

**CITY OF FRANKENMUTH**  
Frankenmuth, Michigan

**Financial Statements**  
**June 30, 2012**



**Gardner | Provenzano**  
**Schaman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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

**INDEPENDENT AUDITOR'S REPORT**

October 30, 2012

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Frankenmuth, Michigan, at June 30, 2012, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles and with applicable rules and regulations of the State Treasurer.

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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Frankenmuth, Michigan's financial statements as a whole. The 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 financial statements. Fund financial statements, statistical information and Schedule of Indebtedness are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Gardner, Provenzano, Achauman & Thomas, P. C.*

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 assets, presents information on all of the City's assets and liabilities with the difference shown as net assets. Increases or decreases of net assets 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 assets changed during the fiscal year. This statement provides information on income, expenses, and other increases or decreases in net assets.

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 assets, 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 assets of \$723,398 for fiscal year 2011-12. This compares to an increase in net assets of \$665,835 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.

Net assets of the Business-type activities, (Water and Waste Treatment Funds) increased by \$195,411 for fiscal year 2011-12. This compares to an increase of \$206,432 for the prior fiscal year. Water rates were amended this fiscal year to reflect the adjustments made to the costs of the raw water from our supplier. Outside the purchase of water, the largest single expenditure in both funds is depreciation expense of \$1,103,854.

In a condensed format, the tables below show the net assets and changes in net assets as of June 30, 2012 with comparable data for the prior fiscal year.

	Government Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current assets	\$ 4,698,343	\$ 4,830,190	\$ 1,975,072	\$ 2,589,278	\$ 6,673,415	\$ 7,419,468
Noncurrent assets	10,453,447	10,434,204	10,218,109	11,313,443	20,671,556	21,747,647
<b>Total Assets</b>	<b>\$ 15,151,790</b>	<b>\$ 15,264,394</b>	<b>\$ 12,193,181</b>	<b>\$ 13,902,721</b>	<b>\$ 27,344,971</b>	<b>\$ 29,167,115</b>
<b>Liabilities</b>						
Current liabilities	\$ 2,971,252	\$ 2,508,373	\$ 1,143,934	\$ 1,639,939	\$ 4,115,186	\$ 4,148,312
Long-term liabilities	4,725,225	6,024,106	2,466,725	3,875,671	7,191,950	9,899,777
<b>Total Liabilities</b>	<b>7,696,477</b>	<b>8,532,479</b>	<b>3,610,659</b>	<b>5,515,610</b>	<b>11,307,136</b>	<b>14,048,089</b>
<b>Net Assets</b>						
Investment in capital assets- net of related debt	4,493,224	3,698,058	7,076,101	6,343,838	11,569,325	10,041,896
Restricted for debt service	33,585	32,521	-	-	33,585	32,521
Unrestricted-restated	2,928,504	3,001,336	1,506,421	2,043,273	4,434,925	5,044,609
<b>Total Net assets</b>	<b>\$ 7,455,313</b>	<b>\$ 6,731,915</b>	<b>\$ 8,582,522</b>	<b>\$ 8,387,111</b>	<b>\$ 16,037,835</b>	<b>\$ 15,119,026</b>

The above table presents the net assets as of June 30, 2012 and 2011. The change in net assets for the 2011-2012 and 2010-2011 years are presented and discussed below in Table 2.

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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue						
Program revenue						
Charges for services	\$ 1,338,719	\$ 1,345,156	\$ 3,420,996	\$ 3,342,895	\$ 4,759,715	\$ 4,688,051
Operating grants and contributions	893,437	741,650	-	-	893,437	741,650
Capital grants and contributions	144,614	151,480	97,755	122,108	242,369	273,588
General revenue						
Property taxes	2,858,274	2,959,340	-	-	2,858,274	2,959,340
State Shared revenue	466,238	353,660	-	-	466,238	353,660
License and permits	4,478	5,270	-	-	4,478	5,270
Unrestricted investment earnings	100,845	110,864	43,302	43,772	144,147	154,636
Gain (loss) on sale of capital assets	-	11,750	-	1,675	-	13,425
Other revenues	184,209	138,261	-	-	184,209	138,261
Transfers	156,143	152,252	(150,143)	(146,252)	6,000	6,000
Total Revenue	<u>6,146,957</u>	<u>5,969,683</u>	<u>3,411,910</u>	<u>3,364,198</u>	<u>9,558,867</u>	<u>9,333,881</u>
Program Expense						
General government	1,050,665	1,242,462	-	-	1,050,665	1,242,462
Public safety	1,358,852	1,317,448	-	-	1,358,852	1,317,448
Highways and Street	460,897	492,393	-	-	460,897	492,393
Sanitation	286,206	280,097	-	-	286,206	280,097
Economic development-DDA	372,545	294,554	-	-	372,545	294,554
Culture-recreations	1,217,560	935,357	-	-	1,217,560	935,357
Interest on long term debt	295,176	385,266	-	-	295,176	385,266
Equipment	381,658	356,271	-	-	381,658	356,271
Water and waste water	-	-	3,216,499	3,157,766	3,216,499	3,157,766
Total Program Expenses	<u>5,423,559</u>	<u>5,303,848</u>	<u>3,216,499</u>	<u>3,157,766</u>	<u>8,640,058</u>	<u>8,461,614</u>
Change in Net Assets	<u>\$ 723,398</u>	<u>\$ 665,835</u>	<u>\$ 195,411</u>	<u>\$ 206,432</u>	<u>\$ 918,809</u>	<u>\$ 872,267</u>

**Governmental Activities**

The City tax revenues were basically flat from year to year comparison (decrease of \$5,413 or 0.18%) over the previous fiscal year. This is a result of minimal change in taxable value and levying the same millage rate of 8.75. Taxable value increased this year was 2.7% while assessed values decreased in residential, commercial and industrial class of property. Expenditures were flat from year to year. We again experienced rate increases in employee health care premiums and in the employer contribution from 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 9% for the past two fiscal years. State shared revenues 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 2012-2013 budgeted general fund expenditures, we have approximately 4.8 months in reserves which fall within the desired level. This compares to 4.85 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 annually. 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. 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 a decrease to the fund balance in the amount of \$51,342 (2.97% decrease). 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 (47%) followed by Charges for Services (27%), Other Revenues (16%) State shared revenue (9%), and licenses and permits, fines and forfeits making up the balance of the general fund revenue. The total General Fund revenues for fiscal year 2011-12 increased over the previous year primarily due to a special one-time donation received toward a community foundation project.

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 into these street funds for any planned construction project. The ending fund balance in these street funds increased to \$216,898 for fiscal year 2011-12, as compared to an ending balance of \$165,854 for the prior fiscal year.

**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.

**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 2012 and a minor adjustment in June 2012. The most significant variances between the first budget adopted and the final budget adopted are as follows:

- Public Safety was amended \$63,300 to record unanticipated expenditures.
  - Police (additional fringe expense)
  - Flood Protection (Dam/Rock ramp expenditures)
- Other Expenses amended \$229,800 to recognize the Gunzenhausen fountain project expenditures.

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

- General Fund Revenue:
  - Tax Revenue variance was due to tax tribunal decisions that required refunds of current and previous years' receipts.
  - State revenue variance was due to underestimating the amount of state shared revenues expected to be received.
  - Other Revenues variance was due to donations received from the community for the Gunzenhausen fountain project.
- General Fund Expenditure:
  - Public Safety:
    - Police donation expenditures recorded.
    - Dam/Rock ramp additional expenditures.

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

The City did service all outstanding debt in a timely basis. No additional debt was issued. The Water and Waste Water funds retired two outstanding debt issues early in the amount of \$1,150,000 during the fiscal year.

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

The City's tax levy rate for fiscal year 2011-12 was 8.75. The taxable value increased by 2.7% this year but the assessed values did decrease. We are anticipating a 4% reduction 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. District 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 a decrease 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.

The City is involved with a lawsuit pertaining to zoning restrictions placed on large commercial buildings. The individuals whose land had a purchase agreement on, has filed suit in U.S. District Court in Bay City. A judgment in the amount of \$3,600,000 was levied against the City of Frankenmuth. This judgment was overturned by the U.S. Court of Appeals in Cincinnati and referred back to the U.S. District Court for reconsideration. There is insurance coverage for this.

### **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 Assets  
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash	\$ 1,638,359	\$ 410,041	\$ 2,048,400	\$ 137,939
Investments	1,054,336	1,023,397	2,077,733	-
Receivables	151,939	332,077	484,016	225
Special Assessments Receivable	1,269,672	55,211	1,324,883	-
Due from other funds	326,587	68,633	395,220	1,094
Due from other governmental units	141,918	-	141,918	-
Inventory	32,108	68,359	100,467	-
Prepaid expenses	83,424	17,354	100,778	3,168
Total Current assets	<u>4,698,343</u>	<u>1,975,072</u>	<u>6,673,415</u>	<u>142,426</u>
Noncurrent Assets				
Special Assessments net of current portion	-	282,233	282,233	-
Net OPEB obligation	2,326	-	2,326	-
Net Capital assets	<u>10,451,121</u>	<u>9,935,876</u>	<u>20,386,997</u>	-
Total Noncurrent Assets	<u>10,453,447</u>	<u>10,218,109</u>	<u>20,671,556</u>	-
Total assets	<u>15,151,790</u>	<u>12,193,181</u>	<u>27,344,971</u>	<u>142,426</u>
<u>Liabilities</u>				
Accruals	255,559	92,556	348,115	196
Accrued payroll	-	1,885	1,885	-
Due to other funds	21,218	374,564	395,782	532
Deferred revenue	1,461,803	281,879	1,743,682	-
Noncurrent liabilities:				
Due within one year	1,232,672	393,050	1,625,722	-
Due in more than one year	4,725,225	2,466,725	7,191,950	-
Total liabilities	<u>7,696,477</u>	<u>3,610,659</u>	<u>11,307,136</u>	<u>728</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	4,493,224	7,076,101	11,569,325	-
Restricted for debt service	33,585	-	33,585	-
Unrestricted	<u>2,928,504</u>	<u>1,506,421</u>	<u>4,434,925</u>	<u>141,698</u>
Total net assets	<u>\$ 7,455,313</u>	<u>\$ 8,582,522</u>	<u>\$ 16,037,835</u>	<u>\$ 141,698</u>

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

City of Frankenthuth  
Statement of Activities  
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Total	
						Governmental Activities	Business-type Activities		
<b>Governmental activities:</b>									
General Government	\$ 1,050,225	\$ 245,918	\$ 402,760	\$ 1,974	\$ (399,573)	\$ -	\$ (399,573)	\$ -	
Public Safety	1,358,852	227,327	105,422	-	(1,026,103)	-	(1,026,103)	-	
Public Works	10,078	-	-	-	(10,078)	-	(10,078)	-	
Highways & Streets	460,897	-	344,262	14,192	(102,443)	-	(102,443)	-	
Sanitation	276,128	326,801	-	-	50,673	-	50,673	-	
Economic Development - DDA	372,545	-	-	127,648	(244,897)	-	(244,897)	-	
Culture - recreations	1,217,560	153,415	40,993	-	(1,023,152)	-	(1,023,152)	-	
Interest on Long Term Debt	295,176	-	-	800	(294,376)	-	(294,376)	-	
Equipment	381,658	385,258	-	-	3,600	-	3,600	-	
Other	440	-	-	-	(440)	-	(440)	-	
<b>Total governmental activities</b>	<b>5,423,559</b>	<b>1,338,719</b>	<b>893,437</b>	<b>144,614</b>	<b>(3,046,789)</b>	<b>-</b>	<b>(3,046,789)</b>	<b>-</b>	
<b>Business-type Activities:</b>									
Wastewater Treatment Fund	1,809,728	1,768,682	-	80,257	-	-	-	39,211	-
Water Fund	1,406,771	1,652,314	-	17,498	-	-	-	263,041	-
<b>Total business-type activities</b>	<b>3,216,499</b>	<b>3,420,996</b>	<b>-</b>	<b>97,755</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>302,252</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 8,640,058</b>	<b>\$ 4,759,715</b>	<b>\$ 893,437</b>	<b>\$ 242,369</b>	<b>(3,046,789)</b>	<b>-</b>	<b>(2,744,537)</b>	<b>-</b>	
<b>Component unit:</b>									
Building Code Authority	\$ 69,048	\$ -	\$ 1,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (67,798)
<b>General revenues:</b>									
Property Taxes					2,858,274	-	2,858,274	-	-
State Revenue					466,238	-	466,238	-	-
License & Permits					4,478	-	4,478	125,154	-
Interest					100,845	43,302	144,147	31	-
Other					184,209	-	184,209	-	-
Transfers					156,143	(150,143)	6,000	(6,000)	-
<b>Total general revenues</b>					<b>3,770,187</b>	<b>(106,841)</b>	<b>3,663,346</b>	<b>119,185</b>	
Change in					723,398	195,411	918,809	51,387	
Net assets-beginning					6,731,915	8,387,111	15,119,026	90,311	
Net assets - ending					<b>\$ 7,455,313</b>	<b>\$ 8,582,522</b>	<b>\$ 16,037,835</b>	<b>\$ 141,698</b>	

