

**City of Eaton Rapids  
Eaton County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2013**

City of Eaton Rapids

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Eaton Rapids, Michigan

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

## **Opinions**

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

## **Changes in Accounting Principles**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 28, 2013

City of Eaton Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

This section of the City of Eaton Rapids annual report presents our discussion and analysis of the City of Eaton Rapids financial performance during the year ended June 30, 2013. Please read it in conjunction with the City's financial statements, which immediately follow this section.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the City's management's discussion and analysis of the financial results for the fiscal year ended June 30, 2013.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Eaton Rapids financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole, presenting both an aggregate view of the City's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - the General Fund, and other smaller funds collectively as non-major governmental funds.

**Government-Wide Financial Statements**

One of the most important questions asked about the City of Eaton Rapids is, "As a whole, what is the City's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the basic financial statements, report information on the as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position (page 1) presents all of the City of Eaton Rapids' assets and liabilities, recording the difference between the two as "net position". Over time, increases or decreases in net position measure whether the City of Eaton Rapids financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of Eaton Rapids' net position changed during fiscal year 2013. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods.

Both statements report the following activities:

- **Governmental Activities** - Most of the City of Eaton Rapids basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. This also includes the activities such as the major and local street maintenance, and debt service.
- **Business-type Activities** - These activities operate like private businesses. The City of Eaton Rapids charges fees to recover the cost of the services provided.
- **Discretely Presented Component Unit** - Discretely Presented Component units are legally separate organizations for which the City of Eaton Rapids Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of Eaton Rapids.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

As stated previously, the Government-wide financial statements are full accrual basis statements. However, the governmental funds report on a modified accrual basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types.

**Fund Financial Statements**

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of Eaton Rapids uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services fund (e.g. Motor pool) as well as enterprise funds such as the Utility Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The City of Eaton Rapids funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- Governmental Funds - Most of the City of Eaton Rapids basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of Eaton Rapids programs. Governmental funds include the General Fund, as well as special revenue, capital projects, and permanent funds.
- Proprietary Funds - Services for which the City of Eaton Rapids charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same accrual basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. Enterprise funds report activities that provide supplies and/or services to the general public. Internal Service funds report activities that provide supplies or service to the City of Eaton Rapids other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

**Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 14 of this report.

City of Eaton Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

**Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund.

**Other Supplementary Information**

Other Supplementary Information includes combining financial statements for non-major governmental funds. These funds are added together, by fund type, and are presented in a single aggregate column in the basic financial statements.

**Summary of Net Position:**

The following summarizes the net position as of June 30, 2013 and 2012.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>						
Current and other assets	\$ 2,187,220	\$ 2,124,876	\$ 4,883,088	\$ 4,657,878	\$ 7,070,308	\$ 6,782,754
Capital assets, net	7,008,702	7,238,420	14,989,968	14,862,028	21,998,670	22,100,448
<b>Total assets</b>	<b>9,195,922</b>	<b>9,363,296</b>	<b>19,873,056</b>	<b>19,519,906</b>	<b>29,068,978</b>	<b>28,883,202</b>
<b>Liabilities</b>						
Current	384,012	346,387	1,010,190	933,001	1,394,202	1,279,388
Noncurrent	3,540,990	3,623,688	11,097,099	10,740,887	14,638,089	14,364,575
<b>Total liabilities</b>	<b>3,925,002</b>	<b>3,970,075</b>	<b>12,107,289</b>	<b>11,673,888</b>	<b>16,032,291</b>	<b>15,643,963</b>
<b>Net Position</b>						
Invested in capital assets - net of related debt	4,704,763	4,703,349	5,080,353	5,551,177	9,785,116	10,254,526
Restricted	1,050,491	882,453	709,456	717,662	1,759,947	1,600,115
Unrestricted	(484,334)	(192,581)	1,975,958	1,568,814	1,491,624	1,376,233
<b>Total net position</b>	<b>\$ 5,270,920</b>	<b>\$ 5,393,221</b>	<b>\$ 7,765,767</b>	<b>\$ 7,837,653</b>	<b>\$ 13,036,687</b>	<b>\$ 13,230,874</b>

City of Eaton Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

**Results of Operations:**

For the fiscal year ended June 30, 2013 and 2012, the government-wide results of operations were:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 1,061,614	\$ 1,018,058	\$ 9,592,536	\$ 9,424,860	\$ 10,654,150	\$ 10,442,918
Operating grants and contributions	304,151	308,538	-	-	304,151	308,538
Capital grants and contributions	119,889	43,345	-	-	119,889	43,345
General revenues:						
Property taxes	1,015,402	1,064,066	580,324	568,823	1,595,726	1,632,889
State Revenue Sharing	424,204	408,476	-	-	424,204	408,476
Investment earnings	11,908	15,806	12,573	18,983	24,481	34,789
Other	72,182	43,749	220,861	167,824	293,043	211,573
Transfers	360,870	438,426	(360,870)	(438,426)	-	-
<b>Total revenues</b>	<b>3,370,220</b>	<b>3,340,464</b>	<b>10,045,424</b>	<b>9,742,064</b>	<b>13,415,644</b>	<b>13,082,528</b>
<b>Expenses</b>						
General government	997,803	1,342,472	-	-	997,803	1,342,472
Public safety	1,441,390	1,231,162	-	-	1,441,390	1,231,162
Public works	606,383	578,465	10,117,310	10,739,333	10,723,693	11,317,798
Community and economic development	212,579	189,219	-	-	212,579	189,219
Health and welfare	10,472	9,520	-	-	10,472	9,520
Recreation and culture	129,238	137,107	-	-	129,238	137,107
Interest on long-term debt	94,656	186,801	-	-	94,656	186,801
<b>Total expenses</b>	<b>3,492,521</b>	<b>3,674,746</b>	<b>10,117,310</b>	<b>10,739,333</b>	<b>13,609,831</b>	<b>14,414,079</b>
Change in net position	(122,301)	(334,282)	(71,886)	(997,269)	(194,187)	(1,331,551)
Restated net position, beginning of year	5,393,221	5,727,503	7,837,653	8,834,922	13,230,874	14,562,425
<b>Net position, end of year</b>	<b>\$ 5,270,920</b>	<b>\$ 5,393,221</b>	<b>\$ 7,765,767</b>	<b>\$ 7,837,653</b>	<b>\$ 13,036,687</b>	<b>\$ 13,230,874</b>

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

**Analysis of Results of Operations:**

During fiscal year ended June 30, 2013, the City's net position decreased by \$194,187. Several factors which contributed to this decrease are discussed in the following sections.

**A. Governmental Activities Operating Results**

The City's expenses from governmental activities operations exceeded revenues by \$122,301, and the business-type expenses exceeded revenues by \$71,886 for the fiscal year ended June 30, 2013.

**B. Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,637,483, an increase of \$45,125 from the prior year. Approximately 30% of this \$494,239 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay for specific debt services or for a variety of other restricted purposes.

General Fund is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$494,239. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to the total fund expenditures. Unassigned fund balance at June 30, 2013, represents 20% of the total General Fund expenditures and other financing uses.

During the fiscal year ended June 30, 2013 the fund balance in the City's General Fund decreased by \$117,200.

Budgetary-basis revenues for the General Fund were increased from the original budget by \$48,042 and came in \$67,864 less than the amended budget. Expenditures and other financing uses were increased by \$224,770 from the adopted budget and came in \$127,392 below the amended budget, resulting in the favorable variance of \$73,276.

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

Unrestricted net position of the Utility Fund at the end of the year amounted to \$1,975,958. The most recent fiscal year's activities decreased the net position of the Utility Fund by \$71,886.

**C. Long-Term Debt Activities**

As of June 30, 2013, the City had total outstanding debt for governmental activities (including compensated absences) of \$2,352,664. For business-type activities, the outstanding debt (including compensated absences) was \$8,685,754 as of June 30, 2013. For component units, the outstanding debt was \$3,195,000 as of June 30, 2013.

The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of June 30, 2013 is \$128,050.

City of Eaton Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

The City made principal payments on long-term debt obligations that reduced the amount of the City's long-term liabilities as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities				
2009 Capital improvement bonds	\$ 220,000	\$ -	\$ (15,000)	\$ 205,000
2009 Building authority refunding bonds	2,280,000	-	(190,000)	2,090,000
Capital lease	35,071	-	(26,132)	8,939
Compensated absences	95,398	77,896	(124,569)	48,725
	<u>2,630,469</u>	<u>77,896</u>	<u>(355,701)</u>	<u>2,352,664</u>
Business Type Activities				
2008 Capital improvement bonds	430,000	-	(30,000)	400,000
1999 Drinking water bonds	669,806	-	(75,000)	594,806
2004 WWTP improvement bonds	7,052,300	-	(440,000)	6,612,300
Capital lease - water meters	1,167,111	136,075	(303,863)	999,323
Compensated absences	84,489	97,794	(102,958)	79,325
	<u>9,403,706</u>	<u>233,869</u>	<u>(951,821)</u>	<u>8,685,754</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>12,034,175</b>	<b>311,765</b>	<b>(1,307,522)</b>	<b>11,038,418</b>
<b>COMPONENT UNITS</b>				
2009 Capital improvement bonds	630,000	-	(25,000)	605,000
2008 Tax increment bonds - LDFA	2,680,000	-	(90,000)	2,590,000
<b>TOTAL COMPONENT UNIT</b>	<b>3,310,000</b>	<b>-0-</b>	<b>(115,000)</b>	<b>3,195,000</b>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$ 15,344,175</u></b>	<b><u>\$ 311,765</u></b>	<b><u>\$ (1,422,522)</u></b>	<b><u>\$ 14,233,418</u></b>

City of Eaton Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

**D. Net Investment in Capital Assets**

At the end of the year, the City had invested \$7,008,702 and \$14,989,968 (net of accumulated depreciation) for governmental and business-type capital assets respectively. Depreciation charges for the fiscal year totaled \$398,153 for the governmental activities and \$1,029,453 for the business-type activities. The following chart provides more detail on these capital assets.

