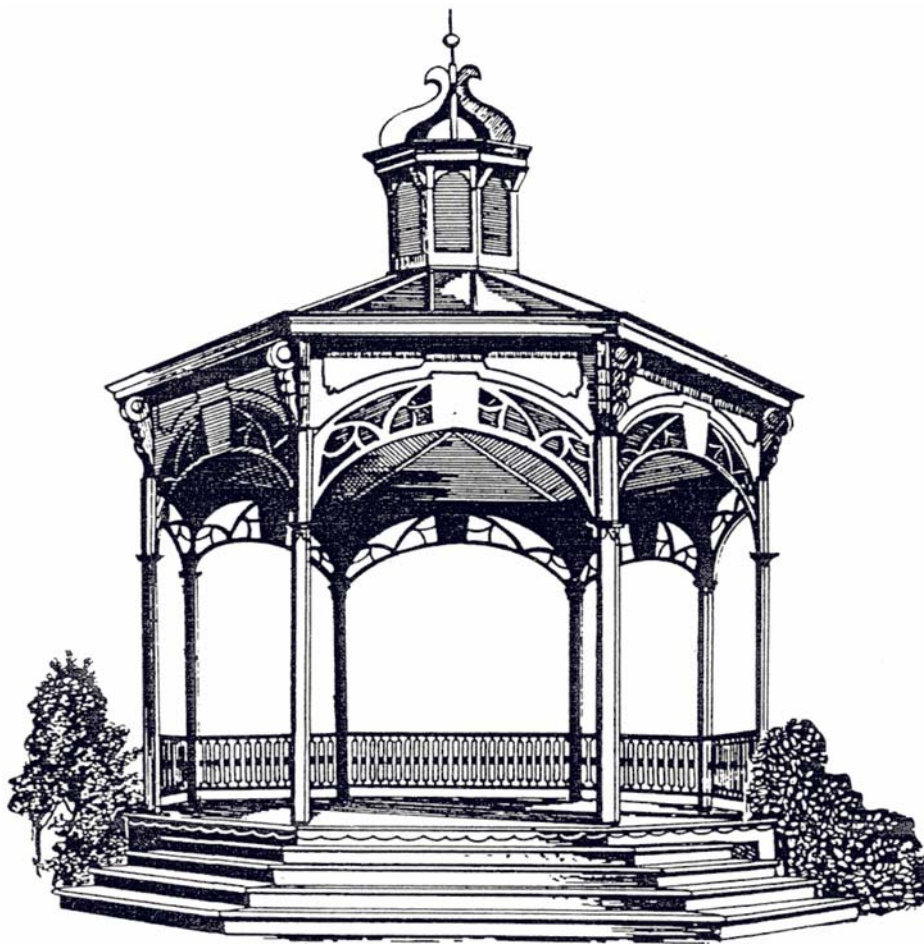


Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2008**



City of Fenton, Michigan

Comprehensive Annual Financial Report

City of Fenton, Michigan

June 30, 2008

**Prepared By:
Treasurer's Department**

Comprehensive Annual Financial Report
City of Fenton, Michigan
Year Ended June 30, 2008

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**City of Fenton, Michigan
List of Elected and Appointed Officials**

Mayor

Barbara Sue Osborn

City Council

Timothy Faricy	Cheryl A. King
Dianne North	John Rauch
Carl S. Hammond	E. Doran Kasper

Appointed Officials

Leslie Bland	Public Works Director
Richard Aro.....	Police Chief
Robert Cairnduff	Fire Chief
Cynthia A. Shane	City Treasurer
Noel Brad Hissong.....	Building Inspector
Melinda Carrier.....	City Clerk
Tonya Molloseau	City Assessor
Lynn Markland	City Manager



City of Fenton

301 South Leroy Street · Fenton, Michigan 48430-2196 • (810) 629-2261 • FAX (810) 629-2004

November 21, 2008

Honorable Mayor Osborn and the Fenton City Council:

In accordance with State statute and provisions of the City Charter, it is my pleasure to submit to you and the citizens of Fenton, the comprehensive annual financial report of the City of Fenton for the fiscal year ending June 30, 2008 (FY 08). Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes, and has made its best efforts to insure, that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

In developing and monitoring the City's accounting system, significant consideration is given to the adequacy of our systems of fiscal checks and balances. Our internal accounting controls are regularly reviewed, not just by our auditors in the preparation of our annual audit, but also by the City Treasurer and the City administration throughout the year as we examine current and propose practices and procedures. Based upon these regular reviews, I believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of our financial transactions.

This report has been formulated following the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. The GFOA annually awards certificates of Achievement to those governments whose financial reports are judged to meet the high standards of public financial reporting including generally accepted accounting principles. We can point with some pride that for twenty consecutive years, beginning with Fiscal Year 1988, we have been the recipients of the GFOA's Certificate of Achievement.

Public Act 2 of 1968 of the State of Michigan, as amended, requires that the financial statements of the City of Fenton be audited by a certified public account selected by the City Council. This requirement has been met through bidding out and retaining the services of Plante & Moran, PLLC as our independent auditors. We are in the fifth year of a five year contract with them. The opinion letter of our auditors is included in the financial section of their report.

The City of Fenton has ended the fiscal year in stable financial condition and we continue to experience strong commercial and industrial growth. With the current status of the Michigan economy, our residential growth has slowed. However, current population projections by Genesee County indicate that growth is still occurring and is expected to continue through 2035. There is a continued high level of interest for developing in Fenton as reflected by inquiries and actual plans submitted by developers. All things considered, this continued balanced growth bodes well for Fenton's long-term vitality. Our location near several major metropolitan markets and as our relatively new position as the commercial hub for southern Genesee, northern Livingston, and western

Oakland counties, quality education systems, abundant natural resources, and overall quality of life continue to make Fenton a community in demand.

While we recognize the opportunities that growth provides, we also understand the challenges that accompany it as well. The City is addressing these challenges through its continued planning for the future. Significant examples of planning for the future, as well as current accomplishments, include:

- Completion of the City Master Plan Update
- The reconstruction of Silver Lake Road
- Planting new trees to replace the trees lost in the tornado of 2007
- Commencement of certain improvements listed in our Downtown Master Plan
- Continued focus on the improvement of local streets within the area
- Continuing to budget according to the needs and wishes of our community

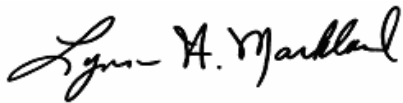
Wherever possible the City has made use of grant, matching, or low interest funds to help meet the needs of the community. Examples of such grants benefiting the City include road and water system improvements, sidewalk extensions, recreational paths, tree planting and planning studies. The City has also worked with other outside organizations to help provide the infrastructure necessary to meet the City's current and future needs.

It should again be noted that the preparation of this comprehensive annual financial report could not have been accomplished without the efforts of our City Treasurer, Cynthia Shane. Her continued efforts to upgrade the City's accounting, financial reporting and information management systems has contributed significantly to the quality of the information being reported to the City Council and the citizens of Fenton.

In closing, let me express my hope that you will find this document to be a useful tool in evaluating the City's financial health. Helping you and the public obtain a thorough understanding of the City's financial condition is important to us all. Should you have any questions, comments, concerns, or suggestions regarding this document or the information it contains, Cindy and I are available to respond.

My staff and I look forward to reviewing this information with you.

Respectfully submitted,



Lynn Markland
City Manager



City of Fenton

301 South Leroy Street · Fenton, Michigan 48430-2196 • (810) 629-2261 • FAX (810) 629-2004

November 21, 2008

To the Citizens of the City of Fenton:

The comprehensive annual financial report of the City of Fenton for the fiscal year ended June 30, 2008 is hereby submitted. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 (GASB No. 34), which significantly changed the contents and format of the municipal financial statements. GASB No. 34 was developed to promote comparability between various units of government and to demonstrate the operational, as well as the fiscal, accountability of each municipality. Prior to GASB No. 34, municipalities reported only on the fund basis. This demonstrated to the financial statement user that the municipality met its responsibility to the public and all legal requirements in the short term, usually a year or a budget cycle. With the adoption of GASB No. 34, a municipality must also include full accrual government-wide financial statements. The purpose of these statements is to demonstrate the operation accountability of the municipality. Operational accountability refers to the government's responsibility to assure that it is currently meeting and can continue to meet operational objectives into the foreseeable future. The accompany report is the fifth issued by the *City of Fenton* in compliance with the new format requirements of GASB 34.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Fenton's MD&A can be found immediately following the report of the independent auditor.

The City operates under the council-manager form of government. The City Council is comprised of the mayor and six members. The members are elected on a staggered basis for four year terms. The mayor is elected every two years. The City Manager and City Attorney are appointed by, and serve at the pleasure of the council.

REPORTING ENTITY

The City of Fenton has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB).

The City provides various municipal services to its citizens. Among these are fire and police protection, garbage collection, parks maintenance and activities, street construction and maintenance, planning and zoning, and general administrative services. The City operates its own water system and sanitary sewer system.

The following organization was evaluated against the reporting entity criteria and is included in the City's annual report as a blended component unit for the reasons stated:

City of Fenton Building Authority:

- City appoints governing board.
- Surplus funds existing at termination of Authority vest to the City of Fenton

The following organizations were evaluated against the reporting entity criteria and are included in the City's annual report as discretely presented component units for the reasons stated:

Local Development Finance Authority:

- Unit is legally separate from the City.
- City appoints majority of governing board.
- Surplus funds existing at termination of Authority vest to the City.

Downtown Development Authority:

- Unit is legally separate from the City.
- City appoints majority of governing board.
- Surplus funds existing at termination of Authority vest to the City.

ECONOMIC CONDITION AND OUTLOOK

The *City of Fenton* is located in the southeast corner of Genesee County, bordering Livingston County to the south and Oakland County to the east. Livingston County is the fastest growing county in Michigan. Genesee County is the fourth largest county in the state. Fenton is accessible to the City of Flint, 15 miles to the north and the City of Detroit, 48 miles to the south. Genesee County is effectively now part of the Southeast Michigan economy and is also part of the Detroit Comprehensive Statistical Area.

The City is a stable community with many assets – quality residential neighborhoods, good schools, beautiful view of the Shiawassee River, and historic downtown and residential neighborhoods, a solid industrial base and convenient freeway access. Periodic events and festivals, such as the 4th of July Freedom Festival, Applefest, Jinglefest and Jubl'eve contribute to Fenton's "small town" sense of community.

Many choices of housing are available in Fenton, whether it is single-family homes in beautiful neighborhoods, apartments communities in convenient locations, or condominiums tucked away in lovely wooded areas. For those whose careers take them outside of the City, they do not have far to travel since all major metropolitan areas such as Ann Arbor, Lansing, Flint and the Detroit Area are located within an hours drive. With the slowing of the economy, several residential developments have slowed also.

The City is the heart of a beautiful recreation area. There are 58 lakes within a 10-mile radius of the City, which are used for fishing, boating, swimming and other water sports. Silver Lake Park in Fenton features a municipal

beach and picnic areas. Lake Fenton, with more than 11 miles of shoreline, is the largest lake in the area, encompassing 845 acres and with a maximum depth of 92 feet. The area around the City provides facilities for downhill and cross-country skiing, snowmobiling and ice fishing.

Fenton Area Public Schools is one of the finest school districts in the state, with three public elementary schools, a fifth- and sixth-grade, a new seventh- and eighth-grade building which was built in 2000, and a high school. A small portion of the City is located in the Lake Fenton Community Schools which has built a new state-of-the-art high school. In addition, the City is the home to a private parochial school for parents who choose a religion-based education for their children.

The 2000 U.S. Census was 10,582, a population increase of 25% or 2138 persons from 1990. The estimated population for 2007 is 12,000.

A steady diversified growth in local industries has continued. New service-related businesses continue to establish in Fenton. Many new commercial businesses have opened in Silver Lake Village, a 153.9 acre planned unit business development on the west side of the City. In the current year, new businesses locating in Fenton were Apple Tree Day Care, Dollar Tree Store, Joyful Noise Music Store and Red Devil Pizza. Wal-Mart has started the construction to increase their size to a Super Wal-Mart. Two new hotels are planning to build in Fenton, Fairfield Marriott with 80 rooms and Holiday Inn Express with 82 rooms. A multi-million dollar industrial park is located in the City. This park is filled with strong viable corporations, enhancing the employment market and tax base in the City.

MAJOR INITIATIVES

For the Year. A major concern, year after year, of the City is the maintenance and expansion of the general infrastructure (roads, bridges and sidewalks). The City has received a Surface Transportation Program Fund Grant to reconstruct and widen Silver Lake Road. The Michigan Department of Transportation transferred the jurisdiction of this state truckline over to the City. The construction of this project has begun in this fiscal year.

A main goal of the City council is to continue establishment of a local street capital improvement program. Instead of resurfacing nine local streets this year, the City used an innovative hot in-place recycling to improve the surface condition of the cracked and deteriorating street surfaces. This hot in-place recycling should extend the life of these streets for five or six years, saving the City money by not resurfacing. The City of Fenton hot in-place recycling project was honored by the Michigan chapter of the American Public Works Association as its *Project of The Year* in the under \$2 million category.