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

City of Frankenmuth  
Governmental Funds Balance Sheet  
June 30, 2012

	General	Major Street	Local Street	Parks and Recreation	DDA	Debt Service	Other Nonmajor Governmental Fund	Total Governmental Funds
<u>Assets</u>								
Cash	\$ 571,669	\$ 169,653	\$ 43,986	\$ 126,149	\$ 353,899	\$ -	\$ -	\$ 1,265,356
Investments	1,054,336	-	-	-	-	-	-	1,054,336
Receivables								
Other	7,092	-	-	-	-	-	-	7,092
Accounts	120,428	-	35	13,425	10,459	-	-	144,347
Special assessments	8,430	23,521	5,241	-	1,228,566	3,914	-	1,269,672
Due from other funds	365,878	-	-	765	504	32,784	436	400,367
Due from other governmental units	15,285	41,092	15,297	-	70,244	-	-	141,918
Inventory	27,863	-	-	-	-	-	-	27,863
Prepaid expenditures	67,841	-	-	4,770	1,599	-	-	74,210
Total	\$ 2,238,822	\$ 234,266	\$ 64,559	\$ 145,109	\$ 1,665,271	\$ 36,698	\$ 436	\$ 4,385,161
<u>Liabilities</u>								
Liabilities								
Accounts payable	\$ 132,232	\$ 16	\$ 85	12,950	\$ 24,082	\$ -	\$ -	\$ 169,365
Accrued expenditures	70,895	-	-	1,024	6,596	-	-	78,515
Due to other funds	73,576	34,867	29,868	27,918	25,448	-	-	191,677
Deferred revenue	284,596	13,596	3,495	56,086	1,100,917	3,113	-	1,461,803
Total Liabilities	561,299	48,479	33,448	97,978	1,157,043	3,113	-	1,901,360
<u>Fund Balance</u>								
Restricted	-	185,787	31,111	-	-	33,585	-	250,483
Non-spendable								
Prepaid expenditures	67,841	-	-	4,770	1,599	-	-	74,210
Inventories	27,863	-	-	-	-	-	-	27,863
Committed	-	-	-	-	141,252	-	-	141,252
Assigned	26,500	-	-	42,361	365,377	-	436	434,674
Unassigned	1,555,319	-	-	-	-	-	-	1,555,319
Total Fund Balance	1,677,523	185,787	31,111	47,131	508,228	33,585	436	2,483,801
Total Liabilities and Fund Balance	\$ 2,238,822	\$ 234,266	\$ 64,559	\$ 145,109	\$ 1,665,271	\$ 36,698	\$ 436	\$ 4,385,161

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 Assets  
 June 30, 2012

Fund balances of governmental funds	\$	2,483,801
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.		
Capital assets		16,170,195
Accumulated depreciation		(6,335,975)
Long-term liabilities, including bonds payable, are not due and payable in the current period; and therefore, are not reported in the funds.		
		(5,955,571)
Internal service funds are used by management to charge the cost 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 assets.		
Net assets of governmental activities		1,092,863
	\$	<u>7,455,313</u>

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  
 June 30, 2012

	General	Major Street	Local Street	Parks and Recreation	DDA	Debt Service	Other Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues</b>								
Taxes	\$ 1,981,182	-	\$ -	-	\$ 972,745	\$ -	\$ -	\$ 2,953,927
Licenses	11,804	-	-	-	-	-	-	11,804
State	395,994	233,250	92,228	-	70,244	-	-	791,716
Charges for service	1,132,402	-	-	137,935	-	-	-	1,270,337
Fines and forfeits	13,102	-	-	-	-	-	-	13,102
Other revenues	678,656	26,367	12,524	64,461	233,160	1,064	-	1,016,232
<b>Total Revenues</b>	<b>4,213,140</b>	<b>259,617</b>	<b>104,752</b>	<b>202,396</b>	<b>1,276,149</b>	<b>1,064</b>	<b>-</b>	<b>6,057,118</b>
<b>Expenditures</b>								
General government	1,125,338	-	-	-	-	-	-	1,125,338
Public safety	1,382,528	-	-	-	-	-	-	1,382,528
Public works	384,264	166,788	302,317	-	-	-	-	853,369
Recreation and cultural	-	-	-	534,062	-	-	-	534,062
Other expenditures	576,850	-	-	-	590,353	2,491	-	1,169,694
Debt service	-	-	-	-	-	652,175	-	652,175
Principal retirement	-	-	-	-	-	263,952	-	263,952
Interest and fiscal agent charges	-	-	-	-	-	918,618	-	918,618
<b>Total Expenditures</b>	<b>3,468,980</b>	<b>166,788</b>	<b>302,317</b>	<b>534,062</b>	<b>590,353</b>	<b>918,618</b>	<b>-</b>	<b>5,981,118</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>744,160</b>	<b>92,829</b>	<b>(197,565)</b>	<b>(331,666)</b>	<b>685,796</b>	<b>(917,554)</b>	<b>-</b>	<b>76,000</b>
<b>Other Financing Sources (Uses)</b>								
Operating transfers in and other sources	-	50,000	243,000	280,000	-	918,618	-	1,491,618
Operating transfers (out)	(795,502)	(119,465)	(17,755)	-	(713,703)	-	-	(1,646,425)
<b>Total Other Financing Sources (Uses)</b>	<b>(795,502)</b>	<b>(69,465)</b>	<b>225,245</b>	<b>280,000</b>	<b>(713,703)</b>	<b>918,618</b>	<b>-</b>	<b>(154,807)</b>
<b>Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(51,342)</b>	<b>23,364</b>	<b>27,680</b>	<b>(51,666)</b>	<b>(27,907)</b>	<b>1,064</b>	<b>-</b>	<b>(78,807)</b>
<b>Fund Balances, Beginning</b>	<b>1,728,865</b>	<b>162,423</b>	<b>3,431</b>	<b>98,797</b>	<b>536,135</b>	<b>32,521</b>	<b>436</b>	<b>2,562,608</b>
<b>Fund Balances, Ending</b>	<b>\$ 1,677,523</b>	<b>\$ 185,787</b>	<b>\$ 31,111</b>	<b>\$ 47,131</b>	<b>\$ 508,228</b>	<b>\$ 33,585</b>	<b>\$ 436</b>	<b>\$ 2,483,801</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 Assets of Governmental Activities  
 June 30, 2012

Net change in fund balances --total governmental funds \$ (78,807)

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	(579,831)
Capital Outlay	623,489

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 assets.

Repayment of debt	778,249
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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.

3,917

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 assets.

Change in net assets of governmental activities	(23,619)
	\$ 723,398

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

City of Frankenmuth  
Proprietary Funds  
Statement of Net Assets  
June 30, 2012

	Waste Water	Water	Enterprise Totals	Internal Service
<u>Assets</u>				
Current Assets				
Cash	\$ 119,277	\$ 290,764	\$ 410,041	\$ 373,003
Investments	-	1,023,397	1,023,397	-
Accounts receivable	157,223	174,854	332,077	500
Special assessments receivable	48,790	6,421	55,211	-
Due from other funds	47,750	20,883	68,633	97,817
Inventory	10,428	57,931	68,359	4,245
Prepaid Expenses	11,574	5,780	17,354	9,214
Current portion advance due from waste treatment fund	-	159,650	159,650	-
Total Current Assets	<u>395,042</u>	<u>1,739,680</u>	<u>2,134,722</u>	<u>484,779</u>
Non current Assets				
Special assessments receivable net of current portion	239,008	43,225	282,233	-
Advance due from waste treatment fund	-	696,650	696,650	-
Net Capital Assets	<u>7,145,667</u>	<u>2,790,209</u>	<u>9,935,876</u>	<u>616,901</u>
Total Noncurrent Assets	<u>7,384,675</u>	<u>3,530,084</u>	<u>10,914,759</u>	<u>616,901</u>
Total Assets	<u>\$ 7,779,717</u>	<u>\$ 5,269,764</u>	<u>\$ 13,049,481</u>	<u>\$ 1,101,680</u>
<u>Liabilities and Net Assets</u>				
Current Liabilities				
Accounts Payable	\$ 10,926	\$ 81,630	\$ 92,556	\$ 7,679
Accrued Payroll	261	1,624	1,885	-
Due to other funds	308,416	66,148	374,564	1,138
Deferred Special Assessment Revenue	239,008	42,871	281,879	-
Current portion of advance due to water fund	159,650	-	159,650	-
Current Portion of Long-Term Debt	393,050	-	393,050	-
Total Current Liabilities	<u>1,111,311</u>	<u>192,273</u>	<u>1,303,584</u>	<u>8,817</u>
Noncurrent Liabilities				
Bonds Payable (net of current portion and unamortized discount)	2,466,725	-	2,466,725	-
Advance due to water fund	696,650	-	696,650	-
Total Noncurrent Liabilities	<u>3,163,375</u>	<u>-</u>	<u>3,163,375</u>	<u>-</u>
Total Liabilities	<u>4,274,686</u>	<u>192,273</u>	<u>4,466,959</u>	<u>8,817</u>
Net Assets				
Investment in capital assets- Net of related debt	4,285,892	2,790,209	7,076,101	616,901
Unrestricted	(780,861)	2,287,282	1,506,421	475,962
Total Net Assets	<u>3,505,031</u>	<u>5,077,491</u>	<u>8,582,522</u>	<u>1,092,863</u>
Total Liabilities and Net Assets	<u>\$ 7,779,717</u>	<u>\$ 5,269,764</u>	<u>\$ 13,049,481</u>	<u>\$ 1,101,680</u>

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

City of Frankenmuth  
Proprietary Funds  
Statement of Revenue, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2012

	Waste Water	Water	Enterprise Totals	Internal Service
Operating Revenues				
Sewage disposal charges	\$ 1,749,661	\$ -	\$ 1,749,661	\$ -
Water sales	-	1,628,206	1,628,206	-
Penalties on late payments	9,961	9,813	19,774	-
Hydrant rental	-	4,000	4,000	-
Billings to departments	-	-	-	348,331
Other revenues	-	31,065	31,065	-
Total Operating Revenues	<u>1,759,622</u>	<u>1,673,084</u>	<u>3,432,706</u>	<u>348,331</u>
Operating Expenses				
Transmission Maintenance	93,106	-	93,106	-
Sewage purification Distribution System	1,464,706	-	1,464,706	-
Maintenance, Township	-	25,135	25,135	-
Distribution System Maintenance, City	-	135,771	135,771	-
Purification	-	1,091,375	1,091,375	-
Motor Vehicle Maintenance	-	-	-	346,250
Administration	192,769	192,928	385,697	37,427
Customer service	36	45,894	45,930	-
Total Operating Expenses	<u>1,750,617</u>	<u>1,491,103</u>	<u>3,241,720</u>	<u>383,677</u>
Operating Income (Loss)	<u>9,005</u>	<u>181,981</u>	<u>190,986</u>	<u>(35,346)</u>
Non-Operating Revenues (Expenses)				
Interest	17,868	25,435	43,303	938
Miscellaneous	79,301	14,166	93,467	8,078
Interest expense and agent fees	(132,089)	(13,601)	(145,690)	-
Gain on sale of fixed assets	-	-	-	2,711
Total Non-operating Revenues	<u>(34,920)</u>	<u>26,000</u>	<u>(8,920)</u>	<u>11,727</u>
Income before other revenues	<u>(25,915)</u>	<u>207,981</u>	<u>182,066</u>	<u>(23,619)</u>
Other Revenue				
Capital Contributions	10,013	3,332	13,345	-
Total Other Revenue	<u>10,013</u>	<u>3,332</u>	<u>13,345</u>	<u>-</u>
Increase (decrease) in net assets	(15,902)	211,313	195,411	(23,619)
Net Assets, Beginning	3,520,933	4,866,178	8,387,111	1,116,482
Net Assets, Ending	<u>\$ 3,505,031</u>	<u>\$ 5,077,491</u>	<u>\$ 8,582,522</u>	<u>\$ 1,092,863</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, 2012