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Component Units</b>	<b>Total</b>
Land and construction in progress	\$ 899,224	\$ 1,303,186	\$ 2,865,679	\$ 5,068,089
Buildings and improvements, net	2,819,038	-	-	2,819,038
Land improvements, net	516,362	-	-	516,362
Vehicles, net	597,043	-	-	597,043
Machinery, equipment and furniture, net	54,314	-	-	54,314
Books, net	43,142	-	-	43,142
Infrastructure, net	2,079,579	13,686,782	-	15,766,361
	<b><u>\$ 7,008,702</u></b>	<b><u>\$ 14,989,968</u></b>	<b><u>\$ 2,865,679</u></b>	<b><u>\$ 24,864,349</u></b>

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

There are several economic factors that will challenge the City in the next several years. These include state revenue sharing cuts, health insurance increases, pension costs and declining assessed property tax values. These factors were considered in the preparation of the City's fiscal year 2013-2014 budgets. In addition, the City Council is currently monitoring, and will evaluate and respond as necessary, to various upcoming State legislation regarding pension plans, employer provided health care and other changes.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the City's finances. If you have questions about this report or need additional information, contact Lisa St. Aubin, Treasurer, City of Eaton Rapids, 200 South Main Street, Eaton Rapids, Michigan 48827.

## **BASIC FINANCIAL STATEMENTS**

City of Eaton Rapids

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 436,446	\$ 412,611	\$ 849,057	\$ 661,994
Investments	1,483,469	1,234,368	2,717,837	2,314,210
Receivables				
Accounts	720	984,890	985,610	-
Note receivable	-	14,190	14,190	-
Interest	708	1,355	2,063	1,227
Due from other governmental units	171,949	-	171,949	-
Prepays	51,393	385,335	436,728	-
Inventories	-	368,668	368,668	75,448
<b>Total current assets</b>	<b>2,144,685</b>	<b>3,401,417</b>	<b>5,546,102</b>	<b>3,052,879</b>
Noncurrent assets				
Cash and cash equivalents - restricted	-	1,273,625	1,273,625	-
Investments	42,535	208,046	250,581	-
Capital assets not being depreciated	899,224	1,303,186	2,202,410	2,865,679
Capital assets net of accumulated depreciation	6,109,478	13,686,782	19,796,260	-
<b>Total noncurrent assets</b>	<b>7,051,237</b>	<b>16,471,639</b>	<b>23,522,876</b>	<b>2,865,679</b>
<b>TOTAL ASSETS</b>	<b>9,195,922</b>	<b>19,873,056</b>	<b>29,068,978</b>	<b>5,918,558</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	89,383	37,148	126,531	1,442
Accrued liabilities	40,806	26,757	67,563	1,949
Accrued interest	27,703	40,476	68,179	12,262
Current portion of long-term debt	213,939	752,217	966,156	115,000
Current portion of maintenance contract payable	-	133,760	133,760	-
Current portion of compensated absences	12,181	19,832	32,013	-
<b>Total current liabilities</b>	<b>384,012</b>	<b>1,010,190</b>	<b>1,394,202</b>	<b>130,653</b>
Noncurrent liabilities				
Customer deposits	-	145,485	145,485	-
Net other post-employment benefit obligation	1,414,446	2,435,989	3,850,435	78,580
Noncurrent portion of long-term debt	2,090,000	7,854,212	9,944,212	3,080,000
Noncurrent portion of maintenance contract payable	-	601,920	601,920	-
Noncurrent portion of compensated absences	36,544	59,493	96,037	-
<b>Total noncurrent liabilities</b>	<b>3,540,990</b>	<b>11,097,099</b>	<b>14,638,089</b>	<b>3,158,580</b>
<b>TOTAL LIABILITIES</b>	<b>3,925,002</b>	<b>12,107,289</b>	<b>16,032,291</b>	<b>3,289,233</b>
<b>NET POSITION</b>				
Net investment in capital assets	4,704,763	5,080,353	9,785,116	(329,321)
Restricted				
Bond retirement	-	109,456	109,456	-
Electric utility	-	600,000	600,000	-
Highways and streets	908,201	-	908,201	-
Cemetery perpetual care	115,828	-	115,828	-
Friends of the Island	26,437	-	26,437	-
Dog park	25	-	25	-
Unrestricted	(484,334)	1,975,958	1,491,624	2,958,646
<b>TOTAL NET POSITION</b>	<b>\$ 5,270,920</b>	<b>\$ 7,765,767</b>	<b>\$ 13,036,687</b>	<b>\$ 2,629,325</b>

See accompanying notes to financial statements.

City of Eaton Rapids  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 997,803	\$ 107,730	\$ -	\$ -	\$ (890,073)	\$ -	\$ (890,073)	\$ -
Public safety	1,441,390	25,379	2,255	8,759	(1,404,997)	-	(1,404,997)	-
Public works	606,383	827,527	263,286	-	484,430	-	484,430	-
Community and economic development	212,579	83,279	-	111,130	(18,170)	-	(18,170)	-
Health and welfare	10,472	-	-	-	(10,472)	-	(10,472)	-
Recreation and culture	129,238	17,699	38,610	-	(72,929)	-	(72,929)	-
Interest on long-term debt	94,656	-	-	-	(94,656)	-	(94,656)	-
Total governmental activities	3,492,521	1,061,614	304,151	119,889	(2,006,867)	-0-	(2,006,867)	-0-
Business-type activities								
Electric	7,493,099	7,725,349	-	-	-	232,250	232,250	-
Water	941,643	853,611	-	-	-	(88,032)	(88,032)	-
Sewage	1,682,568	1,013,576	-	-	-	(668,992)	(668,992)	-
Total business-type activities	10,117,310	9,592,536	-0-	-0-	-0-	(524,774)	(524,774)	-0-
Total primary government	<u>\$ 13,609,831</u>	<u>\$ 10,654,150</u>	<u>\$ 304,151</u>	<u>\$ 119,889</u>	(2,006,867)	(524,774)	(2,531,641)	-0-
Component units								
L DFA Island Industrial Park	\$ 244,534	\$ -	\$ -	\$ -	-	-	-0-	(244,534)
TIFA I DDA	88,425	-	-	-	-	-	-0-	(88,425)
Total component units	<u>\$ 332,959</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(332,959)
General revenues								
Property taxes					1,015,402	580,324	1,595,726	426,634
State shared revenue					424,204	-	424,204	-
Investment earnings					11,908	12,573	24,481	12,193
Other					72,182	220,861	293,043	10,167
Transfers					360,870	(360,870)	-0-	-
Total general revenues and transfers					1,884,566	452,888	2,337,454	448,994
Change in net position					(122,301)	(71,886)	(194,187)	116,035
Restated net position, beginning of the year					5,393,221	7,837,653	13,230,874	2,513,290
Net position, end of the year					<u>\$ 5,270,920</u>	<u>\$ 7,765,767</u>	<u>\$ 13,036,687</u>	<u>\$ 2,629,325</u>

See accompanying notes to financial statements.

City of Eaton Rapids

Governmental Funds

BALANCE SHEET

June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 109,192	\$ 242,896	\$ 352,088
Investments	382,060	849,042	1,231,102
Receivables			
Accounts	720	-	720
Interest	317	391	708
Due from other governmental units	87,419	84,530	171,949
Prepays	10,757	348	11,105
	<u>590,465</u>	<u>1,177,207</u>	<u>1,767,672</u>
<b>TOTAL ASSETS</b>	<b>\$ 590,465</b>	<b>\$ 1,177,207</b>	<b>\$ 1,767,672</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 58,183	\$ 31,200	\$ 89,383
Accrued wages payable	27,286	5,391	32,677
Other accrued liabilities	-	8,129	8,129
	<u>85,469</u>	<u>44,720</u>	<u>130,189</u>
<b>TOTAL LIABILITIES</b>	<b>85,469</b>	<b>44,720</b>	<b>130,189</b>
<b>FUND BALANCES</b>			
Nonspendable	10,757	348	11,105
Restricted	-	1,050,491	1,050,491
Committed	-	81,648	81,648
Unassigned	494,239	-	494,239
	<u>504,996</u>	<u>1,132,487</u>	<u>1,637,483</u>
<b>TOTAL FUND BALANCES</b>	<b>504,996</b>	<b>1,132,487</b>	<b>1,637,483</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 590,465</b>	<b>\$ 1,177,207</b>	<b>\$ 1,767,672</b>

See accompanying notes to financial statements.

City of Eaton Rapids

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

June 30, 2013

**Total fund balance - governmental funds** \$ 1,637,483

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

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

The cost of capital assets is	\$ 11,902,058	
Accumulated depreciation is	<u>(4,893,356)</u>	
Capital assets, net		7,008,702

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the Government-wide Statement of Net Position.