The DDA (Downtown Development Authority) completed several Phase I projects of their newly adopted downtown master plan. Many of the local businesses took advantage of the 50/50 façade improvement program. The DDA constructed new and improved parking lots are the Old Fire Hall and Museum. Elizabeth Street was changed to one-way traffic which created more parking. The street was resurfaced and curb and gutter added.

On August 24, 2007, an F2 tornado hit downtown Fenton. It left miles of debris, damaged several homes and almost completely destroyed the newly opened Tractor Supply Company. The tornado caused many people to go without power, leaving the City in a state of emergency. The City's public safety departments reacted immediately, testing their Emergency Operations Support Plan. The overall situation was handled very well. A monumental amount of uprooted trees were cleared from City property in twelve days, costing the City \$585,000. The damage to residential homes amounted to \$3,500,000.

The City has continued to maintain and improve the GIS (Geographic Information Systems). The assessing, zoning and infrastructure information are included on the GIS system. Using the GIS system to create emergency management mapping for the police and fire department is a future project. Other technological improvements were made in every department.

For the Future. For the ongoing protection of the City, the City council has set a policy to maintain the combination of the General Fund and Budget Stabilization Fund balances at 20% of net General Fund operating revenues and have met these requirements. Council will strive to continue meeting this goal in the future. The City prepares a five-year financial plan annually for the General Fund.

Annually, the City updates a five-year plan for capital improvements (infrastructure). Council has a policy to annually designate 1.5 mills of the general operating millage for capital improvements.

The City has applied for funding grants to resurface Adelaide and North Leroy Streets.

The City is doing continued planning for new water and sewer main projects. The State Revolving Fund (SRF) and the Drinking Water Revolving Fund (DWRF) programs provide low cost financing for these projects. As in the past, the City is trying to qualify for this financing.

Downtown Master Plan Focus

The DDA (Downtown Development Authority) board retained John Dzurman Architects to create the Downtown Master Plan and Design Guidelines. The plan has been completed and approved by the DDA, City of Fenton Planning Commission and the Fenton City Council.

The purpose of this effort was to develop a comprehensive overview of the downtown area and a block-by-block plan for future development. The downtown plan includes recommended building locations, parking, streetscape improvements, signage, open spaces, and pedestrian and parking facilities based on future needs. Moreover, a detailed set of design guidelines was produced for each unique block area addressing the location of buildings, parking and signage.

The plan focuses on six primary districts located in Downtown Fenton. These include the *North Fenton District, Rail District, Downtown District, River Overlay District, Government District and the Historic Dibbleville District*. It is the intent of the plan to not only visually link these areas together but provide the City of Fenton with a tool to create a unique downtown that would offer residents and visitors options for entertainment, shopping, and services, all in one package.

The downtown master plan includes an Implementation Strategies Plan that offers a framework of how to accomplish the goals, ideas and recommendations identified in the master plan. The strategies include a three phased 15 year redevelopment plan. The DDA has completed several Phase I projects during this fiscal year.

Several Phase I projects are planned for the next fiscal year. The DDA is closing the south end of River Street and creating a landscaped parking lot in this area. A way finding committee has been established to create a system of signs for the downtown area to guide persons unfamiliar with the City. The DDA is considering properties to be purchased and used to enhance the downtown. A project for the strip delineating of parking spaces and improved pedestrian crossing is planned for the fall of 2008.

Also the DDA is encouraging the construction of an addition to the Fenton Community Center. This 12,000 square foot addition to the existing center is to be funded by private contributions to the Fenton Community Foundation. The addition would include a theater, gallery and classrooms for fine art instruction. The cost of the project is anticipated to be \$3.5 million.

To implement the plan involves not reinventing the wheel, but moving the wheel forward and creating synergy with the City Council, DDA Board, Planning Commission, developers and the public to continue the City's track record of successful projects within the DDA District.

FINANCIAL INFORMATION

In developing and evaluating the City's accounting system, consideration has been given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. After thorough evaluation of all proposals, the city council adopts an annual budget for the General Fund, Special Revenue Funds, and Debt Service Funds. The budget is legally enacted on a departmental (activity) basis. Monthly budget reports are provided to department heads and it is their responsibility to see that expenditures are within the budgetary guidelines. An online inquiry system is also available to department heads in which they could review budget to actual figures on a daily basis. Quarterly budget reports are provided to council for their review.

Pension Plan. The City participates in the Michigan Municipal Employees Retirement System (MERS), which is an agent multiple-employer public employee retirement system (PERS). Each year an independent actuary engaged by the pension plan calculates the amount of annual contributions that the City of Fenton must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City of Fenton fully funds each year's annual required contribution to the pension plan as determined by the actuary. As a result of the funding policy, the City of Fenton has succeeded as of December 31, 2007, in funding 79 percent of the present value of projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 30 years as a part of the annual required contribution calculated by the actuary.

Cash Management. The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds is invested in demand deposits (savings and checking), certificates of deposit, and money markets. The average yield on maturing investments during the year was 4.28%, and the amount of interest received was \$444,048.

Risk Management. The City is insured for workers' compensation through the Michigan Municipal League's workers' compensation fund. The City has entered into an agreement with the Municipal Alliance for property and liability insurance.

OTHER INFORMATION

Independent Audit. The City Charter and State laws require an annual audit of the financial records and transactions of the City by a firm of independent licensed certified public accountants. This requirement has been complied with and the City's financial statements have received an "unqualified opinion" from, Plante & Moran, PLLC Certified Public Accountants. An unqualified opinion is the best opinion that an organization can receive on its financial statements. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects.

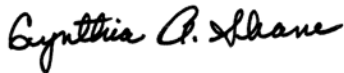
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the *City of Fenton* for its comprehensive annual financial report for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The *City of Fenton* has received a Certificate of Achievement for the last twenty consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments. The continuing efforts of department heads and office staff make possible the preparation of this comprehensive annual financial report. Commitment to fiscal integrity and financial leadership by the City Council is appreciated. The accounting firm of Plante & Moran, PLLC also made substantial contributions in the preparation of this document.

Respectfully,

A handwritten signature in cursive script that reads "Cynthia A. Shane".

Cynthia A. Shane
City Treasurer

**City of Fenton, Michigan
Organizational Chart**

Citizens of the City of Fenton

**Mayor and
City Council**

City Attorney

Planning Commission

Library Board

Local Development Finance Authority

Compensation Commission

Building Authority

Cemetery Board

Museum Board

Board of Review

Zoning Board of Appeals

Beautification Commission

Downtown Development Authority

Park And Recreation Board

City Manager

Police
Chief

Fire
Chief

City
Clerk

Zoning
Administrator

Treasurer

Assessor

Public Works
Director

Support Staff

Financial Section

Independent Auditors' Report

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

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 Fenton, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fenton, Michigan's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Fenton, Michigan as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fenton, Michigan's basic financial statements. The introductory section, other supplemental information, and statistical section as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

November 21, 2008

Management's Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of narratives and financial statements. This narrative should be considered in conjunction with the additional information presented in the letter of transmittal found on pages C-1 through C-8 and is intended to serve as an introduction to the City of Fenton's basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a board overview of the City of Fenton's finances, in a manner similar to a private sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Fenton is improving or deteriorating. The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. As a result, revenues and expenses are reported in this statement for some items that only result in cash flows in future fiscal periods.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover costs from user fees and charges for services (business-type activities). The governmental activities include general government, public works, parks and recreation, community service, and cemetery. The business-type activities include the water and sewer operation of the City. The government-wide financial statements include not only the City of Fenton (known as the primary government), but also the legally separate Downtown Development Authority and Local Development Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the City.

Fund Financial Statements (which report the City's operation in more detail than the government-wide financial statements) follow the above-mentioned statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities and to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. This comparison may allow the readers to better understand the long-term impact of the City's short-term financing decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for the governmental funds provide a reconciliation to facilitate this comparison between governmental funds and government activities.

The City of Fenton maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund and Major Streets Funds, all of which are considered to be major funds. Data for the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Fenton adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for all the governmental funds to demonstrate budgetary compliance.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City of Fenton uses Enterprise Funds to account for its water and sewer operations. These funds are considered major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate cost internally among various functions. The City of Fenton uses an Internal Service Fund to account for its equipment usage and also to accumulate resources for employee sick pay. Because this program predominantly benefits governmental rather than business-type functions, it has been consolidated within the governmental activities in the government-wide financial statements.

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

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information concerning the City's budgetary comparison statements for the General and Major Special Revenue Funds as well as budget footnotes. This required supplemental information is in addition to the basic financial statements and accompanying notes.

Other Financial and Supplement Information, such as the combining statements and certain budget comparison statements referred to earlier, as well as various financial schedules and the statistical information, are presented immediately following the required supplemental information.

Table I summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of the City of Fenton, Michigan’s
Government-wide and Fund Financial Statements
Fund Statements**

<u>Type of Statements</u>	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and major/local streets	Activities the City operates similar to private business: the water and sewer system	Instances in which the City is the trustee or agent for someone else’s resources.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the City’s funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The City of Fenton as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

	Governmental Activities		Business- type Activities		Total	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Current and other assets	\$ 5.4	\$ 5.3	\$ 4.2	\$ 3.7	\$ 9.6	\$ 9.0
Capital assets	12.3	14.0	37.8	37.1	50.1	51.1
Total assets	17.7	19.3	42.0	40.8	59.7	60.1
Long-term liabilities	1.1	0.9	18.1	17.0	19.2	17.9
Other liabilities	2.3	1.8	0.7	0.5	3.0	2.3
Total liabilities	3.4	2.7	18.8	17.5	22.2	20.2
Net assets:						
Invested in capital assets - Net of related debt	11.4	13.3	19.7	20.0	31.1	33.3
Restricted	0.4	0.5	0.9	1.2	1.4	
Unrestricted (deficit)	2.5	2.8	2.8	2.4	5.3	5.2
Total net assets	\$ 14.3	\$ 16.6	\$ 23.3	\$ 23.3	\$ 37.6	\$ 39.9

The City's combined net assets increased 6 percent from a year ago, increasing from \$37.6 million to \$39.9 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$2.3 million in net assets, or 16 percent, during the fiscal year 2008. This increase is attributable to the acquisition of capital assets and infrastructure. The business-type activities experienced relatively no change in net assets. Unrestricted net assets for the governmental activities, which is the portion of net assets that is available to finance day-to-day operations and future growth, was \$2.9 million at June 30, 2008.

The following table shows the changes of the net assets during the current year and as compared to the prior year (in thousands of dollars):

	Governmental Activities		Business- type Activities		Total	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenue						
Program revenue:						
Charges for services	\$ 1.2	\$ 1.2	\$ 3.8	\$ 4.4	\$ 5.6	\$ 5.6
Operating grants and contributions	1.1	1.6	0.0	0.0	1.1	1.6
Capital grants and contributions	0.0	0.8	0.2	0.0	0.2	0.8
General revenue:						
Property taxes	4.4	4.5	0.0	0.0	4.4	4.5
State-shared revenue	0.9	0.9	0.0	0.0	0.9	0.9
Unrestricted:						
Investment earnings	0.2	0.2	0.1	0.1	0.3	0.3
Total revenue	7.8	9.2	4.7	4.5	12.5	13.7

	Governmental Activities		Business- type Activities		Total	
	2007	2008	2007	2008	2007	2008
Program Expenses						
Legislative	0.2	0.1	0.0	0.0	0.2	0.1
General government	1.5	1.3	0.0	0.0	1.5	1.3
Public safety	3.5	3.4	0.0	0.0	3.5	3.4
Public Works	1.7	1.7	0.0	0.0	1.7	1.7
Parks and Recreation	0.3	0.2	0.0	0.0	0.3	0.2
Community Service	0.1	0.1	0.0	0.0	0.1	0.1
Cemetery	0.1	0.0	0.0	0.0	0.1	0.0
Interest on long-term Debt	0.1	0.1	0.0	0.0	0.1	0.1
Water	0.0	0.0	2.3	2.2	2.3	2.2
Sewer	0.0	0.0	2.4	2.2	2.4	2.2
Total program expenses	7.5	6.9	4.7	4.4	12.2	11.3
Change in Net Assets	\$ 0.3	\$ 2.3	\$ 0.0	\$ 0.1	\$ 0.3	\$ 2.4

Governmental Activities

The City's total governmental revenues increased by approximately \$1.4 million due to an increase in operating and capital grants and contributions and property tax revenues. During the year, the City received more in grants for road infrastructure projects as the previous year.

Expenses decreased by approximately \$0.6 million, or 8 percent, from last fiscal year. A decrease resulted in legislative due to the elimination of the position of assistant City manager. General and public safety decreased due to a reduction in the purchase of capital outlay.

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer Funds. The City provides water from wells located in the City. A new water treatment plant build in 2004 processes the water for all residents. The water usage rates were increased by 11 percent in the first quarter of fiscal 2007 to support additional expenses to operate the new water plant.