	Waste Water Fund	Water Fund	Enterprise Totals	Internal Service
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 1,704,070	\$ 1,659,105	\$ 3,363,175	\$ -
Billings from other departments	-	-	-	382,298
Payments to suppliers	(542,910)	(926,864)	(1,469,774)	(164,022)
Payments to employees	(325,633)	(226,053)	(551,686)	(92,310)
Internal activity - Net payments to other funds	706,102	(568,069)	138,033	(25,200)
Net cash provided by (used in) operating activities	<u>1,541,629</u>	<u>(61,881)</u>	<u>1,479,748</u>	<u>100,766</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(36,495)	(17,125)	(53,620)	(74,230)
Sale of capital assets	-	-	-	2,711
Capital contributions	10,013	3,332	13,345	-
Operating Transfers	-	-	-	8,078
Principal and interest paid on capital debt	(1,591,186)	(337,001)	(1,928,187)	-
Net cash provided by (used in) capital and related financing activities	<u>(1,617,668)</u>	<u>(350,794)</u>	<u>(1,968,462)</u>	<u>(63,441)</u>
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	17,868	25,435	43,303	938
Special assessment revenue	70,243	14,166	84,409	-
Other	9,058	(14,066)	(5,008)	-
Net cash provided by (used in) investing activities	<u>97,169</u>	<u>25,535</u>	<u>122,704</u>	<u>938</u>
Net Increase (Decrease) in Cash and cash equivalents	21,130	(387,140)	(366,010)	38,263
Cash and cash equivalents - Beginning of year	98,147	677,904	776,051	334,740
Cash and cash equivalents - End of year	<u>\$ 119,277</u>	<u>\$ 290,764</u>	<u>\$ 410,041</u>	<u>\$ 373,003</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 9,005	\$ 181,981	\$ 190,986	\$ (35,346)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation	828,922	274,932	1,103,854	100,969
Receivables	55,552	(13,979)	41,573	1,443
Due from other funds	(46,015)	293,753	247,738	34,378
Other assets	7,301	(845,549)	(838,248)	(1,508)
Accounts payable	(25,525)	7,941	(17,584)	1,097
Accrued and other liabilities	814,509	(3,223)	811,286	-
Due to other funds	(102,120)	42,263	(59,857)	(267)
Net Cash provided by (used in) operating activities	<u>\$ 1,541,629</u>	<u>\$ (61,881)</u>	<u>\$ 1,479,748</u>	<u>\$ 100,766</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 issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City has the option of following subsequent FASB guidance for its enterprise funds; however, the City has elected not to follow subsequent guidance.

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, 2012, are presented as a discretely presented component unit of the City. A separate financial statement has not been prepared.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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, 2012, was \$80,399.

Deferred Revenue

Deferred revenue represents amounts for which the City has received or is due to receive but has not yet earned. The revenues are deferred 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, 2011, the taxable value of real and personal property located in the City totaled \$266,222,662, including industrial and commercial facilities. The City taxable value, exclusive of industrial facilities and commercial facilities tax units, amounted to \$264,870,630.

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 March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – non-spendable, restricted, committed, assigned, and unassigned.

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.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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

Subsequent Events – The financial statements and related disclosures include evaluation of events up through and including October 30, 2012, which is the date the financial statements were available to be issued.

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 April 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.

CITY OF FRANKENMUTH  
 NOTES TO FINANCIAL STATEMENTS

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.

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 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	\$ 250,000	\$ -	\$ 1,425,251	\$ 1,675,251	\$ 1,638,359
Investments	250,000	-	804,336	1,054,336	1,054,336
Business-type Activities					
Cash	250,000	-	160,040	410,040	410,041
Investments	-	-	1,023,397	1,023,397	1,023,397
Total Deposits & Investments	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 3,413,024</u>	<u>\$ 4,163,024</u>	<u>\$ 4,126,133</u>
Component Unit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,939</u>	<u>\$ 137,939</u>	<u>\$ 137,939</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, 2012, was as follows:

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not subject to depreciation				
Land	\$ 1,465,526	\$ -	\$ -	\$ 1,465,526
Subtotal	<u>1,465,526</u>	<u>-</u>	<u>-</u>	<u>1,465,526</u>
Capital assets subject to depreciation				
Infrastructure	8,354,820	536,551	-	8,891,371
Furniture and Equipment	1,431,504	90,279	26,706	1,495,077
Vehicles	1,334,451	52,102	10,000	1,376,553
Buildings	5,049,064	18,785	-	5,067,849
Subtotal	<u>16,169,839</u>	<u>697,717</u>	<u>36,706</u>	<u>16,830,850</u>
Accumulated Depreciation				
Infrastructure	3,279,157	379,184	-	3,658,341
Furniture and Equipment	987,512	85,721	26,706	1,046,527
Vehicles	930,643	71,626	10,000	992,269
Buildings	2,003,849	144,269	-	2,148,118
Subtotal	<u>7,201,161</u>	<u>680,800</u>	<u>36,706</u>	<u>7,845,255</u>
Net capital assets being depreciated	<u>8,968,678</u>	<u>16,917</u>	<u>-</u>	<u>8,985,595</u>
Net governmental capital assets	<u>\$ 10,434,204</u>	<u>\$ 16,917</u>	<u>\$ -</u>	<u>\$ 10,451,121</u>

	Balance July 1, 2011	Additions	Adjustments Disposals	Balance June 30, 2012
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not subject to depreciation				
Land	\$ 22,963	\$ -	\$ -	\$ 22,963
Subtotal	<u>22,963</u>	<u>-</u>	<u>-</u>	<u>22,963</u>
Capital assets subject to depreciation				
Buildings	18,170,822	-	-	18,170,822
Water towers	533,842	-	-	533,842
Distribution systems	6,403,762	-	1,178	6,402,584
Collection systems	4,152,338	-	-	4,152,338
Machinery & equipment	1,530,138	44,194	-	1,574,332
Meters & boxes	381,661	8,852	-	390,513
Furniture & fixtures	72,652	-	-	72,652
Subtotal	<u>31,245,215</u>	<u>53,046</u>	<u>1,178</u>	<u>31,297,083</u>
Accumulated Depreciation				
Buildings	12,754,125	611,396	-	13,365,521
Water towers	364,847	10,289	-	375,136
Distribution systems	3,756,671	235,212	-	3,991,883
Collection systems	1,922,536	164,627	-	2,087,163
Machinery & equipment	1,144,350	68,466	2,603	1,210,213
Meters & boxes	286,274	11,823	1,672	296,425
Furniture & fixtures	55,788	2,041	-	57,829
Subtotal	<u>20,284,591</u>	<u>1,103,854</u>	<u>4,275</u>	<u>21,384,170</u>
Net capital assets being depreciated	<u>10,960,624</u>	<u>(1,050,808)</u>	<u>(3,097)</u>	<u>9,912,913</u>
Net Business-type capital assets	<u>\$ 10,983,587</u>	<u>\$ (1,050,808)</u>	<u>\$ (3,097)</u>	<u>\$ 9,935,876</u>

CITY OF FRANKENMUTH  
 NOTES TO FINANCIAL STATEMENTS

NOTE 4--Capital Assets (continued)

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 34,505
Public safety	28,935
Public works	10,078
Recreation and culture	167,925
Economic Development - DDA	298,601
Highway & Streets	39,787
Internal Service	100,969
Total governmental activities	<u>\$ 680,800</u>
Business-type activities:	
Waste Water Treatment	\$ 828,922
Water	274,932
Total business-type activities	<u>1,103,854</u>

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

The composition of inter-fund balances as of June 30, 2012, is as follows:

Due To/From Other Funds							
<u>Receivable</u>		<u>Payable</u>		<u>Receivable</u>		<u>Payable</u>	
General	\$ 28,189	Major Street	\$ 28,189	Waste Water	\$ 3,390	General	\$ 3,390
	17,203	Local	17,203		734	Parks & Recreation	734
	8,276	Parks & Recreation	8,276		102	DDA	102
	13,907	DDA	13,907		43,524	Water	43,524
	532	Building	532		<u>\$ 47,750</u>		<u>\$ 47,750</u>
	295,307	Waste Water	295,307	Water	\$ 9,352	General	\$ 9,352
	1,326	Water	1,326		1,119	Local Street	1,119
	1,138	Equipment	1,138		1,069	Parks & Recreation	1,069
	<u>\$ 365,878</u>		<u>\$ 365,878</u>		4,358	DDA	4,358
Debt service	<u>\$ 32,784</u>	General	<u>\$ 32,784</u>		4,985	Waste Water	4,985
					<u>\$ 20,883</u>		<u>\$ 20,883</u>
Building	\$ 5	Parks & Recreation	\$ 5	Equipment	\$ 25,259	General	\$ 25,259
	1,089	General	1,089		6,678	Major Street	6,678
	<u>\$ 1,094</u>		<u>\$ 1,094</u>		11,546	Local Street	11,546
Drug	<u>\$ 436</u>	General	<u>\$ 436</u>		17,831	Parks & Recreation	17,831
Parks & Recreation	<u>\$ 765</u>	General	<u>\$ 765</u>		7,081	DDA	7,081
					8,124	Waste Water	8,124
DDA	\$ 3	Parks & Recreation	\$ 3		21,298	Water	21,298
	501	General	501		<u>\$ 97,817</u>		<u>\$ 97,817</u>
	<u>\$ 504</u>		<u>\$ 504</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, 2012, is as follows:

<u>Transfers In/Out</u>		<u>Transfers Out</u>		<u>Transfers In</u>		<u>Transfers Out</u>	
<u>Transfers In</u>		<u>Transfers Out</u>		<u>Transfers In</u>		<u>Transfers Out</u>	
Major Street	\$ 50,000	General	\$ 50,000	Debt Service	\$ 100,694	General	\$ 100,694
				Debt Service	86,465	Major Street	86,465
Local Street	\$ 210,000	General	\$ 210,000	Debt Service	17,775	Local Street	17,775
	33,000	Major Street	33,000	Debt Service	713,703	DDA	713,703
	<u>\$ 243,000</u>		<u>\$ 243,000</u>		<u>\$ 918,637</u>		<u>\$ 918,637</u>
Parks	\$ 280,000	General	\$ 280,000				

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 defined contribution 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, 2012 was a flat rate for all employees other than new hires. City employees are required to contribute 4.5% 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, 2012, the City's annual pension cost of \$288,112 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2010, 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

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed
6/30/2010	\$ 236,624	100%
6/30/2011	\$ 278,125	100%
6/30/2012	\$ 288,112	100%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
12/31/2009	\$ 9,211,897	\$ 11,833,243	\$ 2,621,346	78%	\$ 1,751,631	150%
12/31/2010	\$ 9,523,092	\$ 12,086,754	\$ 2,563,662	79%	\$ 1,676,286	153%
12/31/2011	\$ 9,745,707	\$ 12,826,601	\$ 3,080,894	76%	\$ 1,534,469	201%

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, 2012, the City incurred \$1,731 in unemployment expenditures.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 8--Long-Term Debt

Long-term debt obligations for the year ended June 30, 2012, were as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Current Portion
<b>Governmental Activities</b>					
<u>General Obligation Bonds</u>					
1997 General Fund Streetscape Amount of issue: \$1,200,000 Maturing through 10/1/16	\$ 520,000	\$ -	\$ 75,000	\$ 445,000	\$ 80,000
1999 Major Street Bonds Amount of issue: \$332,000 Maturing through 9/1/14	80,000	-	20,000	60,000	20,000
1999 MTF Bonds Amount of issue: \$380,000 Maturing through 3/1/13	65,000	-	35,000	30,000	30,000
Harvey Kern Pavilion Bonds Amount of issue: \$1,050,000 Maturing through 10/18/2011	83,678	-	83,678	-	-
2005 Downtown Development Refunding Bonds Amount of issue: \$3,260,000 Maturing through 05/01/2021	2,525,000	-	290,000	2,235,000	310,000
Land Acquisition 2007 Debt Service Amount of issue: \$775,000 Maturing through 01/01/2013	655,068	-	42,396	612,672	612,672
Total Governmental Activities General Obligation Bonds	<u>\$ 3,928,746</u>	<u>\$ -</u>	<u>\$ 546,074</u>	<u>\$ 3,382,672</u>	<u>\$ 1,052,672</u>
<b>Governmental Activities</b>					
<u>Special Assessment Bonds</u>					
2001 DDA Phase 3 Bonds Amount of issue: \$750,000 Maturing through 10/1/25	\$ 360,000	\$ -	\$ 45,000	\$ 315,000	\$ 45,000
1999 Major Street Bonds Amount of issue: \$332,000 Maturing through 9/1/14	80,000	-	20,000	60,000	20,000
2004 Weiss Street Bonds Amount of issue: \$1,800,000 Maturing through 4/1/24	1,375,000	-	70,000	1,305,000	75,000
2001 DDA Snowmelt Bonds Amount of issue: \$490,000 Maturing through 9/1/16	240,000	-	40,000	200,000	40,000
2010 DDA refunding bonds Amount of issue: \$855,000 Maturing through 10/1/2025	855,000	-	70,000	785,000	70,000
Total Governmental Activities Special Assessment Bonds	<u>\$ 2,910,000</u>	<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ 2,665,000</u>	<u>\$ 180,000</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 \$315,000 balance, \$89,775 is debt held in the Waste Water Treatment Fund.