Net position of governmental activities accounted for in the Internal Service Funds	1,025,899	
Capital assets included in the totals above	(615,290)	
Capital lease included in the total below	<u>8,939</u>	
		419,548

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds and capital lease payable	(2,303,939)	
Other post-employment benefits obligation	(1,414,446)	
Accrued interest	(27,703)	
Compensated absences	<u>(48,725)</u>	
		<u>(3,794,813)</u>

**Net position of governmental activities** \$ 5,270,920

City of Eaton Rapids

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Property taxes	\$ 930,606	\$ 93,244	\$ 1,023,850
Licenses and permits	2,942	-	2,942
Intergovernmental			
Local	5,000	8,000	13,000
Federal	2,255	128,085	130,340
State	424,204	381,104	805,308
Charges for services	75,750	63,717	139,467
Fines and forfeits	26,172	-	26,172
Interest and rentals	35,361	3,664	39,025
Donations	-	561	561
Reimbursements	20,164	-	20,164
Other	796,310	12,210	808,520
	<u>2,318,764</u>	<u>690,585</u>	<u>3,009,349</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current			
General government	510,730	-	510,730
Public safety	1,223,469	66,039	1,289,508
Public works	381,899	167,789	549,688
Community and economic development	190,881	-	190,881
Health and welfare	10,472	-	10,472
Recreation and culture	-	116,839	116,839
Other	-	111,539	111,539
Debt service	-	301,606	301,606
Capital outlay	132,765	27,272	160,037
	<u>2,450,216</u>	<u>791,084</u>	<u>3,241,300</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>			
	(131,452)	(100,499)	(231,951)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	15,000	334,467	349,467
Transfers out	(748)	(71,643)	(72,391)
	<u>14,252</u>	<u>262,824</u>	<u>277,076</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCES</b>			
	(117,200)	162,325	45,125
Fund balances, beginning of year	<u>622,196</u>	<u>970,162</u>	<u>1,592,358</u>
Fund balances, end of year	<u>\$ 504,996</u>	<u>\$ 1,132,487</u>	<u>\$ 1,637,483</u>

See accompanying notes to financial statements.

City of Eaton Rapids

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

Year Ended June 30, 2013

**Net change in fund balances - total governmental funds** \$ 45,125

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 168,435	
Depreciation expense	<u>(398,153)</u>	
Excess of depreciation expense over capital outlay		(229,718)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Decrease in net position to Internal Service Funds	(4,979)	
Depreciation expense included in the total above	<u>58,746</u>	
		53,767

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

Debt principal retirement		205,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,950	
(Increase) in other post-employment benefits obligation	(245,098)	
Decrease in accrued compensated absences	<u>46,673</u>	
		<u>(196,475)</u>

**Change in net position of governmental activities** \$ (122,301)

City of Eaton Rapids  
Proprietary Funds  
STATEMENT OF NET POSITION  
June 30, 2013

	Business-type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 412,611	\$ 84,358
Investments	1,234,368	252,367
Accounts receivable	984,890	-
Note receivable	14,190	-
Prepays	385,335	40,288
Inventories	368,668	-
	<u>3,400,062</u>	<u>377,013</u>
Total current assets		
Noncurrent assets		
Cash and cash equivalents - restricted	1,273,625	-
Investments	208,046	42,535
Accrued interest receivable	1,355	-
Capital assets not being depreciated	1,303,186	-
Capital assets, net of accumulated depreciation	13,686,782	615,290
	<u>16,472,994</u>	<u>657,825</u>
Total noncurrent assets		
TOTAL ASSETS		
	19,873,056	1,034,838
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	37,148	-
Accrued interest payable	40,476	-
Accrued payroll	26,757	-
Current portion of compensated absences	19,832	-
Current portion of long-term debt	752,217	-
Capital lease payable	-	8,939
Current portion of maintenance contract payable	133,760	-
	<u>1,010,190</u>	<u>8,939</u>
Total current liabilities		
Noncurrent liabilities		
Net other post-employment benefits obligation	2,435,989	-
Customer deposits	145,485	-
Noncurrent portion of compensated absences	59,493	-
Noncurrent portion of long-term debt	7,854,212	-
Noncurrent portion of maintenance contract payable	601,920	-
	<u>11,097,099</u>	<u>-0-</u>
Total noncurrent liabilities		
TOTAL LIABILITIES		
	12,107,289	8,939
<b>NET POSITION</b>		
Net investment in capital assets		
Restricted		
Bond retirement	109,456	-
Electric utility	600,000	-
Unrestricted	1,975,958	419,548
	<u>5,080,353</u>	<u>606,351</u>
TOTAL NET POSITION		
	<u>\$ 7,765,767</u>	<u>\$ 1,025,899</u>

See accompanying notes to financial statements.

City of Eaton Rapids

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2013

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Utility Fund</u>	<u>Internal Service Funds</u>
OPERATING REVENUES		
Charges for services	\$ 9,592,536	\$ 725,890
Fines and forfeitures	27,989	-
Other revenue	<u>192,872</u>	<u>67,191</u>
TOTAL OPERATING REVENUES	9,813,397	793,081
OPERATING EXPENSES		
Personal services	1,174,912	-
Contractual services	118,699	-
Supplies	50,885	-
Materials	195,863	-
Utilities	168,196	-
Telephone	16,838	-
Insurance	38,630	-
Maintenance	6,047,541	-
Benefit payments	942,521	822,120
Other expense	88,856	-
Depreciation	<u>1,029,453</u>	<u>58,746</u>
TOTAL OPERATING EXPENSES	<u>9,872,394</u>	<u>880,866</u>
OPERATING (LOSS)	(58,997)	(87,785)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	580,324	-
Interest income	12,573	-
Interest expense	<u>(244,916)</u>	<u>(988)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>347,981</u>	<u>(988)</u>
INCOME (LOSS) BEFORE TRANSFERS	288,984	(88,773)
TRANSFERS		
Transfers in	-	83,794
Transfers out	<u>(360,870)</u>	<u>-</u>
TOTAL TRANSFERS	<u>(360,870)</u>	<u>83,794</u>
CHANGE IN NET POSITION	(71,886)	(4,979)
Restated net position, beginning of year	<u>7,837,653</u>	<u>1,030,878</u>
Net position, end of year	<u><u>\$ 7,765,767</u></u>	<u><u>\$ 1,025,899</u></u>

See accompanying notes to financial statements.

City of Eaton Rapids  
Proprietary Funds  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Utility Fund</u>	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 9,938,878	\$ -
Cash received from interfund services	-	873,636
Cash paid to suppliers	(6,508,047)	(906,913)
Payments to employees	<u>(1,178,274)</u>	<u>-</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 2,252,557	 (33,277)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	-	83,794
Transfers out	<u>(360,870)</u>	<u>-</u>
 NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	 (360,870)	 83,794
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest payment	-	(988)
Purchase of capital assets	(1,157,393)	-
Property taxes	580,324	-
Principal payments on long-term debt	(712,787)	-
Interest and fiscal charges	<u>(263,827)</u>	<u>-</u>
 NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 (1,553,683)	 (988)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturity of investments	-	704
Purchase of investments	(481,363)	(84,868)
Interest income	<u>12,573</u>	<u>-</u>
 NET CASH (USED) BY INVESTING ACTIVITIES	 <u>(468,790)</u>	 <u>(84,164)</u>
 NET (DECREASE) IN CASH AND CASH EQUIVALENTS	 (130,786)	 (34,635)
 Cash and cash equivalents, beginning of year	 <u>1,817,022</u>	 <u>118,993</u>
 Cash and cash equivalents, end of year	 <u>\$ 1,686,236</u>	 <u>\$ 84,358</u>

City of Eaton Rapids

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2013

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Utility Fund</u>	<u>Internal Service Funds</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities		
Operating (loss)	\$ (58,997)	\$ (87,785)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities		
Depreciation	1,029,453	58,746
Changes in assets and liabilities:		
Accounts receivable	118,022	21,894
Inventory	5,596	-
Customer deposits	7,470	-
Prepaid expense	(594)	-
Accrued interest	583	-
Accounts payable	(3,406)	(26,132)
Notes payable	735,680	-
Accrued payroll	1,802	-
Accrued sick and vacation payable	(5,164)	-
Other post-employment benefits	422,112	-
	<u>422,112</u>	<u>-</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 2,252,557</u>	 <u>\$ (33,277)</u>

See accompanying notes to financial statements.

City of Eaton Rapids

Fiduciary Fund

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2013

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 25,864</u>
LIABILITIES	
Due to local units	<u>\$ 25,864</u>

City of Eaton Rapids

Component Units

COMBINING STATEMENT OF NET POSITION

June 30, 2013

	<u>L DFA Island Industrial Park</u>	<u>TIFA I Downtown Development Authority</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash	\$ 550,468	\$ 111,526	\$ 661,994
Investments	1,924,336	389,874	2,314,210
Accrued interest receivable	1,020	207	1,227
Inventories	-	75,448	75,448
	<u>2,475,824</u>	<u>577,055</u>	<u>3,052,879</u>
Noncurrent assets			
Capital assets not being depreciated	<u>2,320,092</u>	<u>545,587</u>	<u>2,865,679</u>
<b>TOTAL ASSETS</b>	<b>4,795,916</b>	<b>1,122,642</b>	<b>5,918,558</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	1,442	1,442
Accrued wages	1,949	-	1,949
Accrued interest	9,935	2,327	12,262
Current portion of long-term debt	<u>90,000</u>	<u>25,000</u>	<u>115,000</u>
	<u>101,884</u>	<u>28,769</u>	<u>130,653</u>
Noncurrent liabilities			
Noncurrent portion of long-term debt	2,500,000	580,000	3,080,000
Net other post-employment benefit obligation	<u>78,580</u>	<u>-</u>	<u>78,580</u>
	<u>2,578,580</u>	<u>580,000</u>	<u>3,158,580</u>
<b>TOTAL LIABILITIES</b>	<b>2,680,464</b>	<b>608,769</b>	<b>3,289,233</b>
<b>NET POSITION</b>			
Net investment in capital assets	(269,908)	(59,413)	(329,321)
Unrestricted	<u>2,385,360</u>	<u>573,286</u>	<u>2,958,646</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 2,115,452</u></b>	<b><u>\$ 513,873</u></b>	<b><u>\$ 2,629,325</u></b>

See accompanying notes to financial statements.

