25	88,000	3,420	1,764	93,184
2022-23			4.25	83,000	1,764	-	84,764
				\$ 787,000	\$ 62,482	\$ 50,677	\$ 900,159
	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	<b>Annual Principal 1-May</b>	<b>Semiannual Interest Payment</b>		<b>Total Fiscal Year Requirement</b>
					<b>1-Nov</b>	<b>1-May</b>	
2005 Downtown	8/11/2005	\$ 3,260,000	2.75-4.125				
Development Refunding				\$ 325,000	\$ 33,506	\$ 33,506	\$ 392,012
2014-15				335,000	26,194	26,194	387,388
2015-16				340,000	19,913	19,913	379,826
2016-17				170,000	12,263	12,263	194,526
2017-18				170,000	8,863	8,863	187,726
2018-19				170,000	5,463	5,463	180,926
2019-20				100,000	2,063	2,063	104,126
2020-21				\$ 1,610,000	\$ 108,265	\$ 108,265	\$ 1,826,530

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Schedule of Indebtedness  
June 30, 2014

Governmental Activities General Obligation Bonds	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-May	Semiannual Interest Payment 1-Nov	1-May	Total Fiscal Year Requirement
2013 GO Capital Improvement	9/30/2013	\$ 1,750,000	3.0-4.625				
2014-15				\$ 65,000	\$ 32,143	\$ 32,143	\$ 129,286
2015-16	Debt Service as follows:			70,000	31,168	31,168	132,336
2016-17		DDA	50%	70,000	30,117	30,117	130,234
2017-18		General	17.6%	70,000	29,067	29,067	128,134
2018-19		Waste	15.8%	75,000	28,018	28,018	131,036
2019-20		Water	16.6%	75,000	26,892	26,892	128,784
2020-21				80,000	25,768	25,768	131,536
2021-22				80,000	24,568	24,568	129,136
2022-23				85,000	23,207	23,207	131,414
2023-24				85,000	21,763	21,763	128,526
2024-25				90,000	20,063	20,063	130,126
2025-26				90,000	18,263	18,263	126,526
2026-27				95,000	16,462	16,462	127,924
2027-28				100,000	14,562	14,562	129,124
2028-29				105,000	12,438	12,438	129,876
2029-30				105,000	10,206	10,206	125,412
2030-31				110,000	7,909	7,909	125,818
2031-32				115,000	5,434	5,434	125,868
2032-33				120,000	2,775	2,775	125,550
				<u>\$ 1,685,000</u>	<u>\$ 380,823</u>	<u>\$ 380,823</u>	<u>\$ 2,446,646</u>

The accompanying notes are an integral part of these financial statements.



City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2014

	Date of Issue	Amount of Issue	Interest Rate	Annual	Semiannual		Total
				Principal	Interest Payment		Fiscal Year
				1-Sep	1-Sep	1-Mar	Requirement
2001 S.A. DDA Snowmelt	9/1/2001	\$ 490,000	4.29				
2014-15				\$ 40,000	\$ 2,700	\$ 1,820	\$ 44,520
2015-16				40,000	1,820	920	42,740
2016-17				40,000	920	-	40,920
				<u>\$ 120,000</u>	<u>\$ 5,440</u>	<u>\$ 2,740</u>	<u>\$ 128,180</u>
	Date of Issue	Amount of Issue	Interest Rate	Annual	Semiannual		Total
				Principal	Interest Payment		Fiscal Year
				1-Sep	1-Sep	1-Mar	Requirement
2010 DDA Refunding	7/23/2010	\$ 850,000	4.0-5.0				
2014-15				\$ 75,000	\$ 12,900	\$ 11,400	\$ 99,300
2015-16				75,000	11,400	9,900	96,300
2016-17				70,000	9,900	8,500	88,400
2017-18				75,000	8,500	7,000	90,500
2018-19				70,000	7,000	5,600	82,600
2019-20				70,000	5,600	4,200	79,800
2020-21				75,000	4,200	2,869	82,069
2021-22				70,000	2,869	1,463	74,332
2022-23				20,000	1,463	1,069	22,532
2023-24				25,000	1,069	500	26,569
2024-25				20,000	500	-	20,500
				<u>\$ 645,000</u>	<u>\$ 65,401</u>	<u>\$ 52,501</u>	<u>\$ 762,902</u>

The accompanying notes are an integral part of these financial statements.