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Current Portion
<b>Business-type Activities</b>					
General Obligation Bonds					
2001 Waste Treatment Bonds					
Amount of issue: \$300,000					
Maturing through 10/1/15	\$ 130,000	\$ -	\$ 25,000	\$ 105,000	\$ 25,000
2004 Waste Plant Expansion Bonds					
Amount of issue: \$1,200,000					
Maturing through 5/1/12	160,000	-	160,000	-	-
1997 Water Improvement Bonds					
Amount of issue: \$940,000					
Maturing through 6/1/16	715,000	-	715,000	-	-
1999 Waste Treatment SRF Bonds					
Amount of issue: \$6,645,000					
Maturing through 4/1/19	3,015,000	-	350,000	2,665,000	355,000
Special Assessment Bonds					
2002 E Tuscola Area Bonds					
Amount of issue: \$1,225,000					
Maturing through 10/1/16	525,000	-	525,000	-	-
<b>Total Business-type Activities</b>	<b>\$ 4,545,000</b>	<b>\$ -</b>	<b>\$ 1,775,000</b>	<b>\$ 2,770,000</b>	<b>\$ 380,000</b>

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
2013	\$ 1,302,672	\$ 258,837	\$ 1,561,509	\$ 380,000	\$ 64,543	\$ 444,543
2014	675,000	201,434	876,434	390,000	55,352	445,352
2015	695,000	170,797	865,797	395,000	45,887	440,887
2016	680,000	139,987	819,987	410,000	36,188	446,188
2017	660,000	112,505	772,505	390,000	26,888	416,888
2018-2022	1,645,000	277,867	1,922,867	805,000	27,223	832,223
2023-2026	390,000	29,016	419,016	-	-	-
Totals	<u>\$ 6,047,672</u>	<u>\$ 1,190,443</u>	<u>\$ 7,238,115</u>	<u>\$ 2,770,000</u>	<u>\$ 256,081</u>	<u>\$ 3,026,081</u>

For the year ended June 30, 2012, the total interest paid on bonded debt was \$436,332.

Total principal paid on long-term debt for the City totaled \$2,566,074 for the year ended June 30, 2012.

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 \$67,841 \$4,770, and \$1,599 respectively for prepaid expenditures. The general fund has \$27,863 in non-spendable fund balance for inventories. The major street and local street have restricted fund balances for street repairs in the amounts of \$185,787 and \$31,111, respectively. The DDA has committed \$81,252 for debt service on special assessments and \$60,000 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: \$42,361, \$365,377 and \$436. The general fund has committed fund balance in the amount of \$26,500 for a reduction in the 2012-2013 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 self-insured dental and medical plan to all full-time employees. The City established a fund for these claims through Michigan Employee Benefit Services. Employee claims are handled through MEBS. The City is billed for the excess of the claims over the fund.

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, 2012, the City of Frankenmuth participated in the Michigan Municipal 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, 2012, the City also participated in the Michigan Municipal 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

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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 2010 valuation:

	Non-Union	Union	Total
Retirees and survivors	2	2	4
Active plan members	21	6	27
Total plan members	23	8	31

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) – 06/30/2012

Annual required contribution (ARC)	\$ 23,149
Interest on net OPEB obligation	217
Less adjustments to ARC	(313)
Annual OPEB cost	<u>23,053</u>
Amounts contributed:	
Payments of current premiums	26,970
Advance funding	-
Increase (decrease) in net OPEB obligation	(3,917)
OPEB obligation beginning of year	1,591
OPEB obligating end of the year	<u><u>\$ (2,326)</u></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

\* Estimated net retirement benefit payments.

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, 2010
Actuarial cost method	Projected Unit Credit (level dollar)
Amortization method	Level dollar, closed
Remaining amortization period	30 years

Actuarial assumptions:

Discount rate	4.0%			
Mortality rate	IRS 2010 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
Assumption changes since prior valuation	First GASB report issued

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 13--Post Employment Health Benefits (continued)

Actuarial valuation information

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

Factors Significantly Affecting Trends

1. Assumption or method changes – First GASB 45 report issued.

The employer has opted for prospective implementation – that is, the beginning net OPEB obligation is zero as of the beginning of the initial year.

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 \$226,855 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, 2012, are as follows: General Fund \$74,650 Fire Fund \$130,300, Cemetery \$2,700 and Debt Service \$67,300.

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%.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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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 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 \$2,230,000 as of June 30, 2012.

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 Punic 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 \$960,000 as of June 30, 2012.

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.

REQUIRED SUPPLEMENTAL INFORMATION

City of Frankenmuth  
**General Fund**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2012

	Original Budget	Amended Budget	Revenue and Expenditures Actual	Over (Under) Budget
<b>Revenues</b>				
Taxes	\$ 2,040,000	\$ 2,040,000	\$ 1,981,182	\$ (58,818)
State revenue	339,000	339,000	395,994	56,994
Licenses and permits	10,000	10,000	11,804	1,804
Charges for Service	1,090,800	1,090,800	1,132,402	41,602
Fines and forfeits	13,000	13,000	13,102	102
Other revenues	375,100	375,100	678,656	303,556
<b>Total Revenues</b>	<b>3,867,900</b>	<b>3,867,900</b>	<b>4,213,140</b>	<b>345,240</b>
<b>Expenditures</b>				
General Government	1,101,000	1,135,545	1,125,338	(10,207)
Public Safety	1,264,600	1,327,900	1,382,528	54,628
Highways and streets	110,000	111,000	108,136	(2,864)
Sanitation	278,000	278,000	276,128	(1,872)
Other Expenditures	317,600	547,400	576,850	29,450
<b>Total Expenditures</b>	<b>3,071,200</b>	<b>3,399,845</b>	<b>3,468,980</b>	<b>69,135</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>796,700</b>	<b>468,055</b>	<b>744,160</b>	<b>276,105</b>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)	(796,700)	(796,700)	(795,502)	1,198
<b>Total Other Financing Sources (Uses)</b>	<b>(796,700)</b>	<b>(796,700)</b>	<b>(795,502)</b>	<b>1,198</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>-</b>	<b>(328,645)</b>	<b>(51,342)</b>	<b>277,303</b>
<b>Fund Balances, Beginning</b>	<b>1,728,865</b>	<b>1,728,865</b>	<b>1,728,865</b>	<b>-</b>
<b>Fund Balances, Ending</b>	<b>\$ 1,728,865</b>	<b>\$ 1,400,220</b>	<b>\$ 1,677,523</b>	<b>\$ 277,303</b>

See independent auditor's report.

City of Frankenmuth  
**Major Street Fund**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Revenues and Expenditures Actual</u>
Revenues			
State	\$ 207,500	\$ 207,500	\$ 233,250
Other revenues	<u>30,500</u>	<u>30,500</u>	<u>26,367</u>
Total Revenues	<u>238,000</u>	<u>238,000</u>	<u>259,617</u>
Expenditures			
Public works	<u>232,000</u>	<u>232,000</u>	<u>166,788</u>
Total Expenditures	<u>232,000</u>	<u>232,000</u>	<u>166,788</u>
Excess (Deficiency) of Revenues over Expenditures	6,000	6,000	92,829
Other Financing Sources (Uses)			
Operating transfers in	50,000	50,000	50,000
Operating transfers (out)	<u>(118,615)</u>	<u>(118,615)</u>	<u>(119,465)</u>
Total Other Financing Sources (Uses)	<u>(68,615)</u>	<u>(68,615)</u>	<u>(69,465)</u>
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(62,615)	(62,615)	23,364
Fund Balances, Beginning	<u>162,423</u>	<u>162,423</u>	<u>162,423</u>
Fund Balances, Ending	<u>\$ 99,808</u>	<u>\$ 99,808</u>	<u>\$ 185,787</u>

See independent auditor's report.

City of Frankenmuth  
**Local Street Fund**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Revenues and Expenditures Actual</u>
Revenues			
State	\$ 86,000	\$ 86,000	\$ 92,228
Other revenues	<u>3,000</u>	<u>3,000</u>	<u>12,524</u>
Total Revenues	<u>89,000</u>	<u>89,000</u>	<u>104,752</u>
Expenditures			
Public works	<u>304,300</u>	<u>304,300</u>	<u>302,317</u>
Total Expenditures	<u>304,300</u>	<u>304,300</u>	<u>302,317</u>
Excess (Deficiency) of Revenues over Expenditures	(215,300)	(215,300)	(197,565)
Other Financing Sources (Uses)			
Operating transfers in	243,000	243,000	243,000
Operating transfers (out)	<u>(17,700)</u>	<u>(17,700)</u>	<u>(17,755)</u>
Total Other Financing Sources (Uses)	<u>225,300</u>	<u>225,300</u>	<u>225,245</u>
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	10,000	10,000	27,680
Fund Balances, Beginning	3,431	3,431	3,431
Fund Balances, Ending	<u>\$ 13,431</u>	<u>\$ 13,431</u>	<u>\$ 31,111</u>

See independent auditor's report.

City of Frankenmuth  
**Parks and Recreation Fund**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2012

	Original Budget	Amended Budget	Revenues and Expenditures Actual
Revenues			
Other Governmental Units	\$ 13,000	\$ 13,000	\$ 13,000
Charges for Services	115,800	127,500	137,935
Interest	1,000	1,000	651
Donations	15,000	61,300	27,993
Utilities reimbursement	8,000	8,000	9,198
Miscellaneous	6,500	4,500	8,440
Nonresident fees	4,500	4,500	5,179
Total Revenues	163,800	219,800	202,396
Expenditures			
Administration	151,700	138,500	150,045
Parks division	249,000	302,500	318,673
Recreation	58,500	58,800	65,344
Total expenditures	459,200	499,800	534,062
Excess of revenues over expenditures	(295,400)	(280,000)	(331,666)
Other financing sources (uses)			
Transfer net	280,000	280,000	280,000
Total other financing sources (uses)	280,000	280,000	280,000
Excess revenues and other financing sources over expenditures and other (uses)	(15,400)	-	(51,666)
Fund balance, beginning	98,797	98,797	98,797
Fund balance, ending	\$ 83,397	\$ 98,797	\$ 47,131

See independent auditor's report.

City of Frankenmuth  
**DDA Fund**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2012

	Original Budget	Amended Budget	Revenues and Expenditures Actual
Revenues			
Taxes levied	\$ 992,000	\$ 993,069	\$ 41,731
Taxes captured	-	-	931,014
Total Taxes	<u>992,000</u>	<u>993,069</u>	<u>972,745</u>
Other Revenue			
DEQ grant	-	-	70,244
Special assessments	123,000	123,000	127,648
Interest earnings	61,060	69,965	64,794
Miscellaneous	1,000	1,000	40,718
Total other revenues	<u>185,060</u>	<u>193,965</u>	<u>303,404</u>
Total revenues	<u>1,177,060</u>	<u>1,187,034</u>	<u>1,276,149</u>
Expenditures			
Administration	240,880	268,396	165,815
Maintenance	227,920	259,250	424,538
Total expenditures	<u>468,800</u>	<u>527,646</u>	<u>590,353</u>
Excess of revenues over expenditures	<u>708,260</u>	<u>659,388</u>	<u>685,796</u>
Other financing sources (uses)			
Transfer out	<u>(708,260)</u>	<u>(711,777)</u>	<u>(713,703)</u>
Total other financing sources (uses)	<u>(708,260)</u>	<u>(711,777)</u>	<u>(713,703)</u>
Excess revenues and other financing sources over expenditures and other (uses)	<u>-</u>	<u>(52,389)</u>	<u>(27,907)</u>
Fund balance, beginning	536,135	536,135	536,135
Fund balance, ending	<u>\$ 536,135</u>	<u>\$ 483,746</u>	<u>\$ 508,228</u>

See independent auditor's report.