The City is a participant in a county-wide sanitary sewer construction program under Act 342 Michigan Compiled Laws. The City contracts with Genesee County Water and Waste Services for the operation of the plant. The City has pledged the full faith and credit of the City for the payment of the City's share of principal and interest payments. The assets and liabilities relating to those contracts have been recorded in the Sewer Fund. The City of Fenton, Fenton Township and City of Linden share a plant located in Fenton Township. The City's proportionate share of the operating costs of the plant is covered by our sewer rates. Sewer usage rates were increased by 5 percent and the sewer quarterly capital charge was increased by 50 percent in the first quarter of fiscal 2007. The combination of water and sewer quarterly capital charges and tap fees for new construction are used to pay the debt payments for these enterprise funds. As the economy slows, the tap fees are decreasing making an increase in the capital charge necessary. During fiscal 2008, \$346,464 in operating income was incurred in the Sewer Fund and a \$242,871 operating income was realized in the Water Fund.

The City's Funds

Our analysis of the City's major funds begins on page 7, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51 major and local road revenue sharing.

The City's major funds for 2008 include the General Fund and the Major Street Funds.

The General Fund pays for most of the City's governmental services. The most significant of these are police and fire services, which incurred expenditures of approximately \$3.2 million in 2008. The general operating millage levied by the City supports these two services. Fund balance in the General Fund increased by \$92,595.

Fund balance of the Major Street Fund decreased by \$4,942.

General Fund Budgetary Highlights

Over the course of the year, City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. At year end, actual General Fund revenues were over budget by \$23,383. Expenditures were (\$17,230) over budget, mainly due to unexpected overtime labor costs in public safety. There was a significant change between the original and final General Fund budget due to the F2 tornado which hit Fenton in August 2007. The storm recovery costs were \$717,329 of which \$480,583 was reimbursed by the DDA.

Capital Assets and Debt Administration

At the end of fiscal 2008, the City had \$51.0 million invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets and water and sewer lines. The value of the infrastructure assets, net of depreciation, contained in this report is \$6.1 million and \$4.2 million for fiscal 2008 and 2007, respectively.

The City's general obligation bonds maintained ratings of Aaa from Moody's and AAA from Standard and Poors. The City did not issue any long-term debt during the fiscal year. The ratio of net general bonded debt to assessed valuation and the amount of net bonded debt per capita are as follows:

	<u>2007</u>	<u>2008</u>
Net direct bonded debt	\$ 15,449	\$ 14,166
Ratio of debt to assessed valuation	2.67%	2.38%
Debt per capita	\$ 2,282	\$ 1,339

Additional information on the City of Fenton's capital assets and long term debt can be found in note 2C on pages 24-26 and note 2G on pages 28-32, respectively, of this report.

Economic Factors and Next Year's Budgets and Rates

The City levied an operating millage of 11 mills from 1989 to 2001. The City charter's operating millage is 13 mills. During these years the Headlee Amendment authorized millage was higher than 11 mills but the City Council chose not to levy the full authorized millage. In the past six years the Headlee Amendment has rolled the City's operating millage below 11 mills. For 2007 and 2008, the City has levied 10.63 mills. In March 1994, Proposal A was enacted, which limits the growth on existing property to the rate of inflation. The inflation rate allowed for fiscal 2008 under Proposal A was only 3.7 percent. Property taxes make up 67 percent of our General Fund budget revenue and Proposal A and the Headlee Amendment limit the growth of this revenue. Fortunately the City is still experiencing new commercial development. Most of this tax revenue growth is captured by the DDA but the DDA has completed many projects which benefit the City as a whole plus shared a portion of their revenue with the General Fund this fiscal year. Residential growth in the City is at a standstill. State-shared revenue payments decreased by \$4,702 this past year and are likely to decrease again due to the State's structural deficit problems.

The General Fund budget for 2009 is structured so that revenues exceed expenditures by \$8,000. The City makes an effort to operate with relative low personnel costs and an efficient labor force. Medical insurance costs continue to increase at about 15% a year. Each year the City tackles a major road infrastructure project, for 2008 the Silver Lake Road reconstruction has begun. The City prepares a Five Year Financial Plan for the General Fund, foreseeing the possible financial condition for more than just one year.

Contacting the City's Management

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

Basic Financial Statements

Government-Wide Financial Statements

City of Fenton
Statement of Net Assets
June 30, 2008

Assets	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,325,328	\$ 393,803	\$ 1,719,131
Investments	2,051,250	922,862	2,974,112
Receivables (net of allowances for uncollectibles)	1,183,517	1,589,309	2,772,826
Due from primary government	-	-	-
Due from component units	14,059	-	14,059
Internal balances	9,874	(9,874)	-
Inventory	33,285	30,772	64,057
Prepaid items	70,845	-	70,845
Restricted assets:			
Cash and cash equivalents:			
Silver Lake Road repairs	601,199	-	601,199
Held by County	-	410	410
Bond redemption	-	855,421	855,421
Capital assets not being depreciated	4,619,454	515,190	5,134,644
Capital assets (net of accumulated depreciation)	9,361,675	36,555,588	45,917,263
Total assets	19,270,486	40,853,481	60,123,967
Liabilities			
Accounts payable	474,062	265,679	739,741
Accrued liabilities	130,432	149,884	280,316
Accrued interest payable	20,067	145,822	165,889
Deposits payable	115,803	1,380	117,183
Due to component units	9	-	9
Due to primary government	-	-	-
Due to other governmental units	422,421	-	422,421
Unearned revenue	607,749	-	607,749
Noncurrent liabilities:			
Current portion of debt	226,501	1,259,238	1,485,739
Long term portion of debt	661,433	15,695,320	16,356,753
Total liabilities	2,658,477	17,517,323	20,175,800
Net Assets			
Invested in capital assets, net of related debt	13,330,319	20,116,220	33,446,539
Restricted for:			
Highways and streets	180,767	-	180,767
Garbage collection	20,562	-	20,562
Public safety	53,367	-	53,367
Capital projects	227,963	-	227,963
Bond redemption	-	855,831	855,831
Unrestricted	2,799,031	2,364,107	5,163,138
Total net assets	\$ 16,612,009	\$ 23,336,158	\$ 39,948,167

The Notes to Financial Statements are an Integral Part of this Statement.

Component Units

Downtown Development Authority	Local Development Finance Authority
\$ 2,310,749	\$ 999,430
-	-
15,544	3,742
9	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
295,000	-
-	-
2,621,302	1,003,172
18,621	9,824
57,816	-
-	-
-	-
-	-
-	14,059
-	-
-	-
-	-
335,000	-
4,535,000	-
4,946,437	23,883
295,000	-
-	-
-	-
-	-
-	-
-	-
(2,620,135)	979,289
\$ (2,325,135)	\$ 979,289

**City of Fenton
Statement of Activities
Year Ended June 30, 2008**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative and executive	\$ 108,653	\$ -	\$ -	\$ -
General government	1,330,663	80,681	635,559	-
Public safety	3,414,988	647,191	132,477	-
Public works	1,665,853	444,049	852,557	776,126
Parks and recreation	244,321	23,153	3,700	-
Community service	75,288	-	9,025	-
Cemetery	52,333	27,084	5,436	-
Interest on long term debt	27,104	-	-	-
Total governmental activities	6,919,203	1,222,158	1,638,754	776,126
Business-type activities:				
Water	2,179,363	2,198,405	-	3,050
Sewer	2,215,830	2,156,951	-	16,190
Total business-type activities	4,395,193	4,355,356	-	19,240
Total primary government	\$ 11,314,396	\$ 5,577,514	\$ 1,638,754	\$ 795,366
Component Units				
Downtown development authority	\$ 1,567,939	\$ -	\$ -	\$ -
Local development finance authority	178,228	-	-	-
Total component units	\$ 1,746,167	\$ - 0 -	\$ - 0 -	\$ - 0 -

General revenues
Property taxes
Unrestricted state shared revenue
Unrestricted investment earnings
Gain on sale of capital assets
Other income
Total general revenues and special items
Change in net assets
Net Assets - Beginning of year
Net Assets - End of year

The Notes to Financial Statements are an Integral Part of this Statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Local Development Finance Authority
\$ (108,653)	\$ -	\$ (108,653)	\$ -	\$ -
(614,423)	-	(614,423)	-	-
(2,635,320)	-	(2,635,320)	-	-
406,879	-	406,879	-	-
(217,468)	-	(217,468)	-	-
(66,263)	-	(66,263)	-	-
(19,813)	-	(19,813)	-	-
(27,104)	-	(27,104)	-	-
(3,282,165)	-	(3,282,165)	-	-
-	22,092	22,092	-	-
-	(42,689)	(42,689)	-	-
-	(20,597)	(20,597)	-	-
(3,282,165)	(20,597)	(3,302,762)	-	-
-	-	-	(1,567,939)	-
-	-	-	-	(178,228)
-	-	-	(1,567,939)	(178,228)
4,496,996	-	4,496,996	1,621,490	370,853
862,880	-	862,880	-	-
189,044	105,532	294,576	119,037	30,435
10,740	-	10,740	-	-
-	-	-	25,424	-
5,559,660	105,532	5,665,192	1,765,951	401,288
2,277,495	84,935	2,362,430	198,012	223,060
14,334,514	23,251,223	37,585,737	(2,523,147)	756,229
\$ 16,612,009	\$ 23,336,158	\$ 39,948,167	\$ (2,325,135)	\$ 979,289

Fund Financial Statements

**City of Fenton
Balance Sheet
Governmental Funds
June 30, 2008**

	General	Major Street	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ 19,808	\$ 656,203	\$ 676,011
Investments	2,051,074	-	-	2,051,074
Receivables:				
Taxes	415,662	-	-	415,662
Accounts	163,435	-	107,646	271,081
Special assessments	13,924	-	71,803	85,727
Accrued interest	6,269	2,396	742	9,407
Due from other funds	8,690	363,021	450,000	821,711
Due from other governments	273,109	98,445	30,067	401,621
Due from component unit	14,059	-	-	14,059
Inventory	27,299	-	5,986	33,285
Prepaid items	70,845	-	-	70,845
Restricted assets:				
Cash and cash equivalents	-	601,199	-	601,199
Total assets	\$ 3,044,366	\$ 1,084,869	\$ 1,322,447	\$ 5,451,682
Liabilities				
Accounts payable	\$ 80,563	\$ 351,614	\$ 18,406	\$ 450,583
Accrued liabilities	117,579	3,874	8,979	130,432
Deposits payable	111,716	-	4,087	115,803
Due to other funds	828,694	-	74,378	903,072
Due to other governments	422,421	-	-	422,421
Due to component unit	9	-	-	9
Deferred revenue	91,541	601,199	78,353	771,093
Total liabilities	1,652,523	956,687	184,203	2,793,413
Fund Balances				
Reserved:				
Reserved for inventory	27,299	-	5,986	33,285
Reserved for prepaids	70,845	-	-	70,845
Unreserved:				
General fund	1,293,699	-	-	1,293,699
Special revenue funds	-	128,182	652,396	780,578
Capital project funds	-	-	479,862	479,862
Total fund balances	1,391,843	128,182	1,138,244	2,658,269
Total liabilities and fund balances	\$ 3,044,366	\$ 1,084,869	\$ 1,322,447	\$ 5,451,682

The Notes to Financial Statements are an Integral Part of this Statement.

City of Fenton
Reconciliation of Fund Balances as Reported in the Governmental
Balance Sheet to the Statement of Net Assets
June 30, 2008

Fund balances of governmental funds	\$ 2,658,269
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities (exclusive of internal service funds) are not financial resources and, therefore, are not reported in the funds	13,502,504
Internal service funds are used by management to charge the costs of fleet management and compensated absences to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	880,340
Long-term liabilities, including bond and contract payables, are not due and payable in the current period and therefore are not reported in the funds	
Installment purchase agreements	(575,072)
Accrued interest expense is not due and payable in the current period and is not reported in the funds	(17,376)
Revenues to be received in the future are recognized at the governmental-wide level due to being measurable and earned	163,344
Net assets of governmental activities	\$ 16,612,009

The Notes to Financial Statements are an Integral Part of this Statement.

City of Fenton
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General	Major Street	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 4,454,173	\$ -	\$ -	\$ 4,454,173
Special assessments	-	-	15,235	15,235
Licenses and permits	192,848	-	-	192,848
Intergovernmental revenue:				
State	871,905	1,322,015	215,953	2,409,873
Charges for services	300,778	-	689,828	990,606
Fines and forfeits	113,225	-	-	113,225
Interest	71,474	60,189	33,479	165,142
Refunds and reimbursements	592,678	-	-	592,678
Miscellaneous revenue	81,585	-	30,352	111,937
Total revenue	6,678,666	1,382,204	984,847	9,045,717
Expenditures				
Current:				
Legislative and executive	108,653	-	-	108,653
General government	1,242,586	-	-	1,242,586
Public safety	3,245,459	-	198,232	3,443,691
Public works	940,342	1,472,146	1,080,264	3,492,752
Recreation and cultural	-	-	229,526	229,526
Community service	75,288	-	-	75,288
Cemetery	-	-	52,333	52,333
Capital outlay	-	-	18,486	18,486
Debt service:				
Principal retirement	53,830	-	56,949	110,779
Interest and fiscal charges	5,887	-	19,033	24,920
Total expenditures	5,672,045	1,472,146	1,654,823	8,799,014
Revenue over (under) expenditures	1,006,621	(89,942)	(669,976)	246,703
Other Financing Sources (Uses)				
Transfers in	33,974	185,000	1,211,223	1,430,197
Transfers out	(948,000)	(100,000)	(348,223)	(1,396,223)
Sale of capital assets	-	-	9,100	9,100
Total other financing sources (uses)	(914,026)	85,000	872,100	43,074
Net change in fund balances	92,595	(4,942)	202,124	289,777
Fund Balances - Beginning of year	1,299,248	133,124	936,120	2,368,492
Fund Balances - End of year	\$ 1,391,843	\$ 128,182	\$ 1,138,244	\$ 2,658,269

The Notes to Financial Statements are an Integral Part of this Statement.