City of Eaton Rapids

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets		
		L DFA Island Industrial Park	TIFA I Downtown Development Authority	Total
Governmental activities				
L DFA Island Industrial Park	\$ 244,534	\$ (244,534)	\$ -	\$ (244,534)
TIFA I Downtown Development Authority	88,425	-	(88,425)	(88,425)
<b>TOTALS</b>	<u><u>\$ 332,959</u></u>	(244,534)	(88,425)	(332,959)
General revenues				
Property taxes		330,382	96,252	426,634
Investment earnings		10,003	2,190	12,193
Other		542	9,625	10,167
Total general revenues		<u>340,927</u>	<u>108,067</u>	<u>448,994</u>
Change in net assets		96,393	19,642	116,035
Restated net position, beginning of the year		<u>2,019,059</u>	<u>494,231</u>	<u>2,513,290</u>
Net position, end of the year		<u><u>\$ 2,115,452</u></u>	<u><u>\$ 513,873</u></u>	<u><u>\$ 2,629,325</u></u>

See accompanying notes to financial statements.

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

The City of Eaton Rapids was incorporated under the laws of the State of Michigan in 1837. The City operates under an elected Mayor - Council (five members) form of government and provides the following services: public safety, highways and streets, water, electricity, sanitation, recreation, public improvements, planning, zoning, and general administrative services.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39 and No. 61); and Michigan Committee on Governmental Accounting and Auditing Statement No. 4, these financial statements present the financial activities of the City of Eaton Rapids (primary government) and its component units, for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

2. Discretely Presented Component Units

The TIFA I Downtown Development Authority and the LDFA Island Industrial Park (component units) are reported in a separate column to emphasize that, while legally separate, the City of Eaton Rapids remains financially accountable for these entities or the nature and significance of the relationship between these entities and the City of Eaton Rapids is such that exclusion of these entities would render the financial statements misleading or incomplete.

The governing bodies of the TIFA I Downtown Development Authority and the LDFA Island Industrial Park are appointed by the City Council, the budgets are subject to the approval of the City Council, the City temporarily relinquishes part of its tax base to the entities (tax increment revenues), and the City has pledged its full faith and credit toward payment of the entities' debt.

3. Blended Component Unit

The City of Eaton Rapids council established the City of Eaton Rapids Building Authority under State law. The three member Authority Board's purpose will be to acquire, improve, and maintain buildings other than infrastructure for the City of Eaton Rapids purposes.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

4. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

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

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

- a. The Utility Fund is used to account for activities and operations of the electric plant, water, and sewage treatment plant. These activities are financed primarily through property taxes and user charges.

Additionally, the City reports internal service funds to account for the management of a motor vehicles pool and employee benefits services provided to departments on a cost reimbursement basis.

The City also reports fiduciary funds to account for assets held by the City as agent (Agency Funds) for others. Fiduciary Funds are not included in the government-wide financial statements.

5. Measurement Focus

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

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

There is no measurement focus for agency funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

6. Basis of Accounting

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

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

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

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

7. Budgets and Budgetary Accounting

The General and any major special revenue funds' budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to the first regular Council meeting in May, the Budget Committee submits to the City Council a proposed operating budget for the fiscal year beginning the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A Public Hearing is conducted to obtain taxpayers' comments by the end of May.
- c. No later than the third Monday in June, the budget is legally enacted through passage of a resolution.
- d. The City Manager is authorized to make budgetary transfers between the line items of departments established through these budget, except salaries/wages and capital outlay items, with all transfers reported to the City Council at its next regular meeting. All transfers between departments and all transfers of salaries/wages and capital outlay items within departments may be made only by City Council action.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

7. Budgets and Budgetary Accounting - continued

- f. Budgets for General and Special Revenue Funds are adopted on a basis consistent with U.S. generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
- g. All annual appropriations lapse at year end.

The General Fund budget is adopted on an activity level basis and the Special Revenue Funds budgets are adopted on a total fund level.

8. Cash, Cash Equivalents, and Investments

Cash consists of checking and savings accounts and cash on hand.

Investments consist of certificates of deposit with original maturities of greater than 90 days. Investments are stated at cost, which is equal to market value.

All highly liquid investments (included restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents. All investments for both the primary government and all the component units are reported at fair value.

9. Restricted Cash

Certain revenues and resources in the proprietary fund types are classified as restricted on the balance sheet because their use is limited. The restricted cash and cash equivalents of the City reported in the Utility Fund represent customer deposits and accumulated funds required for the applicable bond covenants are held in a separate account.

10. Receivables and Due from other Governments

Receivables consist of amounts due from the State and Federal Government for various payments and grants and receivables for charges for services provided to local governmental units, accounts receivable related to charges for services, interest receivable, and other amounts owed to the City at year-end.

11. Property Tax

Property taxes are levied by the City on July 1 and are payable without penalty through August 31. The City bills and collects its own property taxes and also taxes for the county, intermediate school district, and other school districts. All tax collections are accounted for in a trust and agency fund.

The City is permitted by state statute and City Charter to levy taxes up to 8.5538 mills (\$8.55 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2013, the City levied 8.5538 mills per \$1,000 of taxable valuation for general governmental services and 0.8511 mills for parks and recreation. An additional 4.3400 mills was also levied for wastewater improvements. The total taxable value for the 2012 levy for the property within the City was \$125,026,429.

<u>Fund</u>	<u>Mills</u>	<u>Revenue</u>
Operating	8.5538	\$ 922,158
Parks & Recreation	0.8511	93,244
Utility	4.3400	580,324

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

12. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

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

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

Land improvements	10 - 20 years
Buildings and improvements	10 - 40 years
Machinery, equipment, and furniture	5 - 20 years
Books	5 years
Vehicles	3 - 10 years
Utility Systems	10 - 40 years
Infrastructure	20 - 25 years

13. Long-Term Obligations

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

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

14. Compensated Absences

The cost of the compensated absences, including related payroll taxes, is recorded in the government-wide financial statements for governmental funds. For proprietary funds, it is recorded as a liability and expensed as incurred.

Vacation days are earned by employees at a rate of 10 to 25 days per year.

Sick days are earned by employees at a rate of 3 days per year. Sick days may be banked with a cap of 240 hours. At the time an employee leaves the City, the banked time would be paid out at 50% of what was in the bank at the rate the time was earned.

Personal leave days are earned by employees at a rate of 5 to 12 days per year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

15. Deferred Outflows/Inflows of Resources

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

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

Currently, the City does not report any deferred outflows of resources or deferred inflows of resources.

16. Inventories

Inventories in the enterprise fund consists of water, sewer, and electric system supplies which are stated at the lower of cost or market on a first-in/first-out basis.

17. Comparative Data

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

18. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

19. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

20. Restrictions of net position

Restrictions of net position shown in the Government-wide financial statement indicate that restrictions imposed by an outside source which precludes their use for unrestricted purposes.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2013, the carrying amounts of the City's deposits were \$8,092,518 and the bank balance was \$8,115,038, of which \$6,292,647 was covered by federal depository insurance. The balance of \$1,822,391 was uninsured and uncollateralized.

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

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
<b>PRIMARY GOVERNMENT</b>		
Checking and savings	\$ 2,122,032	\$ 2,884,751
Certificates of deposit	<u>2,968,418</u>	<u>2,228,219</u>
Total primary government	5,090,450	5,112,970
<b>FIDUCIARY FUNDS</b>		
Checking and savings	25,864	25,864
<b>COMPONENT UNITS</b>		
Checking and savings	661,994	661,994
Certificates of deposit	<u>2,314,210</u>	<u>2,314,210</u>
Total component units	<u>2,976,204</u>	<u>2,976,204</u>
<b>TOTAL REPORTING ENTITY</b>	<u><u>\$ 8,092,518</u></u>	<u><u>\$ 8,115,038</u></u>

The cash and cash equivalents captions in the basic financial statements include \$650 in imprest cash.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2013 the City did not have any investments that would require such a rating.

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

Concentration of credit risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the "Authorized and Suitable Investments" section of the investment policy; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with the "Qualified Institutions" section of the investment policy; and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

As of June 30, 2013, the cash and cash equivalents referred to above have been reported in either the cash and cash equivalents captions in the basic financial statements in the following categories:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 849,057	\$ 661,994	\$ 25,864	\$ 1,536,915
Cash and cash equivalents - restricted	1,273,625	-	-	1,273,625
Investments	2,968,418	2,314,210	-	5,282,628
	<u>\$ 5,091,100</u>	<u>\$ 2,976,204</u>	<u>\$ 25,864</u>	<u>\$ 8,093,168</u>

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

**NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED**

The following summarizes the restricted cash and cash equivalents as of June 30, 2013:

	<u>Utility Fund</u>
Customer deposits	\$ 145,485
Restricted cash	<u>1,128,140</u>
	<u>\$ 1,273,625</u>

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE D: INTERFUND TRANSFERS**

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

Transfer to General Fund from:	
Nonmajor governmental funds	<u>\$ 15,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 748
Utility Fund	277,076
Nonmajor governmental funds	<u>56,643</u>
	<u>\$ 334,467</u>
Transfer to Internal Service fund from:	
Utility Fund	<u>\$ 83,794</u>

The transfers to the nonmajor governmental (Building Authority), and Internal Service (Motor Pool) fund were for debt payments. The other transfers made during the year to various funds were for the purposes of funding specific projects within certain funds or to cover operational costs reflected in a particular fund.