## OTHER SUPPLEMENTAL INFORMATION

CITY OF FRANKENMUTH  
GENERAL FUND

City of Frankenmuth  
General Fund  
Comparative Balance Sheets  
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 571,669	\$ 849,630
Investments	1,054,336	1,029,087
Receivables		
Other	7,092	8,652
Accounts	120,428	88,861
Special assessment receivable	8,430	10,395
Due from other funds	365,878	148,198
Due from other governmental units	15,285	12,527
Inventory, supplies	27,863	28,722
Prepaid expenditures	67,841	135,931
Total Assets	<u>\$ 2,238,822</u>	<u>\$ 2,312,003</u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 132,232	\$ 104,296
Due to other funds	73,576	96,710
Accrued expenditures	70,895	89,954
Deferred revenue	284,596	292,178
Total Liabilities	<u>561,299</u>	<u>583,138</u>
Fund Balance		
Non-spendable		
Prepaid expenditures	67,841	135,931
Inventories	27,863	28,722
Assigned	26,500	-
Unassigned	1,555,319	1,564,212
Total Fund Balance	<u>1,677,523</u>	<u>1,728,865</u>
Total Liabilities and Fund Balance	<u>\$ 2,238,822</u>	<u>\$ 2,312,003</u>

See independent auditor's report.

City of Frankenmuth  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012		Over (Under) Budget	2011
	Budget	Actual		Actual
<b>Revenues</b>				
Taxes	\$ 2,040,000	\$ 1,981,182	\$ (58,818)	\$ 2,020,590
State revenue	339,000	395,994	56,994	353,660
Licenses and permits	10,000	11,804	1,804	10,472
Charge for services	1,090,800	1,132,402	41,602	1,100,234
Fine and forfeits	13,000	13,102	102	16,068
Other revenues	375,100	678,656	303,556	482,057
Total revenues	<u>3,867,900</u>	<u>4,213,140</u>	<u>345,240</u>	<u>3,983,081</u>
<b>Expenditures</b>				
General government	1,135,545	1,125,338	(10,207)	1,039,464
Public safety	1,327,900	1,382,528	54,628	1,305,144
Highway and streets	111,000	108,136	(2,864)	109,466
Sanitation	278,000	276,128	(1,872)	270,019
Other expenditures	547,400	576,850	29,450	239,633
Total expenditures	<u>3,399,845</u>	<u>3,468,980</u>	<u>69,135</u>	<u>2,963,726</u>
Excess of revenues over expenditures	<u>468,055</u>	<u>744,160</u>	<u>276,105</u>	<u>1,019,355</u>
<b>Other financing sources (uses)</b>				
(Uses)	<u>(796,700)</u>	<u>(795,502)</u>	<u>1,198</u>	<u>(958,864)</u>
Total other financing sources (uses)	<u>(796,700)</u>	<u>(795,502)</u>	<u>1,198</u>	<u>(958,864)</u>
Excess revenues and other financing sources over expenditures and other (uses)	<u>(328,645)</u>	<u>(51,342)</u>	<u>277,303</u>	<u>60,491</u>
Fund balance, beginning	<u>1,728,865</u>	<u>1,728,865</u>	<u>-</u>	<u>1,668,374</u>
Fund balance, ending	<u>\$ 1,400,220</u>	<u>\$ 1,677,523</u>	<u>\$ 277,303</u>	<u>\$ 1,728,865</u>

See independent auditor's report.

City of Frankenmuth  
 General Fund-Statement of Revenues  
 Budget and Actual  
 For the Year Ended June 30, 2012  
 (With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012		Over (Under) Budget	2011	
	Budget	Actual		Budget	Actual
<b>Revenues</b>					
<b>Taxes</b>					
Real property taxes	\$ 1,780,000	\$ 1,707,882	\$ (72,118)	\$ 1,732,868	
Personal property taxes	160,000	168,143	8,143	178,131	
Administration fee	100,000	105,157	5,157	109,591	
<b>Total taxes</b>	<u>2,040,000</u>	<u>1,981,182</u>	<u>(58,818)</u>	<u>2,020,590</u>	
<b>State revenues</b>					
PA #48 maintenance fee	15,000	24,618	9,618	13,895	
State grant - PA#302	2,000	1,609	(391)	1,652	
State liquor licenses	12,000	12,852	852	12,432	
State shared revenue	310,000	356,915	46,915	325,681	
<b>Total state revenues</b>	<u>339,000</u>	<u>395,994</u>	<u>56,994</u>	<u>353,660</u>	
<b>Fees</b>					
Zoning fees	<u>10,000</u>	<u>11,804</u>	<u>1,804</u>	<u>10,472</u>	
<b>Charges for services</b>					
Marriage fees	500	563	63	514	
Customer services	110,000	128,758	18,758	95,166	
Reserve police services	13,000	11,228	(1,772)	5,498	
Refuse collection	325,000	324,209	(791)	321,890	
Township police services	215,100	215,094	(6)	200,960	
Recovery of benefits	115,000	116,671	1,671	116,473	
DPW fringe benefit recovery	141,000	173,694	32,694	174,212	
Administration fee	171,200	162,185	(9,015)	185,521	
<b>Total charges for services</b>	<u>1,090,800</u>	<u>1,132,402</u>	<u>41,602</u>	<u>1,100,234</u>	
<b>Fines and forfeits</b>					
Penalties on tax collections	10,000	9,505	(495)	12,985	
Ordinance fines	1,000	1,005	5	829	
Penalties on refuse collection	2,000	2,592	592	2,254	
<b>Total fines and forfeits</b>	<u>13,000</u>	<u>13,102</u>	<u>102</u>	<u>16,068</u>	
<b>Other revenues</b>					
Interest	36,000	29,282	(6,718)	22,700	
Sale of fixed assets	1,000	-	(1,000)	11,750	
Donations	226,100	201,612	(24,488)	299,038	
Sister City	-	28,880	28,880	21,624	
Sister City Fountain	-	277,690	277,690	-	
Miscellaneous	16,000	34,114	18,114	25,220	
Tower site leases	29,000	30,670	1,670	29,449	
Franchise fees	65,000	74,434	9,434	70,227	
Special assessments	2,000	1,974	(26)	2,049	
<b>Total other revenues</b>	<u>375,100</u>	<u>678,656</u>	<u>303,556</u>	<u>482,057</u>	
<b>Total revenues</b>	<u>\$ 3,867,900</u>	<u>\$ 4,213,140</u>	<u>\$ 345,240</u>	<u>\$ 3,983,081</u>	

See independent auditor's report.

City of Frankenmuth  
General Fund  
Statement of Expenditures Budget and Actual  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012		Over (Under) Budget	2011
	Budget	Actual		Actual
<b>Expenditures</b>				
<b>General Government</b>				
Election	\$ 9,000	\$ 7,116	\$ (1,884)	\$ 7,649
Independent audit	10,700	10,730	30	10,242
Assessor	29,595	25,686	(3,909)	9,431
General office staff	554,800	545,772	(9,028)	515,916
City-Township hall and grounds	74,650	71,674	(2,976)	53,699
City property	88,200	91,500	3,300	74,826
City-Township cemetery	2,700	2,651	(49)	2,427
City Hall	70,500	55,577	(14,923)	60,081
Other personal services and supplies	295,400	314,632	19,232	305,193
<b>Total General Government</b>	<b>1,135,545</b>	<b>1,125,338</b>	<b>(10,207)</b>	<b>1,039,464</b>
<b>Public Safety</b>				
Police department	1,090,300	1,119,703	29,403	1,049,861
Fire protection	201,600	201,536	(64)	203,740
Flood protection	36,000	61,289	25,289	51,543
<b>Total Public Safety</b>	<b>1,327,900</b>	<b>1,382,528</b>	<b>54,628</b>	<b>1,305,144</b>
<b>Highways and Streets</b>				
Street lighting	111,000	108,136	(2,864)	109,466
<b>Sanitation</b>				
Refuse collection	278,000	276,128	(1,872)	270,019
<b>Other Expenditures</b>				
Engineering and supervision	63,700	85,450	21,750	59,298
City Beautification Committee	144,300	127,573	(16,727)	131,354
Insurance and bonds	20,000	15,482	(4,518)	14,995
Michigan Week activities	3,000	-	(3,000)	3,082
Sister City Committee activities	5,000	43,082	38,082	14,776
Sister City Fountain	300,000	294,369	(5,631)	-
Economic Development program	6,600	6,405	(195)	11,448
DDA special assessments	3,800	3,370	(430)	3,729
Other community promotion	1,000	1,119	119	951
<b>Total Other Expenditures</b>	<b>547,400</b>	<b>576,850</b>	<b>29,450</b>	<b>239,633</b>
<b>Total Expenditures</b>	<b>3,399,845</b>	<b>3,468,980</b>	<b>69,135</b>	<b>2,963,726</b>

See independent auditor's report.

City of Frankenmuth  
 General Fund  
 Statement of Expenditures Budget and Actual (continued)  
 For the Year Ended June 30, 2012  
 (With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012		Over (Under) Budget	2011
	Budget	Actual		Actual
Other Financing Uses (Sources)				
Operating transfers out (in)				
Major Street Fund	50,000	50,000	-	115,000
Local Street Fund	210,000	210,000	-	225,000
Parks and Recreation Fund	280,000	280,000	-	277,000
Debt Service Funds				
Land Acquisition 2007 Debt Service	70,200	71,130	930	70,090
Harvey Kern Pavilion G.O.	86,100	83,678	(2,422)	172,364
2000 DDA G.O.	100,400	100,694	294	99,410
Total Other Financing Uses	<u>796,700</u>	<u>795,502</u>	<u>(1,198)</u>	<u>958,864</u>
Total Expenditures and Other Financing Uses	<u>\$ 4,196,545</u>	<u>\$ 4,264,482</u>	<u>\$ 67,937</u>	<u>\$ 3,922,590</u>

See independent auditor's report.

**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, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 169,653	\$ 150,238
Due from other governmental units	41,092	37,602
Due from other funds	-	208
Special assessment receivable	23,521	33,446
Total Assets	<u>\$ 234,266</u>	<u>\$ 221,494</u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 16	\$ 413
Due to other funds	34,867	35,138
Deferred revenue	13,596	23,520
Total Liabilities	<u>48,479</u>	<u>59,071</u>
Fund balance-Restricted	<u>185,787</u>	<u>162,423</u>
Total Liabilities and Fund Balance	<u>\$ 234,266</u>	<u>\$ 221,494</u>

See independent auditor's report.

City of Frankenmuth  
Major Street Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012		Over (Under) Budget	2011
	Budget	Actual		Actual
<b>Revenues</b>				
State revenue				
Local roads program	\$ 7,500	\$ 8,134	\$ 634	\$ 7,742
State gas and weight tax	200,000	225,116	25,116	211,361
Total State Revenues	<u>207,500</u>	<u>233,250</u>	<u>25,750</u>	<u>219,103</u>
Other revenues				
Interest	4,500	4,962	462	3,251
Miscellaneous	16,000	11,481	(4,519)	22,826
Special Assessments	10,000	9,924	(76)	9,925
Total Other Revenues	<u>30,500</u>	<u>26,367</u>	<u>(4,133)</u>	<u>36,002</u>
Total Revenues	<u>238,000</u>	<u>259,617</u>	<u>21,617</u>	<u>255,105</u>
<b>Expenditures</b>				
Highway and Streets				
Routine maintenance	70,000	38,099	(31,901)	35,289
Traffic services, maintenance	22,000	18,767	(3,233)	14,816
Signal charges and channel service	10,000	3,289	(6,711)	5,556
Winter maintenance	40,000	18,777	(21,223)	37,619
Admin. and engineering	20,000	23,324	3,324	21,910
State Trunkline maintenance	20,000	16,640	(3,360)	30,524
Tree planting and maintenance	30,000	27,473	(2,527)	13,178
Sidewalks	20,000	20,419	419	18,135
Total Expenditures	<u>232,000</u>	<u>166,788</u>	<u>(65,212)</u>	<u>177,027</u>
Excess of Revenues Over Expenditures	<u>6,000</u>	<u>92,829</u>	<u>86,829</u>	<u>78,078</u>
Other Financing Sources (Uses)				
Operating transfers in	50,000	50,000	-	115,000
Debt service payment and transfers out	(118,615)	(119,465)	(850)	(123,665)
Total Other Financing Sources (Uses)	<u>(68,615)</u>	<u>(69,465)</u>	<u>(850)</u>	<u>(8,665)</u>
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	(62,615)	23,364	85,979	69,413
Fund Balance, Beginning	162,423	162,423	-	93,010
Fund Balance, Ending	<u>\$ 99,808</u>	<u>\$ 185,787</u>	<u>\$ 85,979</u>	<u>\$ 162,423</u>
See independent auditor's report.				