City of Fenton
Reconciliation of the Statement of Revenue,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2008

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

Net change in fund balance - total governmental funds	\$	289,777
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital Outlay		2,208,640
Depreciation		(472,310)
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. These are the effects of these differences in the treatment of long-term debt and related items.</p>		
Principal repayments		110,779
<p>Accrued interest expense is not due and payable in the current period and is not reported in the funds</p>		
		(20,067)
<p>The net revenue of internal service funds is reported with governmental activities</p>		
		91,175
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
		69,501
Change in net assets of governmental activities	\$	2,277,495

The Notes to Financial Statements are an Integral Part of this Statement.

City of Fenton
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities-Enterprise Fund			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
Assets				
Current assets:				
Cash and cash equivalents	\$ 393,803	\$ -	\$ 393,803	\$ 649,317
Investments	7	922,855	922,862	176
Receivables:				
Accounts	626,111	587,426	1,213,537	-
Accrued interest	1,780	10,513	12,293	19
Unbilled utility service income	176,805	186,674	363,479	-
Due from other funds	851,044	36	851,080	91,235
Inventory	-	30,772	30,772	-
Total current assets	2,049,550	1,738,276	3,787,826	740,747
Noncurrent assets:				
Restricted assets - cash and equivalents	-	855,831	855,831	-
Capital assets not depreciated	324,231	190,959	515,190	-
Capital assets (net of accumulated depreciation)	21,612,648	14,942,940	36,555,588	478,625
Total noncurrent assets	21,936,879	15,989,730	37,926,609	478,625
Total assets	23,986,429	17,728,006	41,714,435	1,219,372
Liabilities				
Current liabilities:				
Accounts payable	226,185	39,494	265,679	23,479
Accrued liabilities	52,389	97,495	149,884	-
Compensated absences	-	-	-	237,124
Accrued interest payable	90,063	55,759	145,822	2,691
Due to other funds	6,960	853,994	860,954	-
Capital leases payable - current	-	-	-	75,738
Bonds and notes payable - current	769,238	490,000	1,259,238	-
Total current liabilities	1,144,835	1,536,742	2,681,577	339,032
Noncurrent liabilities:				
Meter deposits	-	1,380	1,380	-
Bonds and notes payable	7,701,561	7,993,759	15,695,320	-
Total noncurrent liabilities	7,701,561	7,995,139	15,696,700	-
Total liabilities	8,846,396	9,531,881	18,378,277	339,032
Net Assets				
Invested in capital assets, net of related debt	13,466,080	6,650,140	20,116,220	402,887
Restricted for bond reserve	-	855,831	855,831	-
Unrestricted	1,673,953	690,154	2,364,107	477,453
Total net assets	\$ 15,140,033	\$ 8,196,125	\$ 23,336,158	\$ 880,340

The Notes to Financial Statements are an Integral Part of this Statement.

City of Fenton
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2008

	Business-type Activities-Enterprise Fund			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
Operating Revenue				
Charges for services	\$ 2,156,951	\$ 2,148,525	\$ 4,305,476	\$ 426,526
Other income	-	49,880	49,880	24,959
Total operating revenue	2,156,951	2,198,405	4,355,356	451,485
Operating Expenses				
Wages and benefits	171,983	625,283	797,266	12,985
Office and administrative	-	3,062	3,062	-
Benefit payments	85,490	258,745	344,235	-
Supplies	4,584	326,024	330,608	9,908
Gas and oil	-	-	-	45,367
Heat, power, and lights	27,205	162,579	189,784	39,112
Repairs and maintenance	13,882	19,376	33,258	89,977
Equipment rent	32,360	13,446	45,806	-
Building rent	29,200	29,200	58,400	-
Professional fees	16,313	25,961	42,274	-
Payment to Genesee County for sewage treatment	902,514	-	902,514	-
Depreciation	495,997	441,422	937,419	135,787
GIS/computer	7,530	4,780	12,310	-
Insurance	22,600	28,500	51,100	12,400
Miscellaneous	829	17,156	17,985	800
Total operating expenses	1,810,487	1,955,534	3,766,021	346,336
Operating income	346,464	242,871	589,335	105,149
Nonoperating Revenue (Expenses)				
Interest on investments	74,952	30,580	105,532	23,852
Interest and fiscal charges	(405,343)	(223,829)	(629,172)	(5,492)
Gain/loss on sale of capital assets	-	-	-	1,640
Total nonoperating revenue (expenses)	(330,391)	(193,249)	(523,640)	20,000
Income before contributions and transfer:	16,073	49,622	65,695	125,149
Capital contributions - tap fees	16,190	3,050	19,240	-
Transfers in (out)	-	-	-	(33,974)
Change in net assets	32,263	52,672	84,935	91,175
Nets Assets - Beginning of year	15,107,770	8,143,453	23,251,223	789,165
Net Assets - End of year	\$ 15,140,033	\$ 8,196,125	\$ 23,336,158	\$ 880,340

The Notes to Financial Statements are an Integral Part of this Statement.

**City of Fenton
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008**

	<u>Business-type Activities - Enterprise Fund:</u>			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
Cash Flows From Operating Activities				
Receipts from customers	\$ 2,442,208	\$ 2,231,610	\$ 4,673,818	\$ -
Receipts from interfund services provided and used	-	-	-	522,986
Payments to suppliers	(1,164,197)	(1,124,102)	(2,288,299)	(213,401)
Payments to employees	(168,770)	(648,266)	(817,036)	(12,985)
Net cash provided by operating activities	1,109,241	459,242	1,568,483	296,600
Cash Flows From Noncapital Financing Activities				
Loans made to other funds	-	-	-	(74,378)
Transfers in	-	-	-	(33,974)
Net cash provided by (used in) noncapital financing activities	-	-	-	(108,352)
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	(111,511)	(51,681)	(163,192)	(80,573)
Proceeds from the sale of capital assets	-	-	-	3,450
Principal payments on bonds and notes	(699,367)	(480,000)	(1,179,367)	(79,867)
Tap-in fees	16,190	3,050	19,240	-
Interest paid	(429,760)	(224,094)	(653,854)	-
Net cash used in capital and related financing activities	(1,224,448)	(752,725)	(1,977,173)	(156,990)
Cash Flows From Investing Activities				
(Purchase) sale of investments	-	298,257	298,257	-
Interest earned on operating funds	80,402	35,647	116,049	25,993
Net cash provided by investing activities	80,402	333,904	414,306	25,993
Net increase (decrease) in cash and cash equivalents	(34,805)	40,421	5,616	57,251
Cash and cash equivalents - beginning of year	428,608	815,410	1,244,018	592,066
Cash and Cash Equivalents- End of year	\$ 393,803	\$ 855,831	\$ 1,249,634	\$ 649,317
(Includes \$855,831 of restricted cash and cash equivalents for Water Fund)				

(continued)

City of Fenton
Statement of Cash Flows
Proprietary Funds (continued)
Year Ended June 30, 2008

	<u>Business-type Activities - Enterprise Fund:</u>			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 346,464	\$ 242,871	\$ 589,335	\$ 105,149
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation	495,997	441,422	937,419	135,787
(Increase) decrease in assets:				
Receivables	(11,949)	33,205	21,256	-
Due from other funds	297,206	-	297,206	95,412
Inventory	-	3,163	3,163	-
Increase (decrease) in liabilities				
Accounts payable	(26,282)	(9,387)	(35,669)	2,768
Accrued liabilities	3,213	(22,383)	(19,170)	(23,911)
Due to other funds	4,592	(229,649)	(225,057)	(18,605)
Total adjustments	762,777	216,371	979,148	191,451
Net cash provided by operating activities	\$ 1,109,241	\$ 459,242	\$ 1,568,483	\$ 296,600

The Notes to Financial Statements are an Integral Part of this Statement.

**City of Fenton
Balance Sheet
Fiduciary Funds
Agency Funds
June 30, 2008**

Assets

Cash and cash equivalents	\$ 8,568
	<hr/>
Total assets	\$ 8,568
	<hr/> <hr/>

Liabilities

Liabilities:

Due to other governments	\$ 196
Due to employees - union groups	8,372
	<hr/>
Total liabilities	\$ 8,568
	<hr/> <hr/>

The Notes to Financial Statements are an Integral Part of this Statement.

Notes to Financial Statements

City of Fenton
Notes to Financial Statements
June 30, 2008

1. Summary of significant accounting policies

The accounting policies of the City of Fenton, Michigan conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Fenton, Michigan:

A. Reporting entity

The City of Fenton, Michigan was incorporated January 24, 1964, under the provisions of Act 279, P.A. 1909 as amended. The City operates a council-manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspections), highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City and its component units, legally separate entities for which the City is considered to be financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Blended Component Unit - The City of Fenton's Building Authority is governed by a board appointed by the City of Fenton's governing body. Although it is legally separate from the City of Fenton, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City of Fenton's public buildings. The Building Authority had no activity in 2007 or 2008.

Discretely Presented Component Units - The component unit columns in the government-wide financial statements include the financial data of the City's two discretely presented component units. These units are reported in separate columns to emphasize that they are legally separate from the City.

Downtown Development Authority - (Governmental Activity) A majority of the members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority. Complete financial statements of the Downtown Development Authority can be obtained at the City of Fenton, Treasurer's Office, 301 South Leroy Street, Fenton, Michigan 48430.

Local Development Finance Authority - (Governmental Activity) A majority of the members of the governing board of the Local Development Finance Authority are appointed by the City Council. The budgets and expenditures are approved by the City. The City also has the ability to significantly influence operations of the Local Development Finance Authority. Complete financial statements of the Local Development Finance Authority can be obtained at the City of Fenton, Treasurer's Office, 301 South Leroy Street, Fenton, Michigan 48430.

City of Fenton
Notes to Financial Statements
June 30, 2008

1. Summary of significant accounting policies - (continued)

A. Reporting entity - (continued)

Discretely Presented Component Units - (continued)

Brownfield Redevelopment Authority - (Governmental Activity) A majority of the members of the governing board of the Local Development Finance Authority are appointed by the City Council. The budgets and expenditures are approved by the City. The City also has the ability to significantly influence operations of the Brownfield Redevelopment Authority. As of June 30, 2008, there has not been any activity thus far in the component unit. Information for the Brownfield Redevelopment Authority can be obtained at the City of Fenton, Treasurer's Office, 301 South Leroy Street, Fenton, Michigan 48430.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

City of Fenton
Notes to Financial Statements
June 30, 2008

1. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation - (continued)

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

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

Agency funds have no measurement focus.

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

The government reports the following major governmental funds:

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

The Major Street Fund accounts for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction.

The government reports the following major proprietary funds:

The Water Supply and Sewer Disposal System are managed by the City's Department of Public Works. Separate funds are maintained for the operations of the water distribution system and sewage collection, pumping and distribution to the County's treatment plant.

Additionally, the government reports the following fund types:

Internal service funds account for equipment acquisition, usage, and maintenance and also the financing of employee sick pay. These services are provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Agency funds account for collection and payment to the county, school districts and other City funds for property taxes collected by the City on their behalf and amounts withheld from City employee payroll related to union dues and related payments. Agency funds are reported as fiduciary funds.

City of Fenton
Notes to Financial Statements
June 30, 2008

1. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation - (continued)

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

D. Budgetary data

Budgets shown in the financial statements were prepared on the same modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the third Monday in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.

The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

2. Public hearings are conducted to obtain taxpayer comments.
3. On or before the third Monday in May, by resolution, the budget is legally enacted on a departmental (activity) basis for all budgetary funds for the ensuing fiscal year in accordance with Public Act 621 of the State of Michigan.

City of Fenton
Notes to Financial Statements
June 30, 2008

1. Summary of significant accounting policies - (continued)

D. Budgetary data - (continued)

4. The City Manager, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budget appropriations lapse at year end.
7. The original budget was amended and supplemental appropriations approved during the year, in accordance with the City charter and applicable State laws. The budget to actual expenditures in the financial statements represents the final budgeted expenditures as amended by the City.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no encumbrances at year end.

E. Assets, liabilities, and net assets or equity

1. Bank deposits and investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less when acquired. Investments are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

3. Inventory and prepaid items

Inventories are valued at cost for governmental funds, and the lower of cost or market in proprietary funds, using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure/expense at the time individual inventory items are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of Fenton, Michigan
Notes to Financial Statements
June 30, 2008

1. Summary of significant accounting policies - (continued)

E. Assets, liabilities, and net assets or equity - (continued)

4. Restricted assets

Certain proceeds of the City's enterprise fund bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "bond redemption" account is used to report resources set aside to make up potential future deficiencies.