**NOTE E: CAPITAL ASSETS**

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

**Primary Government**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 877,077	\$ -	\$ -	\$ 877,077
Construction in progress	<u>51,246</u>	<u>-</u>	<u>(29,099)</u>	<u>22,147</u>
Total capital assets not being depreciated	928,323	-0-	(29,099)	899,224
Capital assets being depreciated				
Buildings and improvements	5,068,428	182,541	-	5,250,969
Land improvements	884,211	-	-	884,211
Vehicles	1,522,782	-	-	1,522,782
Machinery, equipment, and furniture	682,926	-	-	682,926
Books	151,382	14,993	-	166,375
Infrastructure	<u>2,495,571</u>	<u>-</u>	<u>-</u>	<u>2,495,571</u>
Subtotal	10,805,300	197,534	-0-	11,002,834

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental activities - continued</b>				
Less accumulated depreciation for:				
Buildings and improvements	\$ (2,338,542)	\$ (93,389)	\$ -	\$ (2,431,931)
Land improvements	(333,498)	(34,351)	-	(367,849)
Vehicles	(841,303)	(84,436)	-	(925,739)
Machinery, equipment, and furniture	(594,409)	(34,203)	-	(628,612)
Books	(106,072)	(17,161)	-	(123,233)
Infrastructure	(281,379)	(134,613)	-	(415,992)
Subtotal	<u>(4,495,203)</u>	<u>(398,153)</u>	<u>-0-</u>	<u>(4,893,356)</u>
Net capital assets being depreciated	<u>6,310,097</u>	<u>(200,619)</u>	<u>-0-</u>	<u>6,109,478</u>
Capital assets, net	<u>\$ 7,238,420</u>	<u>\$ (200,619)</u>	<u>\$ (29,099)</u>	<u>\$ 7,008,702</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 181,993
Public safety	139,242
Public works	51,636
Recreation and culture	<u>25,282</u>
Total depreciation expense	<u>\$ 398,153</u>

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 1,167,111	\$ 136,075	\$ -	\$ 1,303,186
Capital assets being depreciated				
Water	7,838,096	955,802	-	8,793,898
Electric	7,047,435	54,033	(12,580)	7,088,888
Sewage	<u>14,782,416</u>	<u>11,483</u>	<u>-</u>	<u>14,793,899</u>
Subtotal	29,667,947	1,021,318	(12,580)	30,676,685

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Business-type activities - continued</b>				
Less accumulated depreciation for:				
Water	\$ (3,666,507)	\$ (216,395)	\$ -	\$ (3,882,902)
Electric	(5,250,554)	(296,266)	12,580	(5,534,240)
Sewage	(7,055,969)	(516,792)	-	(7,572,761)
Subtotal	<u>(15,973,030)</u>	<u>(1,029,453)</u>	<u>12,580</u>	<u>(16,989,903)</u>
Net capital assets being depreciated	<u>13,694,917</u>	<u>(8,135)</u>	<u>-0-</u>	<u>13,686,782</u>
Capital assets, net	<u>\$ 14,862,028</u>	<u>\$ 127,940</u>	<u>\$ -0-</u>	<u>\$ 14,989,968</u>

**Component Units**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Component Units</b>				
Land	\$ 1,291,623	\$ -	\$ -	\$ 1,291,623
Construction in progress	1,530,045	44,011	-	1,574,056
Total assets not being depreciated	<u>\$ 2,821,668</u>	<u>\$ 44,011</u>	<u>\$ -0-</u>	<u>\$ 2,865,679</u>

**NOTE F: LONG-TERM DEBT**

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

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
2009 Capital improvement bonds	\$ 220,000	\$ -	\$ (15,000)	\$ 205,000	\$ 15,000
2009 Building authority refunding bonds	2,280,000	-	(190,000)	2,090,000	190,000
Capital lease - Komatsu	35,071	-	(26,132)	8,939	8,939
Compensated absences	95,398	77,896	(124,569)	48,725	12,181
	2,630,469	77,896	(355,701)	2,352,664	226,120

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE F: LONG-TERM DEBT - CONTINUED**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT - CONTINUED</b>					
Business-type Activities					
2008 Capital improvement bonds	\$ 430,000	\$ -	\$ (30,000)	\$ 400,000	\$ 30,000
1999 Drinking water bonds	669,806	-	(75,000)	594,806	80,000
2004 WWTP improvement bonds	7,052,300	-	(440,000)	6,612,300	450,000
Capital lease - water meters	1,167,111	136,075	(303,863)	999,323	192,217
Compensated absences	84,489	97,794	(102,958)	79,325	19,832
	<u>9,403,706</u>	<u>233,869</u>	<u>(951,821)</u>	<u>8,685,754</u>	<u>772,049</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>12,034,175</b>	<b>311,765</b>	<b>(1,307,522)</b>	<b>11,038,418</b>	<b>998,169</b>
<b>COMPONENT UNITS</b>					
2009 Capital improvement bonds	630,000	-	(25,000)	605,000	25,000
2008 Tax increment bonds - LDFA	2,680,000	-	(90,000)	2,590,000	90,000
	<u>3,310,000</u>	<u>-0-</u>	<u>(115,000)</u>	<u>3,195,000</u>	<u>115,000</u>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$ 15,344,175</u></b>	<b><u>\$ 311,765</u></b>	<b><u>\$ (1,422,522)</u></b>	<b><u>\$ 14,233,418</u></b>	<b><u>\$ 1,113,169</u></b>

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

**PRIMARY GOVERNMENT**

General Obligation Bonds

\$265,000 Capital Improvement Bonds dated September 15, 2009 due in annual installments of \$15,000 to \$25,000 through June 2024 with interest ranging from 4.0 to 5.0 percent, payable semi-annually. \$ 205,000

\$2,645,000 Building Authority Refunding Bonds dated December 23, 2009 due in annual installments of \$190,000 to \$270,000 through March 2022, with interest ranging from 3.0 to 4.3 percent, payable semi-annually. 2,090,000

\$555,000 Capital Improvement Bonds dated November 20, 2008 due in annual installments of \$30,000 to \$50,000 through June 2022, with interest rate ranging from 4.75 to 5.0 percent, payable semi-annually. 400,000

\$ 2,695,000

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE F: LONG-TERM DEBT - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

Capital Lease

\$76,425 capital lease entered into December 2010, due in monthly installments of \$2,253 through November 2013, including interest at 3.9 percent. \$ 8,939

\$1,167,111 capital lease entered into February 2012, due in quarterly installments of \$72,834 through April 2017, including interest at 3.696 percent. 999,323

\$ 1,008,262

Revenue Bonds

\$1,494,806 Drinking Water Bonds dated September 30, 1999 due in annual installments of \$80,000 to \$90,000 through April 2020, with an interest rate of 2.5 percent, payable semi-annually. \$ 594,806

\$9,545,000 WWTP Improvement Bonds dated September 23, 2004 due in annual installments of \$450,000 to \$565,000 through April 2026, with interest ranging from 4.75 to 5.00 percent, payable semi-annually. 6,612,300

\$ 7,207,106

Compensated absences

In accordance with the City's personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused sick pay under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amount to \$48,725 for governmental activities and \$79,325 for business-type activities. Of these amounts \$32,013 has been recorded as a current liability. The balance of \$96,037 has been recorded as a noncurrent liability.

COMPONENT UNITS

General Obligation Bonds

\$710,000 Capital Improvement Bonds dated September 15, 2009 due in annual installments of \$25,000 to \$55,000 through June 2029, with interest ranging from 4.0 to 5.0 percent, payable semi-annually. \$ 605,000

\$2,945,000 Local Development Finance Authority Bonds dated November 20, 2008 due in annual installments of \$90,000 to \$235,000 through June 2028, with interest ranging from 3.8 to 5.0 percent, payable semi-annually. 2,590,000

\$ 3,195,000

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE F: LONG-TERM DEBT - CONTINUED**

Advance Refunding - Prior

On December 23, 2009, the City defeased a portion of the 2002 Building Authority Bonds which were due and payable March 1, 2011 through March 1, 2022. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued Building Authority 2009 Refunding Bonds in the amount of \$2,645,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2013, bonds due and payable March 1, 2014 through March 1, 2022 for the 2002 Building Authority Bonds in the amount of \$2,075,000 are considered defeased.

The annual requirements to pay the debt principal and interest outstanding for the Bonds, Notes, and other obligations are as follows:

Year Ended June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 205,000	\$ 89,806	\$ 560,000	\$ 172,944
2015	225,000	83,506	575,000	159,956
2016	220,000	76,082	590,000	146,395
2017	245,000	68,306	600,000	132,619
2018	245,000	58,506	620,000	118,506
2019-2023	1,130,000	130,148	2,999,806	381,364
2024-2028	25,000	1,250	1,662,300	70,697
	<u>\$ 2,295,000</u>	<u>\$ 507,604</u>	<u>\$ 7,607,106</u>	<u>\$ 1,182,481</u>

Year Ended June 30,	Component Units		Capital Lease - Governmental Activities		Capital Lease - Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 115,000	\$ 147,145	\$ 8,939	\$ 606	\$ 192,217	\$ 36,215
2015	120,000	142,725	-	-	264,643	26,696
2016	155,000	137,835	-	-	274,517	16,822
2017	155,000	131,510	-	-	267,946	6,579
2018	195,000	124,685	-	-	-	-
2019-2023	1,080,000	487,990	-	-	-	-
2024-2028	1,320,000	213,950	-	-	-	-
2029	55,000	2,750	-	-	-	-
	<u>\$ 3,195,000</u>	<u>\$ 1,388,590</u>	<u>\$ 8,939</u>	<u>\$ 606</u>	<u>\$ 999,323</u>	<u>\$ 86,312</u>

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE G: RETIREMENT PLAN**

Plan Description

The City participates in the Michigan Municipal Employees' Retirement System, which is an agent multiple-employer defined benefit pension plan that covers all full-time employees of the City. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Michigan Municipal Employees' Retirement System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the current system for these employees was established by negotiation with the City's competitive bargaining units. Required employee and employer contribution rates are as follows:

	2013		2012	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Admin	2.00%	20.64%	2.00%	18.07%
P/C Empl	5.65%	16.68%	5.65%	16.28%
Admn Asst.	0.00%	9.52%	0.00%	9.22%
DPW	6.25%	12.36%	6.25%	12.32%

Annual Pension Cost

For year ended June 30, 2013 the City's annual pension cost of \$339,108 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age normal cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of twenty-seven years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial value of assets	\$ 7,840,158	\$ 8,327,342	\$ 8,728,080
Actuarial accrued liability (AAL) (entry age)	10,987,065	11,594,517	12,365,466
Unfunded AAL	3,146,907	3,267,175	3,637,386
Funded ratio	71%	72%	71%
Covered payroll	2,287,110	2,311,471	2,081,782
UAAL as a percentage of covered payroll	138%	141%	175%

  

	Year Ended June 30,		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual pension cost	\$ 324,198	\$ 335,892	\$ 339,108
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the MERS actuarial reports as of December 31, 2010, 2011, and 2012.