City of Frankenmuth  
Local Street Fund  
Comparative Balance Sheets  
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 43,986	\$ 13,803
Due from other governmental units	15,297	14,179
Accounts receivable	35	-
Due from other funds	-	10,000
Special assessment receivable	5,241	9,788
Total Assets	<u>\$ 64,559</u>	<u>\$ 47,770</u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 85	\$ 47
Due to other funds	29,868	36,529
Deferred revenue	3,495	7,763
Total Liabilities	<u>33,448</u>	<u>44,339</u>
Fund balance-Restricted	<u>31,111</u>	<u>3,431</u>
Total Liabilities and Fund Balance	<u>\$ 64,559</u>	<u>\$ 47,770</u>

See independent auditor's report.

City of Frankenmuth  
Local Street Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012		Over (Under) Budget	2011	
	Budget	Actual		Budget	Actual
<b>Revenues</b>					
State revenue					
Local roads program	\$ 3,000	\$ 3,216	\$ 216	\$ 3,105	
State gas and weight tax	83,000	89,012	6,012	84,777	
Total State Revenues	86,000	92,228	6,228	87,882	
Other revenues					
Interest	1,000	890	(110)	904	
Miscellaneous	-	7,366	7,366	5,113	
Special Assessments	2,000	4,268	2,268	2,023	
Total Other Revenues	3,000	12,524	9,524	8,040	
Total Revenues	89,000	104,752	15,752	95,922	
<b>Expenditures</b>					
Highway and Streets					
Improvements	57,000	61,319	4,319	69,329	
Routine maintenance	112,000	73,346	(38,654)	99,372	
Traffic services, maintenance	8,000	8,025	25	5,939	
Winter maintenance	40,000	16,164	(23,836)	40,071	
Admin. and engineering	8,300	9,222	922	8,788	
Tree planting and maintenance	45,000	99,535	54,535	82,911	
Sidewalks	34,000	34,706	706	31,323	
Total Expenditures	304,300	302,317	(1,983)	337,733	
Excess of Revenues Over Expenditures	(215,300)	(197,565)	17,735	(241,811)	
<b>Other Financing Sources (Uses)</b>					
Operating transfer in	243,000	243,000	-	258,000	
Operating transfer out	(17,700)	(17,755)	(55)	(16,869)	
Total Other Financing Sources (Uses)	225,300	225,245	(55)	241,131	
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	10,000	27,680	17,680	(680)	
Fund Balance, Beginning	3,431	3,431	-	4,111	
Fund Balance, Ending	\$ 13,431	\$ 31,111	\$ 17,680	\$ 3,431	

See independent auditor's report.

City of Frankenmuth  
Parks and Recreation Fund  
Comparative Balance Sheets  
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 126,149	\$ 174,776
Accounts receivable	13,425	9,104
Due from other funds	765	7,104
Prepaid expenditures	4,770	4,661
Total Assets	\$ 145,109	\$ 195,645
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 12,950	\$ 11,048
Due to other funds	27,918	29,629
Accrued expenditures	1,024	767
Deferred revenue	56,086	55,404
Total Liabilities	97,978	96,848
Fund balance		
Non-spendable		
Prepaid expenditures	4,770	4,661
Assigned	42,361	94,136
Total Fund Balance	47,131	98,797
Total Liabilities and Fund Balance	\$ 145,109	\$ 195,645

See independent auditor's report.

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, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012		Over (Under) Budget	2011
	Budget	Actual		Actual
<b>Revenues</b>				
Other Governmental Units				
Frankenmuth Township	\$ 13,000	\$ 13,000	\$ -	\$ 13,000
Total Other Governmental Units	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>
<b>Charges for Services</b>				
Youth basketball	-	2,616	2,616	-
Men's volleyball	5,000	563	(4,437)	559
Women's volleyball	3,500	3,035	(465)	2,734
Men's slow pitch	4,000	4,584	584	4,078
Women's softball	6,000	7,646	1,646	6,071
Youth league	7,000	9,420	2,420	9,013
Co-ed volleyball	-	1,394	1,394	2,283
Miscellaneous	10,000	9,726	(274)	8,575
Ball diamonds rental	9,000	8,654	(346)	10,717
Scout building	10,000	8,591	(1,409)	11,566
Park facilities rental	73,000	81,706	8,706	84,962
Total Charge for Services	<u>127,500</u>	<u>137,935</u>	<u>10,435</u>	<u>140,558</u>
<b>Other Revenue</b>				
Interest	1,000	651	(349)	775
Donations	61,300	27,993	(33,307)	73,396
Utilities reimbursement	8,000	9,198	1,198	10,591
Miscellaneous	4,500	8,440	3,940	1,872
Nonresident fees	4,500	5,179	679	3,860
Total Other Revenues	<u>79,300</u>	<u>51,461</u>	<u>(27,839)</u>	<u>90,494</u>
Total Revenues	<u>\$ 219,800</u>	<u>\$ 202,396</u>	<u>\$ (17,404)</u>	<u>\$ 244,052</u>

See independent auditor's report.

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, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012		2011	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures				
Administration	\$ 138,500	\$ 150,045	\$ 11,545	\$ 152,603
Park Division				
Capital improvements	79,500	82,182	2,682	113,635
Utilities	24,500	20,690	(3,810)	21,674
Maintenance				
Memorial Park	50,000	42,308	(7,692)	41,237
Heritage Park	76,500	89,229	12,729	86,914
Other parks	53,000	64,126	11,126	54,865
Scout building	10,000	11,017	1,017	10,836
Band Shell	9,000	9,121	121	5,254
Total Parks Division	<u>302,500</u>	<u>318,673</u>	<u>16,173</u>	<u>334,415</u>
Recreation				
Tennis	300	186	(114)	160
Ball diamonds	18,000	26,220	8,220	17,794
Skating rink	7,000	7,815	815	5,469
Volleyball	3,500	3,640	140	3,208
Youth basketball	3,000	2,085	(915)	4
Men's slow pitch	3,500	3,519	19	3,460
Women's softball	4,000	3,745	(255)	3,959
Youth league	5,500	6,734	1,234	6,231
Miscellaneous	14,000	11,400	(2,600)	12,225
Total Recreation Division	<u>58,800</u>	<u>65,344</u>	<u>6,544</u>	<u>52,510</u>
Total Expenditures	<u>499,800</u>	<u>534,062</u>	<u>34,262</u>	<u>539,528</u>
Excess (Deficiency) of Revenues Over Expenditures	(280,000)	(331,666)	(51,666)	(295,476)
Other Financing Sources				
Operating transfers in	280,000	280,000	-	277,000
Total Other Financing Sources	<u>280,000</u>	<u>280,000</u>	<u>-</u>	<u>277,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	-	(51,666)	(51,666)	(18,476)
Fund Balance, Beginning	98,797	98,797	-	117,273
Fund Balance, Ending	<u>\$ 98,797</u>	<u>\$ 47,131</u>	<u>\$ (51,666)</u>	<u>\$ 98,797</u>

See independent auditor's report.

City of Frankenmuth  
Downtown Development Authority Fund  
Comparative Balance Sheets  
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 353,899	\$ 441,739
Accounts receivable	10,459	2,000
Due from other governmental units	70,244	-
Due from other funds	504	-
Special assessment receivable	1,228,566	1,292,979
Prepaid expenditures	1,599	1,561
Total Assets	<u>\$ 1,665,271</u>	<u>\$ 1,738,279</u>
 <u>Liabilities and Fund Balance</u> 		
Liabilities		
Accounts payable	\$ 24,082	\$ 14,183
Due to other funds	25,448	12,089
Deferred revenue	1,100,917	1,169,940
Accrued expenditures	6,596	5,932
Total Liabilities	<u>1,157,043</u>	<u>1,202,144</u>
Fund Balance		
Non-spendable		
Prepaid expenditures	1,599	1,561
Committed		
Prepaid special assessments	81,252	91,493
Capital replacements	60,000	50,000
Assigned	365,377	393,081
Total Fund Balance	<u>508,228</u>	<u>536,135</u>
Total Liabilities and Fund Balance	<u>\$ 1,665,271</u>	<u>\$ 1,738,279</u>

See independent auditor's report.

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, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012		Over (Under) Budget	2011
	Budget	Actual		Actual
<b>Revenues</b>				
Taxes levied	\$ 993,069	\$ 41,731	\$ (951,338)	\$ 40,149
Taxes captured	-	931,014	931,014	995,207
<b>Total Taxes</b>	<u>993,069</u>	<u>972,745</u>	<u>(20,324)</u>	<u>1,035,356</u>
<b>Other Revenue</b>				
DEQ grant	-	70,244	70,244	-
Special assessments	123,000	127,648	4,648	136,675
Interest earnings	69,965	2,688	(67,277)	7,093
Interest from special assessments	-	62,106	62,106	75,764
Miscellaneous	1,000	40,718	39,718	10,500
<b>Total other revenues</b>	<u>193,965</u>	<u>303,404</u>	<u>109,439</u>	<u>230,032</u>
<b>Total revenues</b>	<u>1,187,034</u>	<u>1,276,149</u>	<u>89,115</u>	<u>1,265,388</u>
<b>Expenditures</b>				
Administration	268,396	165,815	(102,581)	164,581
Maintenance	259,250	424,538	165,288	304,059
<b>Total expenditures</b>	<u>527,646</u>	<u>590,353</u>	<u>62,707</u>	<u>468,640</u>
<b>Excess of revenues over expenditures</b>	<u>659,388</u>	<u>685,796</u>	<u>26,408</u>	<u>796,748</u>
<b>Other financing sources (uses)</b>				
Transfer out	(711,777)	(713,703)	(1,926)	(927,130)
<b>Total other financing sources (uses)</b>	<u>(711,777)</u>	<u>(713,703)</u>	<u>(1,926)</u>	<u>(927,130)</u>
<b>Excess revenues and other financing sources over expenditures and other (uses)</b>	<u>(52,389)</u>	<u>(27,907)</u>	<u>24,482</u>	<u>(130,382)</u>
Fund balance, beginning	536,135	536,135	-	666,517
Fund balance, ending	<u>\$ 483,746</u>	<u>\$ 508,228</u>	<u>\$ 24,482</u>	<u>\$ 536,135</u>

See independent auditor's report.

City of Frankenmuth  
Downtown Development Authority  
Operating Statistics  
For the Year Ended June 30, 2012

Memo Information:

	Ad Valorem		CFT/IFT	Total
	Real	Personal	Real/ Personal	
<u>Initial assessed value:</u>	\$ 29,416,400	\$ 10,046,900	\$ 2,753,250	\$ 42,216,550
 <u>Captured taxable value:</u>				
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

See independent auditor's report.

City of Frankenmuth  
Drug Law Enforcement Fund  
Comparative Balance Sheets  
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Due from other funds	436	436
Total Assets	<u>\$ 436</u>	<u>\$ 436</u>
<u>Fund Balance</u>		
Fund balance-Assigned	\$ 436	\$ 436
Total Fund Balance	<u>\$ 436</u>	<u>\$ 436</u>

See independent auditor's report.