The City also has restricted cash in the Major Street Fund for repairs to Silver Lake Road. The State had originally owned the road. In lieu of being responsible for future road repairs the State turned the road ownership to the City and advanced them \$1,500,595 for the repairs on the road. Any unspent funds must be returned to the State. As a result, the City recorded deferred revenue until such time as qualifying grant expenditures are made. As of June 30, 2008, \$601,199 is unspent and the cash is restricted.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Building and land improvements	5-20
Vehicles	3-10
Office equipment	3-5
Machinery and equipment	3-10
Roads, lights, and bridges	10-20
Sewer and water lines	40-100

6. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

City of Fenton
Notes to Financial Statements
June 30, 2008

1. Summary of significant accounting policies - (continued)

E. Assets, liabilities, and net assets or equity - (continued)

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Compensated absences

a. Accumulated unpaid sick pay

Substantially all City employees are paid for unused sick days upon termination of employment. Accumulated vested unpaid sick pay at June 30, 2008, is recorded in the financial statements of the City as follows:

GOVERNMENTAL FUND TYPES - As a current year expenditure. The City records an operating transfer from the General Fund to the Sick Pay Internal Service Fund for any unpaid sick pay owing to employees at year end. The entire liability is funded in the year in which it has been incurred.

PROPRIETARY FUND TYPES - Accrued as a liability and expensed as incurred.

b. Accumulated unpaid vacation pay

All employees may carry over from year to year a maximum of one-half of the unused vacation days earned in the current year. Upon involuntary termination of employment, no payment will be made to an employee for any unused accumulated vacation days. However, upon voluntary termination with notice, an employee may receive payment for any unused accumulated vacation days. At June 30, 2008, the unused vacation days are insignificant and, therefore, no liability has been recorded.

9. Use of estimates

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

2. Detail notes on all funds

A. Deposits and investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

City of Fenton
Notes to Financial Statements
June 30, 2008

2. Detail notes on all funds - (continued)

A. Deposits and investments - (continued)

The City has designated four banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to one type of risk, which is examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$5,744,127 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Component units:

Of the City's component unit deposits \$2,815,084 are uninsured and uncollateralized.

B. Receivables

Receivables as of year end for the City's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities:

	<u>General</u>	<u>Major Street</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$415,662	\$ -	\$ -	\$ 415,662
Accounts	163,435	-	107,646	271,081
Special assessments	13,924	-	71,803	85,727
Interest	6,269	2,396	761	9,426
Intergovernmental	273,109	98,445	30,067	401,621
Gross and net receivables	<u>\$872,399</u>	<u>\$100,841</u>	<u>\$210,277</u>	<u>\$1,183,517</u>

City of Fenton
Notes to Financial Statements
June 30, 2008

2. Detail notes on all funds - (continued)

B. Receivables

No allowance for uncollectible was deemed necessary for the outstanding receivables.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Special assessments not yet due	\$ 85,727	\$ -	\$ 85,727
Personal property taxes	77,617	-	77,617
Major Street repair	-	601,199	601,199
Cemetery lot deposits	-	6,550	6,550
	<u>\$163,344</u>	<u>\$ 607,749</u>	<u>\$ 771,093</u>
 Business Type Activities:			
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Receivables:			
Accounts – all types	\$802,916	\$774,100	\$1,577,016
Interest	1,780	10,513	12,293
	<u>\$804,696</u>	<u>\$784,613</u>	<u>\$1,589,309</u>

No allowance for uncollectible was deemed necessary.

C. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,605,104	\$ -	\$ -	\$ 1,605,104
Construction in progress - roads	2,191,462	985,300	(162,412)	3,014,350
	<u>3,796,566</u>	<u>985,300</u>	<u>(162,412)</u>	<u>4,619,454</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	6,007,171	-	-	6,007,171
Building and land improvements	546,530	-	-	546,530
Machinery, vehicles, and equipment	4,059,170	379,688	(113,325)	4,325,533
Roads, lights and bridges	2,044,830	1,086,637	-	3,131,467
	<u>12,657,701</u>	<u>1,466,325</u>	<u>(113,325)</u>	<u>14,010,701</u>
Total capital assets being depreciated				

City of Fenton
Notes to Financial Statements
June 30, 2008

2. Detail notes on all funds - (continued)

C. Capital assets - (continued)

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Less accumulated depreciation for:				
Buildings	1,356,290	145,868	-	1,502,158
Buildings and land improvements	332,173	24,729	-	356,902
Machinery, vehicles, and equipment	2,243,399	319,988	(111,515)	2,451,872
Roads, lights and bridges	220,582	117,512	-	338,094
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	4,152,444	608,097	(111,515)	4,649,026
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated, net	8,505,257	858,228	(1,810)	9,361,675
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities capital assets, net	<u>\$12,301,823</u>	<u>\$ 1,843,528</u>	<u>\$ (164,222)</u>	<u>\$13,981,129</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 190,930	\$ -	\$ -	\$ 190,930
Construction in progress	212,064	112,196	-	324,260
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, not being depreciated	402,994	112,196	-	515,190
Capital assets, being depreciated:				
Building improvements	8,812,467	47,521	-	8,859,988
Sewer and water lines	36,384,877	3,473	-	36,388,350
Machinery and equipment	660,484	-	-	660,484
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated	45,857,828	50,994	-	45,908,822
Less accumulated depreciation for:				
Building improvements	220,308	220,308	-	440,616
Sewer and water lines	7,659,260	694,154	-	8,361,290
Machinery and equipment	536,250	22,954	-	551,328
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	8,415,818	937,416	-	9,353,234
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated, net	37,442,010	(886,422)	-	36,555,588
	<hr/>	<hr/>	<hr/>	<hr/>
Business-type activities capital assets, net	<u>\$37,845,004</u>	<u>\$ (774,226)</u>	<u>\$ -</u>	<u>\$37,070,778</u>

City of Fenton
Notes to Financial Statements
June 30, 2008

2. Detail notes on all funds - (continued)

C. Capital assets - (continued)

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

Governmental activities:

Current:

General government	\$ 88,077
Public safety	251,926
Public works	253,299
Parks and recreation	<u>14,795</u>

Total depreciation expense – governmental activities	<u>\$608,097</u>
--	------------------

Business-type activities:

Water	\$441,419
Sewer	<u>495,997</u>

Total depreciation expense – business-type activities	<u>\$937,416</u>
---	------------------

Component units:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
DDA activities:				
Capital assets, not being depreciated:				
Land	<u>\$295,000</u>	\$ -	\$ -	<u>\$295,000</u>
DDA activities capital assets	<u>\$295,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$295,000</u>

D. Defined benefit pension plan

Plan description:

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit plan administered by the MERS Retirement Board. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

Funding policy:

The City is required to contribute at an actuarially determined rate; the current rate ranges from 2.33% of annual covered payroll for the administrative staff group to 14.10% for the Police Local 214 group. Employees are required to contribute 0% - 1% to the plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

City of Fenton
Notes to Financial Statements
June 30, 2008

2. Detail notes on all funds - (continued)

D. Defined benefit pension plan - (continued)

Annual pension cost:

For the year ended June 30, 2008, the City's annual pension cost of \$361,716 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year for merit and longevity, and an asset valuation method that smoothes fair value of assets over 5 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$317,579	100	\$ -
6/30/07	320,475	100	-
6/30/08	361,716	100	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Funded (Unfunded) (AAL) (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
12/31/04	\$6,673,317	\$8,414,951	(1,741,634)	80.0%	2,655,110	(66.0)%
12/31/05	7,072,750	9,028,424	(1,955,674)	78.3	2,903,417	(67.4)
12/31/06	7,690,763	9,505,510	(1,814,747)	80.9	2,996,270	(60.6)
12/31/07	8,320,117	10,564,003	(2,243,886)	78.8	2,910,583	(77.1)

E. Other post employment benefits

In addition to the pension benefits described in Note 2.D, the City provides post retirement health care benefits for covered employees who retire on or after age 55 with at least 10 years of service and for all other employees, in accordance with a City resolution to all employees who retire on or after age 62 with at least 10 years of service. Currently 27 retirees meet the eligibility requirements. The City pays 100% of the health insurance premiums for these retirees. Expenditures for the premiums are paid and recognized as they become due. During the year, expenditures of \$265,742 were recognized for retiree health insurance premiums.

City of Fenton
Notes to Financial Statements
June 30, 2008

2. Detail notes on all funds - (continued)

E. Other post employment benefits - (continued)

Upcoming reporting change:

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010. Management is currently assessing the impact of this new accounting standard on the City's financial statement for future reporting periods.

F. Leases

Capital leases:

The City entered into a lease agreement during the 2007 fiscal year as lessee for financing the purchase of a street sweeper at a cost of \$159,648. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Also recorded at the present value of the future minimum lease payments is the motor grader, which was purchased during the 2005 fiscal year at a cost of \$108,000. The future minimum lease obligations and the net present value for the two are as follows:

Year Ending <u>June 30</u>	<u>Amount</u>
2009	<u>\$ 79,867</u>
Total minimum lease payments	79,867
Less amount representing interest	<u>4,129</u>
Present value	<u><u>\$75,738</u></u>

G. Long-term debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Installment purchase agreements	\$ 685,851	\$ -	\$(110,779)	\$ 575,072	\$114,763
Capital leases	147,562	-	(71,824)	75,738	75,738
Accrued compensation	<u>261,035</u>	<u>28,213</u>	<u>(52,124)</u>	<u>237,124</u>	<u>36,000</u>
Governmental activity long-term liabilities	<u><u>\$1,094,448</u></u>	<u><u>\$28,213</u></u>	<u><u>\$(234,727)</u></u>	<u><u>\$ 887,934</u></u>	<u><u>\$226,501</u></u>

City of Fenton
Notes to Financial Statements
June 30, 2008

2. Detail notes on all funds - (continued)

G. Long-term debt - (continued)

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 9,170,166	\$ 2,885,399	\$(3,584,766)	\$ 8,470,799	\$ 769,238
Revenue bonds	8,963,759	-	(480,000)	8,483,759	490,000
Business-type activity long-term liabilities	<u>\$18,133,925</u>	<u>\$ 2,885,399</u>	<u>\$(4,064,766)</u>	<u>\$16,954,558</u>	<u>\$1,259,238</u>
Component unit activities:					
Bonds payable:					
DDA	<u>\$ 5,185,000</u>	<u>\$ -0-</u>	<u>\$ (315,000)</u>	<u>\$ 4,870,000</u>	<u>\$ 335,000</u>

Significant details regarding the types of debt are presented as follows:

<u>Bonds and Notes Payable</u>	<u>Fund Servicing Debt</u>	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Annual Principal Payment Varies Between</u>	<u>Outstanding Balance June 30, 2008</u>
Government activities:					
Installment purchase agreements:					
Motorola communications system	General Fund	March 1, 2010	3.52%	\$55,724-\$57,686	\$ 113,410
Magnum fire truck	Capital Projects	March 1, 2015	3.67	59,039-73,292	461,662
Capital leases	Equipment Fund			22,577-53,161	75,738
Accrued compensation					<u>237,124</u>
Total governmental activity long-term liabilities					<u>887,934</u>
Business-type activities:					
Sewer Fund:					
Contracts with Genesee County:					
Sewage Disposal System #3 Bonds	Sewer Fund	April 1, 2016	5.2-7.0	663,894-713,949	5,595,678
Sewage Disposal System #3 Series 2007 Bonds	Sewer Fund	April 1, 2019	4.0	105,344-470,194	2,875,121

City of Fenton
Notes to Financial Statements
June 30, 2008

2. Detail notes on all funds - (continued)

G. Long-term debt - (continued)

<u>Bonds and Notes Payable</u>	<u>Fund Servicing Debt</u>	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Annual Principal Payment Varies Between</u>	<u>Outstanding Balance June 30, 2007</u>
Business-type activities: (continued)					
Water Fund:					
Michigan Municipal Bond Authority-Michigan Drinking Water Revolving Fund Bonds	Water Fund	April 1, 2019	2.5	65,000-98,579	858,759
Michigan Municipal Bond Authority-Michigan Drinking Water Revolving Fund Bonds	Water Fund	April 1, 2023	2.5	425,000-600,000	<u>7,625,000</u>
Total business-type activities					<u>16,954,558</u>
Total primary government long-term liabilities					<u>\$17,766,714</u>
Component unit activities:					
General obligation debt:					
1994 Downtown					
Development Bonds	Capital Projects	May 1, 2009	5.150-6.850%	\$75,000	\$ 75,000
2002 General Obligation Limited					
Tax Development Bonds	Capital Projects	April 1, 2021	4.2-4.5	260,000-465,000	<u>4,795,000</u>
Total component unit long-term liabilities					<u>\$ 4,870,000</u>

General obligation debt:

Debt service requirements:

<u>Year Ended</u>	<u>Governmental Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
6-30-09	\$135,698	\$114,763	\$ 20,935
6-30-10	135,698	118,892	16,806
6-30-11	75,982	63,452	12,530
6-30-12	75,982	65,781	10,201
6-30-13	75,982	68,195	7,787
6-30-14 to 6-30-15	<u>151,964</u>	<u>143,989</u>	<u>7,975</u>
	<u>\$651,306</u>	<u>\$575,072</u>	<u>\$ 76,234</u>

City of Fenton, Michigan
Notes to Financial Statements
Year Ended June 30, 2008

2. Detail notes on all funds - (continued)

G. Long-term debt - (continued)

General obligation debt: - (continued)

Debt service requirements:

<u>Year Ended</u>	<u>Business-Type Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
6-30-09	\$ 1,831,583	\$ 1,259,238	\$ 572,345
6-30-10	1,835,863	1,303,218	532,645
6-30-11	1,833,362	1,341,806	491,556
6-30-12	1,839,179	1,395,338	443,841
6-30-13	1,835,650	1,441,374	394,276
6-30-14 to 6-30-18	8,148,251	7,316,270	831,981
6-30-19 to 6-30-23	3,136,260	2,897,314	238,946
	<u>\$20,460,148</u>	<u>\$16,954,558</u>	<u>\$3,505,590</u>

<u>Year Ended</u>	<u>Component Unit Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
6-30-09	\$ 550,898	\$ 335,000	\$ 215,898
6-30-10	489,710	290,000	199,710
6-30-11	492,385	305,000	187,385
6-30-12	494,422	320,000	174,422
6-30-13	495,823	335,000	160,823
6-30-14 to 6-30-18	2,492,595	1,920,000	572,595
6-30-19 to 6-30-21	1,488,975	1,365,000	123,975
	<u>\$6,504,808</u>	<u>\$4,870,000</u>	<u>\$1,634,808</u>

The City of Fenton was a participant in the county-wide sanitary sewer construction program under Act 342 Michigan Compiled Laws. This program was financed by general obligation bonds issued by Genesee County. The City of Fenton has contracts with Genesee County Water and Waste Services for the cost of the construction of the sewer system within its boundaries. The City of Fenton has pledged the full faith and credit of the City to the prompt payment of the City's share of the principal and interest payments on these contracts as they become due. From information received from Genesee County, the assets relating to those contracts have been recorded in the Sewer Fund of the City to reflect the actual construction cost of the above mentioned systems. The contract principal portion owed by the City of Fenton has been recorded in the Sewer Fund. The Water Revolving Fund Bonds are supported by the revenues of the Water System.

The Downtown Development Authority of the City of Fenton in 1994 issued tax increment downtown development bonds supported by the limited tax full faith and credit pledge of the City of Fenton in the amount of \$690,000. In 2002, the Downtown Development Authority of the City of Fenton issued general obligation tax development bonds supported by the limited tax full faith and credit pledge of the City of Fenton in the amount of \$9,600,000. The City's limited tax full faith, credit and resources, in addition to the tax increment revenues primarily pledged, shall be pledged secondarily as a first budget obligation for the prompt payment of the principal and interest on the bonds as the same become due.

**City of Fenton, Michigan
Notes to Financial Statements
Year Ended June 30, 2008**

2. Detail notes on all funds - (continued)

G. Long-term debt - (continued)

Interest is payable on all obligations semi-annually, except for the note payable on the fire truck, which is annually. Principal is paid on an annual basis.

Act 279, Public Acts of State 1909, as amended, provides that net indebtedness of cities cannot exceed 10% of the assessed real and personal property in the City. As of June 30, 2008, the City of Fenton has incurred \$4,870,000 of indebtedness which is limited under Act 279 and \$54,631,277 of additional debt may be incurred. The City's other existing long-term obligations are specifically exempted from consideration of the 10% limit computation.

Future Revenues Pledged for Debt Payments:

The City has pledged substantially all revenue of the water fund, net of operating expense, to repay the above water revenue bonds. Proceeds from the bonds provided financing for the construction of the Water Treatment Plant. The bonds are payable solely from the net revenues of the water system. The remaining principal and interest to be paid on the bonds is \$10,936,387. During the current year, net revenues of the system were \$718,188 compared to the annual debt requirements of \$639,094.

H. Risk management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefit claims and participants in the Michigan Municipal League (MML) risk pool for claims relating to worker's compensation; the City is uninsured for acts of God and environmental cleanup loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

I. Revenues and expenditures:

Property taxes

Property taxes are levied based on assessed values of property located in the City. Assessed values are established annually and equalized by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2007 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$555,575,867	\$429,091,010
Personal property	39,436,900	39,436,900
	<hr/>	<hr/>
Total	<u>\$595,012,767</u>	<u>\$468,527,910</u>

City of Fenton
Notes to Financial Statements
June 30, 2008

2. Detail notes on all funds - (continued)

I. Revenues and expenditures: - (continued)

Property taxes - (continued)

The City is permitted by charter to levy up to \$13.00 (13 mills) per \$1,000 of taxable value per the City Charter. It is also permitted to levy unlimited amounts for repayment of existing general long term debt obligations, except for Michigan Transportation Fund Act 51 Debt. For the year ended June 30, 2008, \$10.6226 per \$1,000 was levied for general governmental services and is recorded in the general fund.

J. Interfund receivables and payables, and transfers:

The composition of interfund balances as of June 30, 2008 is as follows:

Due to/from other funds:

<u>Receivable</u> <u>Fund</u>	<u>Payable</u> <u>Fund</u>	<u>Amount</u>
Other governmental funds	General	\$ 450,000
Internal service funds	Other governmental funds	74,378
	General	6,947
Major street	General	363,021
Water	Internal service funds	2,950
Sewer	Internal service funds	6,950
	Water	<u>851,044</u>
Total		<u>\$1,755,290</u>

Due to/from primary government and component units:

<u>Receivable</u> <u>Entity</u>	<u>Payable</u> <u>Entity</u>	<u>Amount</u>
Primary government – general fund	Component Unit – LFDA	<u>\$ 14,059</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds and component units are made.

City of Fenton
Notes to Financial Statements
June 30, 2008

2. Detail notes on all funds - (continued)

J. Interfund receivables and payables, deferred revenues and transfers: - (continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund providing resources</u>	<u>Fund receiving resources</u>	<u>Amount</u>
General	Local Street	\$ 130,000
General	Parks and Recreation	202,000
General	Cemetery	41,000
General	Capital Projects	405,000
General	Fire Equipment	170,000
Major Street	Local Street	100,000
Sick Pay	General	33,974
Capital Projects	Major Street	185,000
Capital Projects	Local Street	<u>163,223</u>
Total		<u>\$1,430,197</u>

Transfers are for operating purposes.

The transfers from the General Fund to the Fire Equipment and Other Governmental Funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the Major Street Fund represents the sharing of gas and weight tax revenues, in accordance with Act 51; the transfer from the Capital Projects to Major and Local Street Funds represents the movement of resources to finance those programs. The transfer from Sick Pay to General Fund represents the movement of resources back to General Fund due to retirements during the year.

3. Summary disclosure of significant contingencies and commitments

Contingent liabilities:

Federal and state grants

Under the terms of certain federal and state grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, would be minimal.

City of Fenton
Notes to Financial Statements
June 30, 2008

4. Construction code revenues/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed revenues. The City chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended June 30, 2008 is as follows:

Beginning balance (shortfall)		\$(606,643)
Construction permit revenue	\$ 41,879	
Expenditures:		
Professional services	221,117	
Revenue over (under) expenditures		(179,238)
Ending balance (shortfall)		\$(785,881)

5. Federal awards

It is required by the Michigan Department of Transportation (MDOT) that governmental units report total federal awards for Highway Research, Planning and Construction pertaining to their unit. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act. The reason for this requirement is that the City is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended June 30, 2008, the City of Fenton did not have \$500,000 in total federal awards. As a result, an audit for compliance under the Single Audit Act has not been performed.

6. Budget compliance

The following funds incurred expenditures in excess of final budget amounts:

	<u>Actual over Budget</u>
General Fund - Police	\$ 65,069
General Fund - Fire	43,267
General Fund - Protective Inspection	7,718
General Fund - Public Service	1,750
Special Revenue - Emergency 911	542
Special Revenue - Garbage Collection Fund	6,521
Special Revenue - Narcotics Enforcement	718

**Required Supplementary
Information Section**

City of Fenton
Schedule of Revenue, Expenditures, and Changes in Fund Balance -
Budget and Actual
General Fund
Year Ended June 30, 2008

	Budgeted Amounts			Variance- Under (Over)
	Original	Final	Actual	
Revenue				
Taxes	\$ 4,458,232	\$ 4,439,932	\$ 4,454,173	\$ 14,241
Licenses and permits	155,200	203,000	192,848	(10,152)
Intergovernmental revenue:				
State	875,090	874,028	871,905	(2,123)
Charges for services	226,850	329,325	300,778	(28,547)
Fines and forfeits	100,000	100,000	113,225	13,225
Interest	80,000	75,000	71,474	(3,526)
Refunds and reimbursements	-	588,060	592,678	4,618
Miscellaneous revenue	32,200	45,938	81,585	35,647
Total revenue	5,927,572	6,655,283	6,678,666	23,383
Expenditures				
Current:				
Legislative and executive	140,220	130,484	108,653	21,831
General governmental:				
General services administration	1,422,480	1,308,217	1,242,586	65,631
Public safety:				
Police	2,163,250	2,255,650	2,320,719	(65,069)
Fire	636,430	660,355	703,622	(43,267)
Protective inspection	233,600	213,400	221,118	(7,718)
Total public safety	3,033,280	3,129,405	3,245,459	(116,054)
Public works:				
Public service	193,700	938,592	940,342	(1,750)
Community service	92,650	88,400	75,288	13,112
Debt Service:				
Principal	53,935	53,830	53,830	-
Interest and fiscal charges	5,898	5,887	5,887	-
Total debt service	59,833	59,717	59,717	-
Total expenditures	4,942,163	5,654,815	5,672,045	(17,230)
Revenue over expenditures	985,409	1,000,468	1,006,621	6,153
Other Financing Uses				
Transfers in	-	-	33,974	33,974
Transfers out	(985,000)	(1,050,000)	(948,000)	102,000
Total other financing uses	(985,000)	(1,050,000)	(914,026)	135,974
Net change in fund balance	409	(49,532)	92,595	142,127
Fund Balance - Beginning of year	1,299,248	1,299,248	1,299,248	-
Fund Balance - End of year	\$ 1,299,657	\$ 1,249,716	\$ 1,391,843	\$ 142,127

Note: Budgetary basis is the same as generally accepted accounting principles.

City of Fenton
Schedule of Revenue, Expenditures, and Changes in Fund Balance -
Budget and Actual
Major Street Fund
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual	Variance- Under (Over)
	Original	Final		
Revenue				
Intergovernmental revenue:				
State	\$ 1,400,500	\$ 1,335,346	\$ 1,322,015	\$ (13,331)
Interest	500	60,000	60,189	189
Miscellaneous revenue	-	-	-	-
Total revenue	<u>1,401,000</u>	<u>1,395,346</u>	<u>1,382,204</u>	<u>(13,142)</u>
Expenditures				
Public works:				
Public service	1,470,880	1,544,259	1,472,146	72,113
Total expenditures	<u>1,470,880</u>	<u>1,544,259</u>	<u>1,472,146</u>	<u>72,113</u>
Revenue over (under) expenditures	<u>(69,880)</u>	<u>(148,913)</u>	<u>(89,942)</u>	<u>58,971</u>
Other Financing Sources (Uses)				
Transfers in	185,000	185,000	185,000	-
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Net change in fund balance	15,120	(63,913)	(4,942)	58,971
Fund Balance - Beginning of year	<u>133,124</u>	<u>133,124</u>	<u>133,124</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 148,244</u>	<u>\$ 69,211</u>	<u>\$ 128,182</u>	<u>\$ 58,971</u>

Note: Budgetary basis is the same as generally accepted accounting principles.