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The City of Eaton Rapids offers post-employment health insurance benefits to all eligible retired employees in accordance with union agreements and/or personnel policies. These benefits are provided by contractual agreement and are paid annually by various funds. The City funds these costs on a pay-as-you-go basis. These amounts are recorded as an expenditure when the fund liability is incurred.

Certain retirees contribute 10-20% of the cost of their insurance until Medicare eligibility age is reached, after which the City pays 100% of the cost for secondary coverage.

Membership in the plan at June 30, 2013 was as follows:

Retires and Beneficiaries receiving benefits	21
Active plan members	<u>33</u>
	<u><u>54</u></u>

Funding Policy

The City's annual other post-employment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer* (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress

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

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

Annual required contribution (ARC)	\$ 918,143
Interest on net OPEB obligation	129,928
Adjustment to annual required contribution	<u>(165,085)</u>
Annual OPEB cost	882,986
Contributions made	<u>(202,159)</u>
Change in Net OPEB obligation	680,827
OPEB obligation - beginning of year	<u>3,248,188</u>
OPEB obligation - end of year	<u><u>\$ 3,929,015</u></u>

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Funding Progress - continued

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three (3) years, are as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 882,986	22.9%	\$ 3,929,015
2012	1,294,854	14.2%	3,248,188
2011	1,266,880	14.5%	2,136,892

The current funding progress of the plan as of June 30, 2013, the most recent valuation date, is as follows:

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	10,129,446
Unfunded (UAAL)	10,129,446
Funded ratio	0%
Annual covered payroll	2,407,675
Ratio of UAAL to covered payroll	24%

Information related to funding progress with multiyear trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits is not presented.

Actuarial Methods and Assumptions

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

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

**NOTE I: RISK MANAGEMENT**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE I: RISK MANAGEMENT - CONTINUED**

The City also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, crime, and auto losses. The pool is organized under Public Act 138 of 1982, as amended. State pool members' limits of coverage (per occurrence) are detailed in their policy agreements with the Authority. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

**NOTE J: CONTINGENT LIABILITIES**

The City continues to monitor and perform annual testing of the City's landfill that has been closed for several years. Michigan Department of Environmental Quality (MDEQ) requires that this maintenance be performed. At this time, it is impossible to predict with any accuracy what, if any, additional remedial work may be required by MDEQ prior to approval for final closure of the landfill.

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

**NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS**

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

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

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

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority.

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

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

**Fund Balance Classification Policies and Procedures**

For committed fund balance, the City of Eaton Rapids highest level of decision-making authority is the City Council. Formal action that is required to be taken to establish a fund balance commitment has not been determined by the City Council.

For assigned fund balance, the City Council has not approved a policy indicating anyone is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the City Council.

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

Fund Balance Classification Policies and Procedures - continued

The City of Eaton Rapids has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy the City considers restricted amount to have been spent first when expenditure is incurred for which both restricted and unrestricted fund balance is available.

At year ended June 30, 2013, the City of Eaton Rapids had the following fund balance classifications:

	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Fund Balances			
Nonspendable			
Prepays	\$ 10,757	\$ 348	\$ 11,105
Restricted			
Highways and streets	-	908,201	908,201
Cemetery perpetual care	-	115,828	115,828
Friends of the island	-	26,437	26,437
Dog park	-	25	25
Committed			
Parks and recreation	-	69,441	69,441
Building department	-	4,157	4,157
Drug enforcement	-	1,329	1,329
Act 302 training	-	6,721	6,721
Unassigned	494,239	-	494,239
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 504,996</u></b>	<b><u>\$ 1,132,487</u></b>	<b><u>\$ 1,637,483</u></b>

**NOTE L: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, were implemented during the current year. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Currently, the City does not report any deferred outflows of resources or deferred inflows of resources.

GASB Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The Downtown Development Authority continues to meet the criteria for classification as a discretely presented component unit of the City of Eaton Rapids.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure.

City of Eaton Rapids

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

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

**NOTE N: MAINTENANCE CONTRACT**

The City has entered in to a non-cancelable maintenance contracts for the City's water towers. The contract states that if the contract is canceled prior to the payment of the sixth installment the balance owed on the first six installments will be due within thirty days of cancelation. The value of the remaining payments has been recorded as a liability in the City's Utility Fund.

Future minimum payments under this contract are as follows:

Year Ended June 30,	
2014	\$ 133,760
2015	133,760
2016	133,760
2017	133,760
2018	133,760
2019	<u>66,880</u>
	<u><u>\$ 735,680</u></u>

**NOTE O: RESTATEMENTS OF NET POSITION**

Beginning net position of the governmental activities and business-type activities for the Primary Government, Component Units TIFA I Downtown Development Authority, and LDFA Island Industrial Park have been restated due to the implementation of GASB 65. These items resulted in net position being restated from \$5,469,857 to \$5,393,221, \$7,846,018 to \$7,837,653, \$508,023 to \$494,231, and \$2,065,099 to \$2,019,059, respectively, at the beginning of the year.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Eaton Rapids

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 941,406	\$ 941,406	\$ 922,158	\$ (19,248)
Penalties and interest	15,000	15,000	7,848	(7,152)
Trailer fee	900	900	600	(300)
Total taxes	957,306	957,306	930,606	(26,700)
Licenses and permits				
Licenses	300	2,940	2,942	2
Zoning board of appeals	150	150	-	(150)
Total licenses and permits	450	3,090	2,942	(148)
Intergovernmental				
Local	5,000	5,000	5,000	-0-
Federal	30,000	30,000	2,255	(27,745)
State aid and sales tax	351,500	352,469	424,204	71,735
Total intergovernmental	386,500	387,469	431,459	43,990
Charges for services				
Administrative fees	60,000	60,000	59,032	(968)
Penal fines	22,000	22,000	16,191	(5,809)
Video fees	600	600	527	(73)
Total charges for services	82,600	82,600	75,750	(6,850)
Fines and forfeits	32,500	32,500	26,172	(6,328)
Interest	10,000	10,000	8,126	(1,874)
Rentals	65,050	65,050	27,235	(37,815)
Reimbursements	23,000	23,000	20,164	(2,836)
Other				
Franchise fees	710,880	714,830	714,830	-0-
Other	70,300	110,783	81,480	(29,303)
Total other	781,180	825,613	796,310	(29,303)
TOTAL REVENUES	2,338,586	2,386,628	2,318,764	(67,864)

City of Eaton Rapids

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2013

EXPENDITURES	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
City Council	\$ 27,950	\$ 27,029	\$ 26,977	\$ 52
City Manager	55,935	55,555	54,226	1,329
General election	6,750	11,635	11,633	2
Assessor	100,265	104,561	106,666	(2,105)
Treasurer	41,380	36,604	30,506	6,098
City Clerk	63,040	72,653	73,137	(484)
Board of Review	650	650	597	53
Building and grounds	29,500	38,500	38,222	278
Senior citizens	6,000	6,000	6,000	-0-
Cemetery	83,980	89,565	77,221	12,344
Other	101,730	99,383	85,545	13,838
Total general government	517,180	542,135	510,730	31,405
Public safety				
Police	1,001,825	1,120,062	1,109,204	10,858
Fire	125,975	115,177	114,265	912
Total public safety	1,127,800	1,235,239	1,223,469	11,770
Public works	452,731	458,969	381,899	77,070
Community and economic development				
Library	174,330	173,165	167,703	5,462
Planning and zoning	27,045	25,147	23,178	1,969
Total community and economic development	201,375	198,312	190,881	7,431
Health and welfare				
Ambulance	10,500	10,500	10,472	28
Capital outlay	7,000	133,201	132,765	436
TOTAL EXPENDITURES	2,316,586	2,578,356	2,450,216	128,140
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,000	(191,728)	(131,452)	60,276

City of Eaton Rapids

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 15,000	\$ (15,000)	\$ 15,000	\$ 30,000
Transfers out	(37,000)	-	(748)	(748)
	<u>(22,000)</u>	<u>(15,000)</u>	<u>14,252</u>	<u>29,252</u>
TOTAL OTHER FINANCING SOURCES (USES)				
	<u>(22,000)</u>	<u>(15,000)</u>	<u>14,252</u>	<u>29,252</u>
NET CHANGE IN FUND BALANCE	-0-	(206,728)	(117,200)	89,528
Fund balance, beginning of year	<u>622,196</u>	<u>622,196</u>	<u>622,196</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 622,196</u>	<u>\$ 415,468</u>	<u>\$ 504,996</u>	<u>\$ 89,528</u>