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, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Drug forfeiture	\$ 1,000	\$ -	\$ (1,000)	\$ 250
Total revenue	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>	<u>250</u>
Expenditures				
Contracted services	1,000	-	(1,000)	-
Total expenditures	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>
Fund balance, beginning	436	436	-	186
Fund balance, ending	<u>\$ 436</u>	<u>\$ 436</u>	<u>\$ -</u>	<u>\$ 436</u>

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City of Frankenmuth  
**Component Unit**  
 Construction Codes Group Authority  
 Balance Sheet  
 June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 137,939	\$ 87,896
Accounts Receivable	225	305
Accrued interest receivable	-	4
Due from other funds	1,094	5
Prepaid expenditures	3,168	3,108
Total Assets	\$ 142,426	\$ 91,318
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts Payable	\$ 196	\$ 701
Due to other funds	532	306
Total Liabilities	728	1,007
Fund balance-Assigned	141,698	90,311
Total Liabilities and Fund Balance	\$ 142,426	\$ 91,318

See independent auditor's report

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, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenues</b>				
Building permits and plan reviews	\$ 40,000	\$ 72,087	\$ 32,087	\$ 51,007
Plumbing permits and plan reviews	6,000	12,100	6,100	6,716
Electrical permits and plan reviews	12,000	16,475	4,475	14,572
Mechanical permits and plan reviews	15,000	21,947	6,947	10,825
Interest	25	31	6	25
Miscellaneous	3,300	3,795	495	3,802
Total Revenues	<u>76,325</u>	<u>126,435</u>	<u>50,110</u>	<u>86,947</u>
<b>Expenditures</b>				
Administration	18,400	18,661	261	16,961
Building Inspection	30,000	34,030	4,030	24,025
Plumbing/Mechanical Inspections	12,000	14,307	2,307	8,180
Electrical Inspections	10,000	8,050	(1,950)	9,400
Total Expenditures	<u>70,400</u>	<u>75,048</u>	<u>4,648</u>	<u>58,566</u>
Excess (Deficiency) of revenues over expenditures	<u>5,925</u>	<u>51,387</u>	<u>45,462</u>	<u>28,381</u>
Fund Balance, Beginning	<u>90,311</u>	<u>90,311</u>	<u>-</u>	<u>61,930</u>
Fund Balance, Ending	<u>\$ 96,236</u>	<u>\$ 141,698</u>	<u>\$ 45,462</u>	<u>\$ 90,311</u>

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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, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Special assessment receivable	\$ 3,914	\$ 4,715
Due from other funds	32,784	31,711
Total Assets	<u>\$ 36,698</u>	<u>\$ 36,426</u>
<u>Liabilities and Fund Balances</u>		
Deferred special assessments	3,113	3,905
Total Liabilities	<u>3,113</u>	<u>3,905</u>
Fund Balance-Restricted	<u>33,585</u>	<u>32,521</u>
Total Liabilities and Fund Balances	<u>\$ 36,698</u>	<u>\$ 36,426</u>

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City of Frankenkumuth  
Debt Service Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2012

(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	1992	Refunded and				1999		2001		Totals
		2000	1997	1999	1999	2001	Georgetown	2011		
	Woodland	G.O.	S.A.	W. Tuscola	W. Tuscola	S.A. Bonds	MTF	G.O.	2012	2011
	Bond	Streetscape	DDA	G.O. Bonds	G.O. Bonds	S.A. Bonds	MTF	G.O.	2012	2011
Revenues										
Special assessments	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ 808
Interest	264	-	-	-	-	-	-	-	264	375
Total revenues	1,064	-	-	-	-	-	-	-	1,064	1,183
Expenditures										
Debt service										
Principal retirement	-	75,000	489,350	20,000	20,000	20,000	35,000	12,825	652,175	1,698,600
Interest and fiscal charges	-	25,394	223,090	3,570	3,570	3,475	3,475	4,853	263,952	287,521
Other expenditures	-	300	1,263	350	-	-	500	78	2,491	2,954
Total expenditures	-	100,694	713,703	23,920	23,570	23,570	38,975	17,756	918,618	1,989,075
Excess (deficiency) of revenues over expenditures	1,064	(100,694)	(713,703)	(23,920)	(23,570)	(23,570)	(38,975)	(17,756)	(917,554)	(1,987,892)
Other financing sources (uses)										
Transfer in (out)	-	100,694	713,703	23,920	23,570	23,570	38,975	17,756	918,618	1,134,075
Proceeds of refinancing debt	-	-	-	-	-	-	-	-	-	855,000
Total other financing sources (uses)	-	100,694	713,703	23,920	23,570	23,570	38,975	17,756	918,618	1,989,075
Excess revenues and other financing sources over expenditures	1,064	-	-	-	-	-	-	-	1,064	1,183
Fund balance, beginning	32,521	-	-	-	-	-	-	-	32,521	31,338
Fund balance, ending	\$ 33,585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,585	\$ 32,521

See independent auditor's report

CITY OF FRANKENMUTH  
WASTE WATER ENTERPRISE FUND

City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Statements of Net Assets  
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current Assets		
Cash	\$ 119,277	\$ 98,147
Accounts receivable	157,223	167,503
Due from other funds	47,750	1,735
Special assessments receivable	48,790	52,512
Inventory		
Supplies	3,002	3,285
Chemicals	7,426	14,743
Prepaid Expenses	11,574	11,275
Total Current Assets	395,042	349,200
Other Assets		
Special assessments receivable net of current portion	239,008	280,558
Property, Plant, & Equipment		
Land	6,090	6,090
Buildings	17,942,001	17,942,001
Machinery and Equipment	1,231,435	1,196,692
Collection Systems	4,152,338	4,152,338
Furniture and fixtures	30,255	30,255
Less accumulated depreciation	(16,216,452)	(15,389,283)
Net Property, Plant and Equipment	7,145,667	7,938,093
Total Assets	\$ 7,779,717	\$ 8,567,851
<u>Liabilities and Fund Equity</u>		
Current Liabilities		
Accounts Payable	\$ 10,926	\$ 36,451
Accrued Payroll	261	502
Due to other funds	308,416	410,536
Deferred Special Assessment Revenue	239,008	280,558
Current portion of advance due to water fund	159,650	-
Current Portion of Long-Term Debt	393,050	709,600
Total Current Liabilities	1,111,311	1,437,647
Long-Term Liabilities		
Bonds Payable (net of current portion and unamortized discount)	2,466,725	3,609,271
Advance due to water fund	696,650	-
Total Long-Term Liabilities	3,163,375	3,609,271
Total Liabilities	4,274,686	5,046,918
Net Assets		
Investment in capital assets-Net of related debt	4,285,892	3,619,222
Unrestricted	(780,861)	(98,289)
Total Net Assets	3,505,031	3,520,933
Total Liabilities and Net Assets	\$ 7,779,717	\$ 8,567,851

See independent auditor's report.

City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Years Ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Sewage Disposal Charges		
Industrial	\$ 34,193	\$ 33,420
Residential	705,940	698,654
Commercial	737,757	747,715
Major commercial	264,105	285,090
Municipality	7,666	7,163
Penalties on late payments	9,961	9,184
Total Operating Revenues	<u>1,759,622</u>	<u>1,781,226</u>
Operating Expenses		
Transmission Maintenance	93,106	74,546
Sewage Purification	1,464,706	1,437,221
Administration	192,769	203,778
Customer Services	36	262
Total Operating Expenses	<u>1,750,617</u>	<u>1,715,807</u>
Operating Income (Loss)	<u>9,005</u>	<u>65,419</u>
Non-Operating Revenues (Expense)		
Interest revenue	17,868	22,731
Interest expense and agent fees	(132,089)	(154,564)
Special Assessments	70,243	84,593
Miscellaneous	9,058	8,694
Gain on sale of fixed asset	-	1,675
Total Non-Operating Revenues (Expenses)	<u>(34,920)</u>	<u>(36,871)</u>
Income before other revenues	(25,915)	28,548
Other Revenue		
Capital Contributions	10,013	14,000
Total Other Revenue	<u>10,013</u>	<u>14,000</u>
Increase (decrease) in net assets	<u>\$ (15,902)</u>	<u>\$ 42,548</u>

See independent auditor's report.

City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Statement of Operating Expenses  
For the Years Ended June 30, 2012 and June 30, 2011

	2012	2011
Transmission Maintenance		
Wages and Salaries	\$ 45,394	\$ 31,211
Repairs and Maintenance	17,357	2,523
Equipment Rental	14,863	15,794
Contracted Services	15,492	25,018
Total Transmission Maintenance	93,106	74,546
Sewage Purification		
Wages and Salaries	189,466	198,811
Operating Supplies	12,212	8,900
Chemicals	46,651	43,055
Tools and Supplies	27,016	18,841
Utilities	150,281	157,867
Building and Grounds Maintenance	78,402	60,935
Equipment Maintenance	14,301	4,237
Equipment Rental	2,507	1,149
Contracted Services	114,948	105,440
Depreciation	828,922	837,986
Total Sewage Purification	1,464,706	1,437,221
Administration		
Administration	54,000	54,000
Wages and Salaries	10,364	12,128
Fringe Benefits	80,379	88,857
Office Supplies	4,030	3,554
Safety Equipment	2,256	1,892
Professional Services	130	3,010
Equipment Maintenance and Support	1,614	2,440
Association Dues	355	261
Telephone, Pagers	4,924	4,373
Transportation and Conference	8,838	13,595
Insurance	19,499	16,918
Regulating Fees	6,380	2,750
Total Administration	192,769	203,778
Customer Service		
Wages and Salaries	30	148
Equipment Rental	6	62
Supplies	-	52
Total Customer Service	36	262
Total Operating Expenses	\$ 1,750,617	\$ 1,715,807

See independent auditor's report.

CITY OF FRANKENMUTH  
WATER ENTERPRISE FUND

City of Frankenmuth  
Water Enterprise Fund  
Statements of Net Assets  
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash	\$ 290,764	\$ 677,904
Investments	1,023,397	1,009,331
Accounts receivable	174,854	160,875
Special assessments receivable	6,421	8,078
Due from other funds	20,883	314,636
Inventory	57,931	63,027
Prepaid Expenses	5,780	6,227
Current portion advance due from waste treatment fund	159,650	-
Total Current Assets	1,739,680	2,240,078
<b>Other Assets</b>		
Special assessments receivable net of current portion	43,225	46,776
Advance due from waste treatment fund	696,650	-
Total Other Assets	739,875	46,776
<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	342,897	333,446
Meters and Boxes	390,513	381,661
Distribution System	6,402,584	6,403,762
Furniture and Fixtures	42,397	42,397
Less accumulated depreciation	(5,167,718)	(4,892,786)
Net Property, Plant and Equipment	2,790,209	3,048,016
Total Assets	\$ 5,269,764	\$ 5,334,870
<u>Liabilities and Fund Equity</u>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 81,630	\$ 73,689
Accrued Payroll	1,624	1,296
Due to other funds	66,148	23,885
Deferred Special Assessment Revenue	42,871	46,422
Current Portion of Long-Term Debt	-	57,000
Total Current Liabilities	192,273	202,292
<b>Long-Term Liabilities</b>		
Bonds Payable (net of current portion)	-	266,400
Total Liabilities	192,273	468,692
<b>Net Assets</b>		
Investment in capital assets-Net of related debt	2,790,209	2,724,616
Unrestricted	2,287,282	2,141,562
Total Net Assets	5,077,491	4,866,178
Total Liabilities and Net Assets	\$ 5,269,764	\$ 5,334,870
See independent auditor's report.		

City of Frankenmuth  
Water Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Years Ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Water Sales, City	\$ 1,393,280	\$ 1,306,842
Water Sales, Township	234,926	222,248
Penalties on Late Payments	9,813	8,438
Hydrant Rental	4,000	8,000
Other Revenue	31,065	19,963
Total Operating Revenues	<u>1,673,084</u>	<u>1,565,491</u>
Operating Expenses		
Distribution System Maintenance, Township	25,135	19,302
Distribution System Maintenance, City	135,771	158,819
Purification	1,091,375	1,031,683
Administration	192,928	182,685
Customer Services	45,894	37,872
Total Operating Expenses	<u>1,491,103</u>	<u>1,430,361</u>
Operating Income (Loss)	<u>181,981</u>	<u>135,130</u>
Non-Operating Revenues (Expense)		
Interest revenue	25,435	21,041
Interest expense and agent fees	(13,601)	(15,802)
Special Assessments	14,166	16,728
Total Non-Operating Revenues (Expenses)	<u>26,000</u>	<u>21,967</u>
Income before other revenues	207,981	157,097
Other Revenues		
Capital Contributions	3,332	6,787
Total Other Revenues	<u>3,332</u>	<u>6,787</u>
Net Income (Loss)	<u>\$ 211,313</u>	<u>\$ 163,884</u>

See independent auditor's report.