Other Supplementary Information

Nonmajor Governmental Funds

**City of Fenton
Combining Balance Sheet
Nonmajor Funds
June 30, 2008**

	Special Revenue Funds	Capital Projects Funds	Totals
Assets			
Cash and cash equivalents	\$ 177,083	\$ 479,120	\$ 656,203
Accounts receivable	107,646	-	107,646
Special assessment receivables	-	71,803	71,803
Accrued interest	-	742	742
Due from other funds	450,000	-	450,000
Due from other governments	30,067	-	30,067
Inventory	5,986	-	5,986
	\$ 770,782	\$ 551,665	\$ 1,322,447
Total assets			
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 18,406	\$ -	\$ 18,406
Accrued liabilities	8,979	-	8,979
Deposits payable	4,087	-	4,087
Due to other funds	74,378	-	74,378
Deferred revenue	6,550	71,803	78,353
	112,400	71,803	184,203
Total liabilities			
Fund balances:			
Reserved:			
Reserved for inventory	5,986	-	5,986
Unreserved	652,396	479,862	1,132,258
	658,382	479,862	1,138,244
Total fund balance			
Total liabilities and fund balances	\$ 770,782	\$ 551,665	\$ 1,322,447

City of Fenton
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Funds
Year Ended June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Totals
Revenue			
Intergovernmental revenue:			
State	\$ 215,953	\$ -	\$ 215,953
Special assessments	-	15,235	15,235
Charges for services	689,828	-	689,828
Interest	10,826	22,653	33,479
Miscellaneous revenue	30,352	-	30,352
	<hr/>		
Total revenue	946,959	37,888	984,847
<hr/>			
Expenditures			
Current:			
Public safety	198,232	-	198,232
Public works:			
Highways and streets	625,493	-	625,493
Garbage collection	454,771	-	454,771
Recreation and cultural	229,526	-	229,526
Cemetery	52,333	-	52,333
Capital outlay	-	18,486	18,486
Debt service:			
Principal payments	-	56,949	56,949
Interest and fiscal charges	-	19,033	19,033
	<hr/>		
Total expenditures	1,560,355	94,468	1,654,823
	<hr/>		
Revenue under expenditures	(613,396)	(56,580)	(669,976)
<hr/>			
Other Financing Sources (Uses)			
Transfers in	636,223	575,000	1,211,223
Transfers out	-	(348,223)	(348,223)
Sale of capital assets	-	9,100	9,100
	<hr/>		
Total other financing sources	636,223	235,877	872,100
	<hr/>		
Net change in fund balances	22,827	179,297	202,124
	<hr/>		
Fund Balances - Beginning of year	635,555	300,565	936,120
	<hr/>		
Fund Balances - End of year	\$ 658,382	\$ 479,862	\$ 1,138,244
	<hr/> <hr/>		

Special Revenue Funds

Local Street Fund - To account for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction.

Budget Stabilization Fund - To account for those funds appropriated by the governing body of the municipality for budget stabilization purposes. Money in the budget stabilization fund may be appropriated by an ordinance or resolution for the following purposes: 1) to cover a general fund deficit; 2) to prevent a reduction in the level of public services or in the number of employees at any time in a fiscal year when budgeted revenue is not being collected in an amount sufficient to cover budgeted expenses; 3) to prevent a reduction in the level of public services or in the number of employees when, in preparing the budget for the next fiscal year, the estimated revenue does not appear sufficient to cover estimated expenses; and 4) to cover expenses arising because of a natural disaster.

Parks and Recreation - To account for the activity related to the operation of the City's parks and recreation programs which are funded through user charges and donations.

Cemetery Fund - To account for the operation of the City's cemetery which is financed primarily through charges for services.

Emergency 911 Fund - To account for the monthly telephone surcharges assessed for emergency services that are received from Genesee County which are used to cover the costs related to the operation of the City's 911 system.

Garbage Collection Fund - To account for quarterly customer charges and charges for bags and tags which are to be used to pay contracted services for garbage collection.

Narcotics Enforcement Fund - To account for confiscated funds which are used by the Police Department to enhance local narcotics enforcement.

D.A.R.E. Fund - To account for the activity of the Drug Abuse Resistance Education Program. The City Police Department has set up the program to provide drug education to local elementary school students.

**City of Fenton
Combining Balance Sheet
Nonmajor Special Revenue Funds
Year Ended June 30, 2008**

	Local Street	Budget Stabilization	Parks and Recreation
Assets			
Cash and cash equivalents	\$ 26,295	\$ 49,524	\$ 36,942
Accounts receivable	1,964	-	-
Accrued interest	-	-	-
Due from other funds	-	250,000	-
Due from other governments	30,067	-	-
Inventory	-	-	-
	<hr/>		
Total assets	\$ 58,326	\$ 299,524	\$ 36,942
<hr/>			
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,268	\$ -	\$ 5,366
Accrued liabilities	3,473	-	5,506
Deposits payable	-	-	3,726
Due to other funds	-	-	-
Deferred revenue	-	-	-
	<hr/>		
Total liabilities	5,741	-	14,598
<hr/>			
Fund balances:			
Reserved:			
Reserved for inventory	-	-	-
Unreserved	52,585	299,524	22,344
	<hr/>		
Total fund balance	52,585	299,524	22,344
<hr/>			
Total liabilities and fund balances	\$ 58,326	\$ 299,524	\$ 36,942
<hr/>			

Cemetery	Emergency 911	Garbage Collection	Narcotics Enforcement	D.A.R.E.	Total
\$ 10,955	\$ -	\$ -	\$ 26,929	\$ 26,438	\$ 177,083
13,813	-	91,869	-	-	107,646
-	-	-	-	-	-
200,000	-	-	-	-	450,000
-	-	-	-	-	30,067
-	-	5,986	-	-	5,986
\$ 224,768	\$ - 0 -	\$ 97,855	\$ 26,929	\$ 26,438	\$ 770,782

\$ 7,857	\$ -	\$ 2,915	\$ -	\$ -	\$ 18,406
-	-	-	-	-	8,979
361	-	-	-	-	4,087
-	-	74,378	-	-	74,378
6,550	-	-	-	-	6,550

14,768	-	77,293	-	-	112,400
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-	-	5,986	-	-	5,986
210,000	-	14,576	26,929	26,438	652,396

210,000	-	20,562	26,929	26,438	658,382
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\$ 224,768	\$ - 0 -	\$ 97,855	\$ 26,929	\$ 26,438	\$ 770,782
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City of Fenton
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	Local Street	Budget Stabilization	Parks and Recreation
Revenue			
Intergovernmental revenue:			
State	\$ 215,953	\$ -	\$ -
Charges for services	-	-	23,153
Interest	463	-	1,445
Miscellaneous revenue	1,964	-	3,700
	<hr/>		
Total revenue	218,380	-	28,298
	<hr/>		
Expenditures			
Current:			
Public safety	-	-	-
Public works:	-		
Highways and streets	625,493	-	-
Garbage collection	-	-	-
Recreation and cultural	-	-	229,526
Cemetery	-	-	-
	<hr/>		
Total expenditures	625,493	-	229,526
	<hr/>		
Revenue over (under) expenditures	(407,113)	-	(201,228)
	<hr/>		
Other Financing Sources			
Transfers in	393,223	-	202,000
	<hr/>		
Total other financing sources	393,223	-	202,000
	<hr/>		
Net change in fund balances	(13,890)	-	772
	<hr/>		
Fund Balances - Beginning of year	66,475	299,524	21,572
	<hr/>		
Fund Balances - End of year	\$ 52,585	\$ 299,524	\$ 22,344
	<hr/> <hr/>		

Cemetery	Emergency 911	Garbage Collection	Narcotics Enforcement	D.A.R.E.	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,953
27,084	195,542	444,049	-	-	689,828
7,282	-	-	637	999	10,826
5,436	-	-	19,044	208	30,352
39,802	195,542	444,049	19,681	1,207	946,959
-	195,542	-	1,718	972	198,232
-	-	-	-	-	625,493
-	-	454,771	-	-	454,771
-	-	-	-	-	229,526
52,333	-	-	-	-	52,333
52,333	195,542	454,771	1,718	972	1,560,355
(12,531)	-	(10,722)	17,963	235	(613,396)
41,000	-	-	-	-	636,223
41,000	-	-	-	-	636,223
28,469	-	(10,722)	17,963	235	22,827
181,531	-	31,284	8,966	26,203	635,555
\$ 210,000	\$ - 0 -	\$ 20,562	\$ 26,929	\$ 26,438	\$ 658,382

City of Fenton
Combining Schedules of Revenue, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	Local Street			Variance- Under (Over)
	Budgeted Amounts		Actual	
	Original	Final		
Revenue				
Intergovernmental revenue:				
State	\$ 230,000	\$ 223,100	\$ 215,953	\$ (7,147)
Charges for services	-	-	-	-
Interest	1,500	500	463	(37)
Miscellaneous revenue	-	-	1,964	1,964
Total revenue	231,500	223,600	218,380	(5,220)
Expenditures				
Current:				
Public safety	-	-	-	-
Public works:				
Highways and streets	706,250	754,870	625,493	129,377
Garbage collection	-	-	-	-
Recreation and cultural	-	-	-	-
Cemetery	-	-	-	-
Total expenditures	706,250	754,870	625,493	129,377
Revenue over (under) expenditures	(474,750)	(531,270)	(407,113)	124,157
Other Financing Sources (Uses)				
Transfers in	450,000	520,000	393,223	(126,777)
Transfers out	-	-	-	-
Total other financing sources (uses)	450,000	520,000	393,223	(126,777)
Net change in fund balances	(24,750)	(11,270)	(13,890)	(2,620)
Fund Balances - Beginning of year	66,475	66,475	66,475	-
Fund Balances - End of year	\$ 41,725	\$ 55,205	\$ 52,585	\$ (2,620)

Budget Stabilization				Parks and Recreation			
Budgeted Amounts		Actual	Variance- Under (Over)	Budgeted Amounts		Actual	Variance- Under (Over)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	25,000	25,000	23,153	(1,847)
-	-	-	-	500	100	1,445	1,345
-	-	-	-	500	3,700	3,700	-
-	-	-	-	26,000	28,800	28,298	(502)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	238,930	237,733	229,526	8,207
-	-	-	-	-	-	-	-
-	-	-	-	238,930	237,733	229,526	8,207
-	-	-	-	(212,930)	(208,933)	(201,228)	7,705
-	-	-	-	214,000	209,000	202,000	(7,000)
-	-	-	-	-	-	-	-
-	-	-	-	214,000	209,000	202,000	(7,000)
-	-	-	-	1,070	67	772	705
299,524	299,524	299,524	-	21,572	21,572	21,572	-
\$ 299,524	\$ 299,524	\$ 299,524	\$ - 0 -	\$ 22,642	\$ 21,639	\$ 22,344	\$ 705

(continued)

City of Fenton
Combining Schedules of Revenue, Expenditures, and Changes
in Fund Balances - Budget and Actual (continued)
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	Cemetery			
	Budgeted Amounts			Variance- Under (Over)
	Original	Final	Actual	
Revenue				
Intergovernmental revenue:				
State	\$ -	\$ -	\$ -	\$ -
Charges for services	24,100	19,100	27,084	7,984
Interest	200	900	7,282	6,382
Miscellaneous revenue	-	4,616	5,436	820
	<hr/>			
Total revenue	24,300	24,616	39,802	15,186
	<hr/>			
Expenditures				
Current:				
Public safety	-	-	-	-
Public works:				
Highways and streets	-	-	-	-
Garbage collection	-	-	-	-
Recreation and cultural	-	-	-	-
Cemetery	64,210	68,444	52,333	16,111
	<hr/>			
Total expenditures	64,210	68,444	52,333	16,111
	<hr/>			
Revenue over (under) expenditures	(39,910)	(43,828)	(12,531)	31,297
	<hr/>			
Other Financing Sources (Uses)				
Transfers in	41,000	41,000	41,000	-
Transfers out	(1,000)	(1,000)	-	1,000
	<hr/>			
Total other financing sources (uses)	40,000	40,000	41,000	1,000
	<hr/>			
Net change in fund balances	90	(3,828)	28,469	32,297
	<hr/>			
Fund Balances - Beginning of year	181,531	181,531	181,531	-
	<hr/>			
Fund Balances - End of year	\$ 181,621	\$ 177,703	\$ 210,000	\$ 32,297
	<hr/>			

Emergency 911				Garbage Collection Fund			
Budgeted Amounts		Actual	Variance- Under (Over)	Budgeted Amounts		Actual	Variance- Under (Over)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
195,000	195,000	195,542	542	445,000	435,000	444,049	9,049
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
195,000	195,000	195,542	542	445,000	435,000	444,049	9,049
195,000	195,000	195,542	(542)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	445,250	448,250	454,771	(6,521)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
195,000	195,000	195,542	(542)	445,250	448,250	454,771	(6,521)
-	-	-	-	(250)	(13,250)	(10,722)	2,528
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(250)	(13,250)	(10,722)	2,528
-	-	-	-	31,284	31,284	31,284	-
\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 31,034	\$ 18,034	\$ 20,562	\$ 2,528

(continued)

City of Fenton
Combining Schedules of Revenue, Expenditures, and Changes
in Fund Balances - Budget and Actual (continued)
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	Narcotics Enforcement			
	Budgeted Amounts			Variance- Under (Over)
	Original	Final	Actual	
Revenue				
Intergovernmental revenue:				
State	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest	200	200	637	437
Miscellaneous revenue	1,000	10,200	19,044	8,844
	<hr/>			
Total revenue	1,200	10,400	19,681	9,281
	<hr/>			
Expenditures				
Current:				
Public safety	1,000	1,000	1,718	(718)
Public works:				
Highways and streets	-	-	-	-
Garbage collection	-	-	-	-
Recreation and cultural	-	-	-	-
Cemetery	-	-	-	-
	<hr/>			
Total expenditures	1,000	1,000	1,718	(718)
	<hr/>			
Revenue over (under) expenditures	200	9,400	17,963	8,563
	<hr/>			
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>			
Total other financing sources (uses)	-	-	-	-
	<hr/>			
Net change in fund balances	200	9,400	17,963	8,563
	<hr/>			
Fund Balances - Beginning of year	8,966	8,966	8,966	-
	<hr/>			
Fund Balances - End of year	\$ 9,166	\$ 18,366	\$ 26,929	\$ 8,563
	<hr/>			

D.A.R.E.				Totals			
Budgeted Amounts			Variance- Under (Over)	Budgeted Amounts			Variance- Under (Over)
Original	Final	Actual		Original	Final	Actual	
\$ -	\$ -	\$ -	\$ -	\$ 230,000	\$ 223,100	\$ 215,953	\$ (7,147)
-	-	-	-	689,100	674,100	689,828	15,728
350	700	999	299	2,750	2,400	10,826	8,426
200	222	208	(14)	1,700	18,738	30,352	11,614
550	922	1,207	285	923,550	918,338	946,959	28,621
1,500	1,500	972	528	197,500	197,500	198,232	(732)
-	-	-	-	706,250	754,870	625,493	129,377
-	-	-	-	445,250	448,250	454,771	(6,521)
-	-	-	-	238,930	237,733	229,526	8,207
-	-	-	-	64,210	68,444	52,333	16,111
1,500	1,500	972	528	1,652,140	1,706,797	1,560,355	146,442
(950)	(578)	235	813	(728,590)	(788,459)	(613,396)	175,063
-	-	-	-	705,000	770,000	636,223	(133,777)
-	-	-	-	(1,000)	(1,000)	-	1,000
-	-	-	-	704,000	769,000	636,223	(132,777)
(950)	(578)	235	813	(24,590)	(19,459)	22,827	42,286
26,203	26,203	26,203	-	635,555	635,555	635,555	-
\$ 25,253	\$ 25,625	\$ 26,438	\$ 813	\$ 610,965	\$ 616,096	\$ 658,382	\$ 42,286

Capital Project Funds

Fire Equipment Fund - To account for revenues earmarked for the purchase of fire equipment.