City of Eaton Rapids

SCHEDULE OF FUNDING PROGRESS

June 30, 2013

City Employees - Post-Employment Health Care Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/2010	\$ -	\$ 12,919,337	\$ 12,919,337	- %	\$ 2,500,128	19 %
6/30/2013	-	10,129,446	10,129,446	- %	2,407,675	24 %

City of Eaton Rapids

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

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

	<u>Amounts</u> <u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
General government			
Assessor	\$ 104,561	\$ 106,666	\$ 2,105
City Clerk	72,653	73,137	484
Transfers	-	748	748

## **OTHER SUPPLEMENTARY INFORMATION**

City of Eaton Rapids  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 June 30, 2013

	Special		
	Major Street Fund	Local Street Fund	Act 302 Training
<b>ASSETS</b>			
Cash and cash equivalents			
Investments	\$ 104,024	\$ 85,648	\$ 1,494
Interest receivable	363,647	299,412	5,224
Due from other governmental units	193	159	3
Prepays	44,448	15,082	-
	-	-	-
TOTAL ASSETS	<u>\$ 512,312</u>	<u>\$ 400,301</u>	<u>\$ 6,721</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,647	\$ 336	\$ -
Accrued wages payable	915	514	-
Other accrued liabilities	-	-	-
TOTAL LIABILITIES	3,562	850	-0-
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	508,750	399,451	-
Committed	-	-	6,721
TOTAL FUND BALANCES	<u>508,750</u>	<u>399,451</u>	<u>6,721</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 512,312</u>	<u>\$ 400,301</u>	<u>\$ 6,721</u>

Revenue Funds				Debt Service
Parks and Recreation	Building Department	Drug Law Enforcement	MSHDA CDBG	Building Authority Debt
\$ 16,581	\$ 3,186	\$ 295	\$ -	\$ -
57,964	11,140	1,033	-	-
32	3	1	-	-
-	-	-	-	-
248	100	-	-	-
<u>\$ 74,825</u>	<u>\$ 14,429</u>	<u>\$ 1,329</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 2,606	\$ 611	\$ -	\$ -	\$ -
2,530	1,432	-	-	-
-	8,129	-	-	-
5,136	10,172	-0-	-0-	-0-
248	100	-	-	-
-	-	-	-	-
69,441	4,157	1,329	-	-
69,689	4,257	1,329	-0-	-0-
<u>\$ 74,825</u>	<u>\$ 14,429</u>	<u>\$ 1,329</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

City of Eaton Rapids

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2013

	<u>Capital Projects</u>	
	<u>Welcome Center</u>	<u>Capital Project</u>
<b>ASSETS</b>		
Cash and cash equivalents		
Investments	\$ -	\$ -
Interest receivable	-	-
Due from other governmental units	-	-
Prepays	25,000	-
	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 25,000</u>	<u>\$ -0-</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 25,000	\$ -
Accrued wages payable	-	-
Other accrued liabilities	-	-
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	25,000	-0-
<b>FUND BALANCES</b>		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,000</u>	<u>\$ -0-</u>

Permanent Funds

Cemetery Perpetual Care	Friends of the Island	Dog Park	Tennessee Project	Total
\$ 25,763	\$ 5,880	\$ 25	\$ -	\$ 242,896
90,065	20,557	-	-	849,042
-	-	-	-	391
-	-	-	-	84,530
-	-	-	-	348
<u>\$ 115,828</u>	<u>\$ 26,437</u>	<u>\$ 25</u>	<u>\$ -0-</u>	<u>\$ 1,177,207</u>
\$ -	\$ -	\$ -	\$ -	\$ 31,200
-	-	-	-	5,391
-	-	-	-	8,129
-0-	-0-	-0-	-0-	44,720
-	-	-	-	348
115,828	26,437	25	-	1,050,491
-	-	-	-	81,648
<u>115,828</u>	<u>26,437</u>	<u>25</u>	<u>-0-</u>	<u>1,132,487</u>
<u>\$ 115,828</u>	<u>\$ 26,437</u>	<u>\$ 25</u>	<u>\$ -0-</u>	<u>\$ 1,177,207</u>

City of Eaton Rapids

Nonmajor Governmental Funds

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

Year Ended June 30, 2013

	Special		
	Major Street Fund	Local Street Fund	Act 302 Training
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental			
Federal	16,955	-	-
State	263,286	91,087	1,731
Local	-	-	-
Charges for services	-	-	-
Interest	1,678	1,535	25
Donations	-	-	-
Other	-	-	-
<b>TOTAL REVENUES</b>	<b>281,919</b>	<b>92,622</b>	<b>1,756</b>
<b>EXPENDITURES</b>			
Current			
Public safety	-	-	434
Public works	96,029	71,760	-
Recreation and culture	-	-	-
Other	-	-	-
Debt service			
Principal retirement	15,000	-	-
Interest and other charges	9,530	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>120,559</b>	<b>71,760</b>	<b>434</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>161,360</b>	<b>20,862</b>	<b>1,322</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	56,000	-
Transfers out	(56,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>(56,000)</b>	<b>56,000</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>105,360</b>	<b>76,862</b>	<b>1,322</b>
Fund balances, beginning of year	403,390	322,589	5,399
Fund balances, end of year	<u>\$ 508,750</u>	<u>\$ 399,451</u>	<u>\$ 6,721</u>

Revenue Funds				Debt Service
Parks and Recreation	Building Department	Drug Law Enforcement	MSHDA CDBG	Building Authority Debt
\$ 93,244	\$ -	\$ -	\$ -	\$ -
-	-	-	111,130	-
-	-	-	-	-
8,000	-	-	-	-
7,080	55,706	931	-	-
396	24	6	-	-
-	-	-	-	-
10,735	175	-	-	-
119,455	55,905	937	111,130	-0-
-	64,443	1,162	-	-
-	-	-	-	-
116,839	-	-	-	-
-	-	-	111,130	-
-	-	-	-	190,000
-	-	-	-	87,076
-	-	-	-	-
116,839	64,443	1,162	111,130	277,076
2,616	(8,538)	(225)	-0-	(277,076)
-	-	-	-	277,076
-	-	-	-	-
-0-	-0-	-0-	-0-	277,076
2,616	(8,538)	(225)	-0-	-0-
67,073	12,795	1,554	-	-
\$ 69,689	\$ 4,257	\$ 1,329	\$ -0-	\$ -0-

City of Eaton Rapids

Nonmajor Governmental Funds

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

Year Ended June 30, 2013

	<u>Capital Projects</u>	
	<u>Welcome Center</u>	<u>Capital Project</u>
REVENUES		
Property taxes	\$ -	\$ -
Intergovernmental		
Federal	-	-
State	25,000	-
Local	-	-
Charges for services	-	-
Interest	-	-
Donations	-	-
Other	-	-
	<u>25,000</u>	<u>-0-</u>
TOTAL REVENUES	25,000	-0-
EXPENDITURES		
Current		
Public safety	-	-
Public works	-	-
Recreation and culture	-	-
Other	-	7
Debt service		
Principal retirement	-	-
Interest and other charges	-	-
Capital outlay	27,272	-
	<u>27,272</u>	<u>7</u>
TOTAL EXPENDITURES	27,272	7
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,272)	(7)
OTHER FINANCING SOURCES (USES)		
Transfers in	1,391	-
Transfers out	-	-
	<u>1,391</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES	1,391	-0-
NET CHANGE IN FUND BALANCES	(881)	(7)
Fund balances, beginning of year	881	7
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>

Permanent Funds

Cemetery Perpetual Care	Friends of the Island	Dog Park	Tennessee Project	Total
\$ -	\$ -	\$ -	\$ -	\$ 93,244
-	-	-	-	128,085
-	-	-	-	381,104
-	-	-	-	8,000
-	-	-	-	63,717
-	-	-	-	3,664
-	536	25	-	561
1,300	-	-	-	12,210
1,300	536	25	-0-	690,585
-	-	-	-	66,039
-	-	-	-	167,789
-	-	-	-	116,839
-	401	-	1	111,539
-	-	-	-	205,000
-	-	-	-	96,606
-	-	-	-	27,272
-0-	401	-0-	1	791,084
1,300	135	25	(1)	(100,499)
-	-	-	-	334,467
(15,000)	-	-	(643)	(71,643)
(15,000)	-0-	-0-	(643)	262,824
(13,700)	135	25	(644)	162,325
129,528	26,302	-	644	970,162
<u>\$ 115,828</u>	<u>\$ 26,437</u>	<u>\$ 25</u>	<u>\$ -0-</u>	<u>\$ 1,132,487</u>

City of Eaton Rapids

REVENUES AND EXPENSES

Utility Fund

Year Ended June 30, 2013

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewage Department</u>	<u>Total</u>
<b>REVENUES</b>				
Charges for services	\$ 7,725,349	\$ 853,611	\$ 1,013,576	\$ 9,592,536
Fines and forfeitures	27,989	-	-	27,989
Other revenue	170,874	18,800	3,198	192,872
<b>TOTAL REVENUES</b>	<b>7,924,212</b>	<b>872,411</b>	<b>1,016,774</b>	<b>9,813,397</b>
<b>OPERATING EXPENSES</b>				
	7,196,833	708,940	937,168	8,842,941
<b>DEPRECIATION</b>				
	296,266	216,395	516,792	1,029,453
<b>TOTAL OPERATING EXPENSES</b>	<b>7,493,099</b>	<b>925,335</b>	<b>1,453,960</b>	<b>9,872,394</b>
<b>OPERATING GAIN / (LOSS)</b>	<b>431,113</b>	<b>(52,924)</b>	<b>(437,186)</b>	<b>(58,997)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Property taxes	-	-	580,324	580,324
Interest expense and fees on bonds	-	(16,308)	(228,608)	(244,916)
Interest income on investments	11,499	(259)	1,333	12,573
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>11,499</b>	<b>(16,567)</b>	<b>353,049</b>	<b>347,981</b>
<b>NET INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>442,612</b>	<b>(69,491)</b>	<b>(84,137)</b>	<b>288,984</b>
<b>OPERATING TRANSFERS</b>				
Transfers out	(277,076)	(83,794)	-	(360,870)
<b>NET GAIN / (LOSS)</b>	<b>\$ 165,536</b>	<b>\$ (153,285)</b>	<b>\$ (84,137)</b>	<b>\$ (71,886)</b>