City of Frankenmuth  
Water Enterprise Fund  
Statement of Operating Expenses  
For the Years Ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Expenses		
Distribution System		
Maintenance, Township		
Wages and Salaries	\$ 18,618	\$ 14,417
Other	3,309	1,580
Equipment Rental	<u>3,208</u>	<u>3,305</u>
Total Distribution System Maintenance, Township	<u>25,135</u>	<u>19,302</u>
Distribution System Maintenance, City		
Wages and Salaries	102,084	110,263
Repairs and Maintenance	16,765	19,415
Equipment Rental	16,091	18,794
Contracted Services	<u>831</u>	<u>10,347</u>
Total Distribution System Maintenance, City	<u>135,771</u>	<u>158,819</u>
Purification		
Wages and Salaries	32,649	28,254
Operating Supplies	255	2,017
Tools and Supplies	698	957
Utilities	3,248	2,595
Water Purchase	776,011	715,463
Building and Grounds Maintenance	2,548	2,203
Equipment Maintenance	539	653
Contracted Services	482	1,152
Equipment Rental	13	-
Depreciation	<u>274,932</u>	<u>278,389</u>
Total Purification	<u>1,091,375</u>	<u>1,031,683</u>

See independent auditor's report.

City of Frankenmuth  
Water Enterprise Fund  
Statement of Operating Expenses (continued)  
For the Years Ended June 30, 2012 and June 30, 2011

	2012	2011
Administration		
Administration, general	\$ 36,000	\$ 36,000
Fringe Benefits	37,384	36,830
Office Supplies	1,047	1,918
Postage	3,368	3,075
Safety Equipment	665	658
Computer Services	1,452	1,610
Association Dues	608	757
Telephone, Pagers, Cell	3,397	2,706
Regulatory Fees	1,456	1,377
Transportation and Conference	19,033	17,511
Insurance	8,761	7,224
Contracted Services	79,757	73,019
Total Administration	192,928	182,685
Customer Service		
Wages and Salaries	32,095	32,441
Supplies	10,473	1,521
Equipment Rental	3,224	3,560
Contracted Services	102	350
Total Customer Service	45,894	37,872
Total Operating Expenses	\$ 1,491,103	\$ 1,430,361

See independent auditor's report

City of Frankenmuth  
Water Enterprise Fund  
Operating Statistics  
For the Year Ended June 30, 2012  
With Comparative Totals For the Year Ended June 30, 2011

	<u>Residential</u>	<u>Commercial Industrial</u>	<u>Municipal</u>	<u>Totals</u>	
				<u>2012</u>	<u>2011</u>
Average Number of Meters in Service	2,274	472	15	2,761	2,747
Water Utility					
Gallons Sold	123,887,000	164,835,000	9,672,000	298,394,000	293,252,000
Revenue From Sales	\$ 858,775	\$ 728,403	\$ 41,030	\$ 1,628,208	\$ 1,529,091

See independent auditor's report

CITY OF FRANKENMUTH  
EQUIPMENT INTERNAL SERVICE FUND

City of Frankenmuth  
Equipment Internal Service Fund  
Statements of Net Assets  
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current Assets		
Cash	\$ 373,003	\$ 334,740
Due from other funds	97,817	132,195
Other receivables	500	1,943
Inventory, supplies	4,245	2,667
Prepaid Expenses	9,214	9,284
Total Current Assets	<u>484,779</u>	<u>480,829</u>
Property and Equipment	2,126,181	2,088,657
Less: Accumulated depreciation	<u>(1,509,280)</u>	<u>(1,445,016)</u>
Net Property and Equipment	<u>616,901</u>	<u>643,641</u>
Total Assets	<u>\$ 1,101,680</u>	<u>\$ 1,124,470</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts Payable	\$ 7,679	\$ 6,582
Due to other funds	1,138	1,406
Total Current Liabilities	<u>8,817</u>	<u>7,988</u>
Net Assets		
Investment in capital assets- Net of related debt	616,901	643,641
Unrestricted	475,962	472,841
Total Net Assets	<u>1,092,863</u>	<u>1,116,482</u>
Total Liabilities and Net Assets	<u>\$ 1,101,680</u>	<u>\$ 1,124,470</u>

See independent auditor's report.

City of Frankenmuth  
Equipment Internal Service Fund  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Billing to Departments	\$ 348,331	\$ 376,302
DPW Fringe Recovery	8,078	7,469
Total Operating Revenues	<u>356,409</u>	<u>383,771</u>
Operating Expenses		
Motor Vehicle Maintenance		
Salaries and Wages	69,723	64,887
Benefits	22,587	20,956
Tools and Supplies	10,253	5,734
Gasoline and Oil	57,518	53,068
Repairs and Maintenance	85,190	69,606
Transportation	10	-
Depreciation	100,969	105,879
Total Motor Vehicle Maintenance Expense	<u>346,250</u>	<u>320,130</u>
Administration Expense		
Administration, general	25,200	25,200
Fleet Insurance	12,227	12,485
Total Administration Expense	<u>37,427</u>	<u>37,685</u>
Total Operating Expense	<u>383,677</u>	<u>357,815</u>
Operating Income	<u>(27,268)</u>	<u>25,956</u>
Non-Operating Revenues		
Interest	938	1,114
Sale of Fixed Assets	2,711	16,973
Total Non-Operating Revenue	<u>3,649</u>	<u>18,087</u>
Increase (decrease) in Net Assets	(23,619)	44,043
Net Assets, Beginning	1,116,482	1,072,439
Net Assets, Ending	<u>\$ 1,092,863</u>	<u>\$ 1,116,482</u>

See independent auditor's report.

City of Frankenmuth  
Schedule of Indebtedness  
June 30, 2012

<b>Governmental Activities</b>				Annual	Semiannual		Total
<b>General Obligation Bonds</b>	Date of	Amount of	Interest	Principal	Interest Payment		Fiscal Year
	Issue	Issue	Rate	1-Oct	1-Oct	1-Apr	Requirement
1997 GF Streetscape	8/1/1997	1,200,000					
2012-13			5.20	\$ 80,000	\$ 11,731	\$ 9,651	\$ 101,382
2013-14			5.25	85,000	9,651	7,420	102,071
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				<u>\$ 445,000</u>	<u>\$ 36,355</u>	<u>\$ 24,623</u>	<u>\$ 505,978</u>
				Annual	Semiannual		Total
	Date of	Amount of	Interest	Principal	Interest Payment		Fiscal Year
	Issue	Issue	Rate	1-Sep	1-Sep	1-Mar	Requirement
1999 G.O. Major Street	8/9/1999	332,000	5.12				
W. Tuscola							
2012-13				\$ 20,000	\$ 1,530	\$ 1,020	\$ 22,550
2013-14				20,000	1,020	510	21,530
2014-15				20,000	510	-	20,510
				<u>\$ 60,000</u>	<u>\$ 3,060</u>	<u>\$ 1,530</u>	<u>\$ 64,590</u>
				Annual	Semiannual		Total
	Date of	Amount of	Interest	Principal	Interest Payment		Fiscal Year
	Issue	Issue	Rate	1-Mar	1-Sep	1-Mar	Requirement
1999 Michigan	10/27/1999	380,000	5.27				
Transportation Fund							
2012-13				\$ 30,000	\$ 810	\$ 810	\$ 31,620
				<u>\$ 30,000</u>	<u>\$ 810</u>	<u>\$ 810</u>	<u>\$ 31,620</u>
				Annual	Semiannual		Total
	Date of	Amount of	Interest	Principal	Interest Payment		Fiscal Year
	Issue	Issue	Rate	1-May	1-Nov	1-May	Requirement
2005 Downtown	8/11/2005	3,260,000	2.75-4.125				
Development Refunding							
2012-13				\$ 310,000	\$ 47,569	\$ 47,569	\$ 405,138
2013-14				315,000	40,594	40,594	396,188
2014-15				325,000	33,506	33,506	392,012
2015-16				335,000	26,194	26,194	387,388
2016-17				340,000	19,913	19,913	379,826
2017-18				170,000	12,263	12,263	194,526
2018-19				170,000	8,863	8,863	187,726
2019-20				170,000	5,463	5,463	180,926
2020-21				100,000	2,063	2,063	104,126
				<u>\$ 2,235,000</u>	<u>\$ 196,428</u>	<u>\$ 196,428</u>	<u>\$ 2,627,856</u>
				Principal	Interest Payment		Fiscal Year
	Date of	Amount of	Interest	1-Jan	1-Jan		Requirement
Land Acquisition							
2007 Debt Service							
2012-13				\$ 612,672	\$ 26,121	\$ -	\$ 638,793
				<u>\$ 612,672</u>	<u>\$ 26,121</u>	<u>\$ -</u>	<u>\$ 638,793</u>

City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2012

**Governmental Activities**  
Special Assessment Bonds

	Date of Issue	Amount of Issue	Interest Rate	Annual	Semiannual		Total
				Principal	Interest Payment		Fiscal Year
				1-Oct	1-Oct	1-Apr	Requirement
2001 DDA Phase 3/Georgetown	6/19/2001	750,000	5.07				
2012-13				\$ 45,000	\$ 8,006	\$ 6,960	\$ 59,966
2013-14				45,000	6,960	5,835	57,795
2014-15				40,000	5,835	4,835	50,670
2015-16				45,000	4,835	3,710	53,545
2016-17	Debt serviced as follows:			15,000	3,710	3,313	22,023
2017-18	DDA		43%	15,000	3,312	2,915	21,227
2018-19	Local Street		28.5%	15,000	2,915	2,518	20,433
2019-20	Waste Treatment		28.5%	15,000	2,517	2,120	19,637
2020-21				15,000	2,120	1,723	18,843
2021-22				15,000	1,722	1,325	18,047
2022-23				15,000	1,325	928	17,253
2023-24				15,000	927	530	16,457
2024-25				10,000	530	265	10,795
2025-26				10,000	265	-	10,265
				<u>\$ 315,000</u>	<u>\$ 44,979</u>	<u>\$ 36,977</u>	<u>\$ 396,956</u>
	Date of Issue	Amount of Issue	Interest Rate	Annual	Semiannual		Total
				Principal	Interest Payment		Fiscal Year
				1-Sep	1-Sep	1-Mar	Requirement
1999 S.A. Major Street							
West Tuscola	8/9/1999	332,000	5.13				
2012-13				\$ 20,000	\$ 1,530	\$ 1,020	\$ 22,550
2013-14				20,000	1,020	510	21,530
2014-15				20,000	510	-	20,510
				<u>\$ 60,000</u>	<u>\$ 3,060</u>	<u>\$ 1,530</u>	<u>\$ 64,590</u>
	Date of Issue	Amount of Issue	Interest Rate	Annual	Semiannual		Total
				Principal	Interest Payment		Fiscal Year
				1-Apr	1-Oct	1-Apr	Requirement
2004 GO Weiss Street	2/11/2004	1,800,000	4.24				
2012-13				\$ 75,000	\$ 28,280	\$ 28,280	\$ 131,560
2013-14				80,000	26,930	26,930	133,860
2014-15				85,000	25,410	25,410	135,820
2015-16				90,000	23,731	23,731	137,462
2016-17				100,000	21,909	21,909	143,818
2017-18				110,000	19,809	19,809	149,618
2018-19				115,000	17,471	17,471	149,942
2019-20				120,000	14,970	14,970	149,940
2020-21				125,000	12,300	12,300	149,600
2021-22				130,000	9,487	9,488	148,975
2022-23				135,000	6,498	6,497	147,995
2023-24				140,000	3,325	3,325	146,650
				<u>\$ 1,305,000</u>	<u>\$ 210,120</u>	<u>\$ 210,120</u>	<u>\$ 1,725,240</u>

See independent auditor's report.

City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2012

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Annual Principal 1-Sep</u>	<u>Semiannual Interest Payment</u>		<u>Total Fiscal Year Requirement</u>
					<u>1-Sep</u>	<u>1-Mar</u>	
2001 S.A. DDA Snowmelt	9/1/2001	\$ 490,000	4.29				
2012-13				\$ 40,000	\$ 4,390	\$ 3,560	\$ 47,950
2013-14				40,000	3,560	2,700	46,260
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>\$ 200,000</u>	<u>\$ 13,390</u>	<u>\$ 9,000</u>	<u>\$ 222,390</u>
	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Annual Principal 1-Sep</u>	<u>Semiannual Interest Payment</u>		<u>Total Fiscal Year Requirement</u>
					<u>1-Sep</u>	<u>1-Mar</u>	
2010 DDA Refunding	7/23/2010	\$ 850,000	4.0-5.0				
2012-13				\$ 70,000	\$ 15,700	\$ 14,300	\$ 100,000
2013-14				70,000	14,300	12,900	97,200
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>\$ 785,000</u>	<u>\$ 95,401</u>	<u>\$ 79,701</u>	<u>\$ 960,102</u>

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