City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2014

**Business-type Activities**

**General Obligation Bonds**

2001 Waste Treatment Enterprise Fund W. Tuscola/ Georgetown 2014-15 2015-16	Date of Issue	Amount of Issue	Interest Rate	Annual	Semiannual		Total Fiscal Year Requirement
				Principal 1-Oct	Interest Payment 1-Oct	Interest Payment 1-Apr	
	6/19/2001	\$ 300,000	5.07	\$ 25,000	\$ 1,375	\$ 750	\$ 27,125
				30,000	750	-	30,750
				<u>\$ 55,000</u>	<u>\$ 2,125</u>	<u>\$ 750</u>	<u>\$ 57,875</u>
				Annual	Semiannual		Total Fiscal Year Requirement
				Principal 1-Apr	Interest Payment 1-Oct	Interest Payment 1-Apr	
1999 G.O. SRF WTP	4/1/1998	\$ 6,645,000	2.25	\$ 370,000	\$ 21,881	\$ 21,881	\$ 413,762
2014-15				380,000	17,719	17,719	415,438
2015-16				390,000	13,444	13,444	416,888
2016-17				400,000	9,056	9,056	418,112
2017-18				405,000	4,556	4,556	414,112
2018-19				<u>\$ 1,945,000</u>	<u>\$ 66,656</u>	<u>\$ 66,656</u>	<u>\$ 2,078,312</u>
Totals				<u>\$ 8,542,000</u>	<u>\$ 892,108</u>	<u>\$ 849,056</u>	<u>\$ 10,283,164</u>

The accompanying notes are an integral part of these financial statements.



Frederick C. Gardner  
Giacamo Provenzano  
Heather A. Thomas  
Brett A. Luplow

INDEPENDENT AUDITOR'S 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

December 19, 2014

Honorable Mayor and Members  
of the Frankenmuth City Council  
City of Frankenmuth  
Frankenmuth, 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 units, each major fund, and the remaining fund information of City of Frankenmuth, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Frankenmuth's basic financial statements, and have issued our report thereon dated December 19, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Frankenmuth's internal control over financial reporting (internal control) to determine the 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 City of Frankenmuth's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Frankenmuth's internal control.

*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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Frankenmuth'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

  
Certified Public Accountants



Frederick C. Gardner  
Giacamo Provenzano  
Heather A. Thomas  
Brett A. Luplow

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133

December 19, 2014

Honorable Mayor and Members  
of the Frankenmuth City Council  
City of Frankenmuth  
Frankenmuth, Michigan

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

We have audited City of Frankenmuth's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Frankenmuth's major federal programs for the year ended June 30, 2014. City of Frankenmuth's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Frankenmuth'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 City of Frankenmuth'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 City of Frankenmuth's compliance.

**Opinion on Each Major Federal Program**

In our opinion, City of Frankenmuth, 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, 2014.

**Report of Internal Control over Compliance**

Management of City of Frankenmuth 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 City of Frankenmuth'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 OMB Circular A-133, 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 City of Frankenmuth'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Certified Public Accountants

CITY OF FRANKENMUTH  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

**NOTE 1--Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of Frankenmuth under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2—Reconciliation of Revenue Reported in the Financial Statements to the Schedule of Federal Awards**

Federal expenditures	\$ 589,256
Grants expended in 2012-2013 but revenue not considered available at June 30, 2013	
Community Development Block Grant Program	20,159
Federal revenue as reported in the fund level statements	<u><u>\$ 609,415</u></u>

CITY OF FRANKENMUTH  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2014

<b>Federal Grantor/Pass Through</b> <u>Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Housing and Urban Development</b>			
<b>Michigan Department of Treasury</b>			
Community Development Block Grant Program	14.228	MSC 212021-EDIG	\$ 218,044
	14.228	MSC 212004-EDIG	371,212
Total Federal Expenditures			<u>\$ 589,256</u>

See independent auditor's report on schedule of expenditures of federal awards.



CITY OF FRANKENMUTH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

**Section II – Financial Statement Audit Finding**

None

CITY OF FRANKENMUTH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014

**Section III – Federal Program Audit Findings**

None