City of Eaton Rapids

EXPENSE BREAKDOWN

Utility Fund

Year Ended June 30, 2013

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewage Department</u>	<u>Total</u>
OPERATING EXPENSES				
Personal services	\$ 541,892	\$ 252,677	\$ 380,343	\$ 1,174,912
Contractual services	57,911	19,403	41,385	118,699
Supplies	23,305	13,080	14,500	50,885
Materials	114,879	50,300	30,684	195,863
Utilities	2,971	35,942	129,283	168,196
Telephone	6,441	6,079	4,318	16,838
Insurance	16,585	9,772	12,273	38,630
Maintenance	5,985,299	30,424	31,818	6,047,541
Benefit payments	371,772	285,229	285,520	942,521
Other expense	75,778	6,034	7,044	88,856
TOTAL OPERATING EXPENSES	<u>\$ 7,196,833</u>	<u>\$ 708,940</u>	<u>\$ 937,168</u>	<u>\$ 8,842,941</u>

City of Eaton Rapids

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2013

	Public Employee Benefit	Motor Pool Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 6,292	\$ 78,066	\$ 84,358
Investments	18,824	233,543	252,367
Prepays	40,252	36	40,288
	<u>65,368</u>	<u>311,645</u>	<u>377,013</u>
Total current assets			
Noncurrent assets			
Investments	3,173	39,362	42,535
Capital assets, net of accumulated depreciation	-	615,290	615,290
	<u>3,173</u>	<u>654,652</u>	<u>657,825</u>
Total noncurrent assets			
TOTAL ASSETS			
	68,541	966,297	1,034,838
<b>LIABILITIES</b>			
Capital lease payable			
	-	8,939	8,939
	<u>-</u>	<u>8,939</u>	<u>8,939</u>
<b>NET POSITION</b>			
Net investment in capital assets			
	-	606,351	606,351
Unrestricted	68,541	351,007	419,548
	<u>68,541</u>	<u>351,007</u>	<u>419,548</u>
TOTAL NET POSITION			
	<u>\$ 68,541</u>	<u>\$ 957,358</u>	<u>\$ 1,025,899</u>

City of Eaton Rapids

Internal Service Funds

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

Year Ended June 30, 2013

	Public Employee Benefit	Motor Pool Fund	Total
OPERATING REVENUES			
Charges for services	\$ 725,890	\$ -	\$ 725,890
Other revenue	67,191	-	67,191
<b>TOTAL OPERATING REVENUES</b>	<b>793,081</b>	<b>-0-</b>	<b>793,081</b>
OPERATING EXPENSES			
Depreciation	-	58,746	58,746
Benefit payments	822,120	-	822,120
<b>TOTAL OPERATING EXPENSES</b>	<b>822,120</b>	<b>58,746</b>	<b>880,866</b>
<b>OPERATING (LOSS)</b>	<b>(29,039)</b>	<b>(58,746)</b>	<b>(87,785)</b>
NONOPERATING (EXPENSES)			
Interest expense	-	(988)	(988)
<b>(LOSS) BEFORE TRANSFERS</b>	<b>(29,039)</b>	<b>(59,734)</b>	<b>(88,773)</b>
TRANSFERS			
Transfers in	-	83,794	83,794
<b>CHANGE IN NET ASSETS</b>	<b>(29,039)</b>	<b>24,060</b>	<b>(4,979)</b>
Net position, beginning of year	97,580	933,298	1,030,878
Net position, end of year	<u>\$ 68,541</u>	<u>\$ 957,358</u>	<u>\$ 1,025,899</u>

City of Eaton Rapids

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

	Public Employee Benefit	Motor Pool Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from interfund services	\$ 747,699	\$ 58,746	\$ 806,445
Cash received from miscellaneous	67,191	-	67,191
Cash paid to suppliers	<u>(822,120)</u>	<u>(84,793)</u>	<u>(906,913)</u>
 NET CASH (USED) BY OPERATING ACTIVITIES	 (7,230)	 (26,047)	 (33,277)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	-	83,794	83,794
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest payment	-	(988)	(988)
Proceeds from sales of capital assets	-	-	-0-
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>-0-</u>
 NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 -0-	 (988)	 (988)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Maturity of investments	704	-	704
Purchase of investments	<u>-</u>	<u>(84,868)</u>	<u>(84,868)</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>704</u>	 <u>(84,868)</u>	 <u>(84,164)</u>
 NET (DECREASE) IN CASH AND CASH EQUIVALENTS	 (6,526)	 (28,109)	 (34,635)
Cash and cash equivalents, beginning of year	<u>12,818</u>	<u>106,175</u>	<u>118,993</u>
Cash and cash equivalents, end of year	<u>\$ 6,292</u>	<u>\$ 78,066</u>	<u>\$ 84,358</u>
<b>Reconciliation of operating (loss) to net cash (used) by operating activities</b>			
Operating (loss)	\$ (29,039)	\$ (58,746)	\$ (87,785)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities			
Depreciation	-	58,746	58,746
Changes in assets and liabilities:			
Prepays	21,809	85	21,894
Accounts payable	<u>-</u>	<u>(26,132)</u>	<u>(26,132)</u>
 NET CASH (USED) BY OPERATING ACTIVITIES	 <u>\$ (7,230)</u>	 <u>\$ (26,047)</u>	 <u>\$ (33,277)</u>

City of Eaton Rapids

Component Unit Fund

BALANCE SHEET - LDFA ISLAND INDUSTRIAL PARK

June 30, 2013

ASSETS	
Cash and cash equivalents	\$ 550,468
Investments	1,924,336
Receivables	
Interest	<u>1,020</u>
TOTAL ASSETS	<u>\$ 2,475,824</u>
LIABILITIES	
Accrued payroll	\$ 1,949
FUND BALANCE	
Unassigned	<u>2,473,875</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,475,824</u>

City of Eaton Rapids

Component Unit Fund

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION - LDFA ISLAND INDUSTRIAL PARK

June 30, 2013

**Fund balance - governmental fund** **\$ 2,473,875**

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

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

The cost of capital assets is 2,320,092

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Accrued interest payable	\$ (9,935)
Long-term debt	(2,590,000)
Other post-employment obligation	<u>(78,580)</u>

(2,678,515)

**Net position of governmental activities**

**\$ 2,115,452**

City of Eaton Rapids

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - LDFA ISLAND INDUSTRIAL PARK

Year Ended June 30, 2013

REVENUES	
Property taxes	\$ 330,382
Interest	10,003
Other	<u>542</u>
TOTAL REVENUES	340,927
EXPENDITURES	
Current	
Community and economic development	121,111
Debt service	
Principal	90,000
Interest	<u>122,645</u>
TOTAL EXPENDITURES	<u>333,756</u>
NET CHANGE IN FUND BALANCE	7,171
Fund balance, beginning of year	<u>2,466,704</u>
Fund balance, end of year	<u><u>\$ 2,473,875</u></u>

City of Eaton Rapids

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES - LDFA ISLAND INDUSTRIAL PARK

Year Ended June 30, 2013

**Net change in fund balance - governmental fund** \$ 7,171

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay 12,554

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

Debt principal retirement 90,000

Some items reported in the statement of activities do not result in the use of current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

(Increase) in net other post-employment benefit obligation \$ (13,617)  
Decrease in accrued interest payable 285

(13,332)

**Change in net position of governmental activities**

\$ 96,393

City of Eaton Rapids

Component Unit Fund

BALANCE SHEET - TIFA I DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2013

ASSETS	
Cash and cash equivalents	\$ 111,526
Investments	389,874
Accrued interest receivable	207
Inventories	<u>75,448</u>
TOTAL ASSETS	<u>\$ 577,055</u>
LIABILITIES	
Accounts payable	\$ 1,442
FUND BALANCE	
Nonspendable	75,448
Unassigned	<u>500,165</u>
TOTAL FUND BALANCE	<u>575,613</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 577,055</u>

City of Eaton Rapids

Component Unit Fund

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - TIFA I DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2013

**Fund balance - governmental fund** \$ 575,613

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

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

The cost of capital assets is 545,587

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Accrued interest payable \$ (2,327)  
Long-term debt (605,000)

(607,327)

**Net position of governmental activities** \$ 513,873

City of Eaton Rapids

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - TIFA I DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2013

REVENUES	
Property taxes	\$ 96,252
Interest	2,190
Other	<u>9,625</u>
TOTAL REVENUES	108,067
EXPENDITURES	
Current	
Community and economic development	90,545
Debt service	
Principal	25,000
Interest	<u>29,420</u>
TOTAL EXPENDITURES	<u>144,965</u>
NET CHANGE IN FUND BALANCE	(36,898)
Fund balance, beginning of year	<u>612,511</u>
Fund balance, end of year	<u><u>\$ 575,613</u></u>

City of Eaton Rapids

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES - TIFA I DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2013

**Net change in fund balance - governmental fund** \$ (36,898)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay 31,457

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

Debt principal retirement 25,000

Some items reported in the statement of activities do not result in the use of current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Decrease in accrued interest payable 83

**Change in net position of governmental activities** \$ 19,642