Capital Improvement Projects (C.I.P.) Fund - To account for contributions from the General Fund equaling 1.5 mills of the City's total tax levy. These funds are primarily used for Major and Local Street Fund capital improvement projects and storm drain construction.

Working Capital Fund - To account for financial resources to be used for the acquisition or construction of major capital projects.

**City of Fenton
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2008**

	Fire Equipment	C.I.P. Fund	Working Capital Fund	Total
Assets				
Cash and cash equivalents	\$ 249,662	\$ 74,040	\$ 155,418	\$ 479,120
Special assessments receivable:				
Current	-	-	9,795	9,795
Long-term	-	-	62,008	62,008
Accrued interest	-	-	742	742
Total assets	\$ 249,662	\$ 74,040	\$ 227,963	\$ 551,665
 Liabilities and Fund Balance				
Liabilities:				
Deferred revenue	\$ -	\$ -	\$ 71,803	\$ 71,803
Total liabilities	-	-	71,803	71,803
Fund balances:				
Unreserved	249,662	74,040	156,160	479,862
Total liabilities and fund balances	\$ 249,662	\$ 74,040	\$ 227,963	\$ 551,665

City of Fenton
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2008

	Fire Equipment	C.I.P. Fund	Working Capital Fund	Total
Revenue				
Special assessments	\$ -	\$ -	\$ 15,235	\$ 15,235
Interest	6,093	5,102	11,458	22,653
Total revenue	6,093	5,102	26,693	37,888
Expenditures				
Capital outlay	-	-	18,486	18,486
Debt service:				
Principal retirement	56,949	-	-	56,949
Interest and fiscal charges	19,033	-	-	19,033
Total expenditures	75,982	-	18,486	94,468
Revenue over (under) expenditures	(69,889)	5,102	8,207	(56,580)
Other Financing Sources (Uses)				
Transfers in	170,000	405,000	-	575,000
Transfers out	-	(348,223)	-	(348,223)
Sale of capital assets	9,100	-	-	9,100
Total other financing sources (uses)	179,100	56,777	-	235,877
Net change in fund balances	109,211	61,879	8,207	179,297
Fund Balances - Beginning of year	140,451	12,161	147,953	300,565
Fund Balances - End of year	\$ 249,662	\$ 74,040	\$ 156,160	\$ 479,862

Internal Service Funds

Equipment Fund - To account for the costs of operating and maintaining certain automotive and street maintenance equipment used by other City departments. Such costs are billed to the other departments based on rental rates established by the State of Michigan Department of Highways and Transportation. Actual costs include depreciation on the machinery and equipment used to provide the service. The majority of the machinery and equipment maintained in this fund was purchased by other City departments. Replacement of the assets will be financed by Equipment Fund resources and continued contributions from other funds.

Sick Pay Fund - To account for the financing of accumulated sick pay earned by City employees. City funds contribute resources equal to the amounts earned by the employees during the current period.

City of Fenton
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Equipment	Sick Pay	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 419,335	\$ 229,982	\$ 649,317
Investments	-	176	176
Accrued interest	-	19	19
Due from other funds	84,288	6,947	91,235
Total current assets	503,623	237,124	740,747
Noncurrent assets:			
Capital assets:			
Machinery and equipment	1,621,658	-	1,621,658
Less accumulated depreciation	(1,143,033)	-	(1,143,033)
Total capital assets (net of accumulated depreciation)	478,625	-	478,625
Total assets	982,248	237,124	1,219,372
Liabilities			
Current liabilities:			
Accounts payable	23,479	-	23,479
Accrued interest payable	2,691	-	2,691
Compensated absences	-	237,124	237,124
Capital leases payable - current	75,738	-	75,738
Total liabilities	101,908	237,124	339,032
Net Assets			
Invested in capital assets, net of related debt	402,887	-	402,887
Unrestricted	477,453	-	477,453
Total net assets	\$ 880,340	\$ - 0 -	\$ 880,340

City of Fenton
Combining Statement of Revenue, Expenses
and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2008

	Equipment	Sick Pay	Total
Operating Revenue			
Charges for service	\$ 426,526	\$ -	\$ 426,526
Other income	1,048	23,911	24,959
Total operating revenue	427,574	23,911	451,485
Operating Expenses			
Wages and salaries	12,985	-	12,985
Supplies	9,908	-	9,908
Gas and oil	45,367	-	45,367
Heat, power, and lights	39,112	-	39,112
Repairs and maintenance	89,977	-	89,977
Depreciation	135,787	-	135,787
Insurance	12,400	-	12,400
Miscellaneous	800	-	800
Total operating expenses	346,336	-	346,336
Operating income	81,238	23,911	105,149
Nonoperating Revenue (Expenses)			
Interest on investments	13,789	10,063	23,852
Interest expense	(5,492)	-	(5,492)
Gain on sale of fixed assets	1,640	-	1,640
Total non-operating revenue	9,937	10,063	20,000
Income (loss) before transfers	91,175	33,974	125,149
Transfers out	-	(33,974)	(33,974)
Change in net assets	91,175	-	91,175
Net Assets - Beginning of year	789,165	-	789,165
Net Assets - End of year	\$ 880,340	\$ - 0 -	\$ 880,340

City of Fenton
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2008

	Equipment	Sick Pay	Total
Cash Flows from Operating Activities			
Receipts from interfund services provided and used	\$ 489,011	\$ 33,975	\$ 522,986
Payments to suppliers	(213,401)	-	(213,401)
Payments to employees	(12,985)	-	(12,985)
Net cash provided in (used in) operating activities	262,625	33,975	296,600
Cash Flows from Noncapital Financing Activities			
Loans made to other funds	(74,378)	-	(74,378)
Transfers out	-	(33,974)	(33,974)
Net cash provided by (used in) noncapital financing activities	(74,378)	(33,974)	(108,352)
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	3,450	-	3,450
Acquisition of capital assets	(80,573)	-	(80,573)
Principal and interest paid on capital lease	(79,867)	-	(79,867)
Net cash used in capital and related financing activities	(156,990)	-	(156,990)
Cash Flows from Investing Activities			
Interest earned	15,918	10,075	25,993
Net cash provided by investing activities	15,918	10,075	25,993
Net increase in cash and cash equivalents	47,175	10,076	57,251
Cash and Cash Equivalents- Beginning of year	372,160	219,906	592,066
Cash and Cash Equivalent: - End of year	\$ 419,335	\$ 229,982	\$ 649,317
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities			
Operating income	\$ 81,238	\$ 23,911	\$ 105,149
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	135,787	-	135,787
(Increase) decrease in assets:			
Due from other funds	61,437	33,975	95,412
Increase (decrease) in liabilities:			
Accounts payable	2,768	-	2,768
Accrued liabilities	-	(23,911)	(23,911)
Due to other funds	(18,605)	-	(18,605)
Total adjustments	181,387	10,064	191,451
Net cash provided in (used in) operating activities	\$ 262,625	\$ 33,975	\$ 296,600

Fiduciary Funds

Agency Funds

Current Tax Collection Fund - To account for the collection and payment to the county, school districts, and other City funds of property taxes collected by the City on their behalf.

Employees Union - To account for amounts withheld from City employee payroll related to union dues and related payments.

**City of Fenton
Combining Balance Sheet
Fiduciary Funds
June 30, 2008**

	Agency Funds		
	Tax Collection	Employees Union	Total
Assets			
Cash and cash equivalents	\$ 196	\$ 8,372	\$ 8,568
Total assets	\$ 196	\$ 8,372	\$ 8,568
Liabilities			
Liabilities:			
Due to other governments	\$ 196	\$ -	\$ 196
Due to employees - union groups	-	8,372	8,372
Total liabilities	\$ 196	\$ 8,372	\$ 8,568

City of Fenton
Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>Tax Collection Fund</u>				
Assets				
Cash and cash equivalents	\$ 7,750	\$ 21,337,297	\$ 21,344,851	\$ 196
Total assets	\$ 7,750	\$ 21,337,297	\$ 21,344,851	\$ 196
Liabilities				
Accounts payable	\$ 7,719	\$ 30,598	\$ 38,317	\$ - 0 -
Due to other governments	31	21,306,699	21,306,534	196
Total liabilities	\$ 7,750	\$ 21,337,297	\$ 21,344,851	\$ 196
 <u>Employees' Union</u>				
Assets				
Cash and cash equivalents	\$ 8,022	\$ 350	\$ - 0 -	\$ 8,372
Liabilities				
Due to employees - union groups	\$ 8,022	\$ 350	\$ - 0 -	\$ 8,372
 <u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 15,772	\$ 21,337,647	\$ 21,344,851	\$ 8,568
Total assets	\$ 15,772	\$ 21,337,647	\$ 21,344,851	\$ 8,568
Liabilities				
Accounts payable	\$ 7,719	\$ 30,598	\$ 38,317	\$ -
Due to other governments	31	21,306,699	21,306,534	196
Due to employees-union groups	8,022	350	-	8,372
Total liabilities	\$ 15,772	\$ 21,337,647	\$ 21,344,851	\$ 8,568

**Capital Assets used in the Operation of
Governmental Funds**

City of Fenton
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source¹
June 30, 2008

Governmental funds capital assets	
Land	\$ 1,605,104
Buildings	6,007,171
Improvements - other than buildings	546,530
Vehicles	1,852,343
Office equipment	84,926
Machinery and other equipment	766,606
Infrastructure	3,131,467
Construction in progress	<u>3,014,350</u>
Total governmental funds capital assets	<u><u>\$ 17,008,497</u></u>
Investments in governmental funds capital assets by source:	
General fund	\$ 6,278,022
Special revenue funds	3,024,829
Donated	<u>7,705,646</u>
Total governmental funds capital assets	<u><u>\$ 17,008,497</u></u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Fenton
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity¹
June 30, 2008

	Total	Land	Buildings
General government:			
City hall and grounds	\$ 568,677	\$ 16,000	\$ 316,405
Other city property	3,891,893	1,327,307	2,421,638
Total general government	4,460,570	1,343,307	2,738,043
Public safety:			
Police	862,837	112,894	348,315
Fire	4,945,135	15,000	2,774,939
Total public safety	5,807,972	127,894	3,123,254
Public works:			
Streets	6,145,817	-	-
Culture and recreation	594,138	133,903	145,874
Total governmental funds capital assets	\$ 17,008,497	\$ 1,605,104	\$ 6,007,171

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Improvements other than Buildings	Vehicles	Office Equipment	Infrastructure	Construction in Progress	Machinery and Equipment
\$ 176,061	\$ -	\$ 60,211	\$ -	\$ -	\$ -
96,118	-	17,788	-	-	29,042
272,179	-	77,999	-	-	29,042
6,420	-	6,927	-	-	388,281
14,900	1,852,343	-	-	-	287,953
21,320	1,852,343	6,927	-	-	676,234
-	-	-	3,131,467	3,014,350	-
253,031	-	-	-	-	61,330
\$ 546,530	\$ 1,852,343	\$ 84,926	\$ 3,131,467	\$ 3,014,350	\$ 766,606

City of Fenton
Capital Assets Used in the Operation of Governmental Fund
Schedule of Changes By Function and Activity¹
Year Ended June 30, 2008

Function and Activity	Governmental Funds Capital Assets June 30, 2007	Additions	Deletions	Governmental Funds Capital Assets June 30, 2008
General government:				
City hall and grounds	\$ 568,677	\$ -	\$ -	\$ 568,677
Other city property	3,891,893	-	-	3,891,893
Total general government	4,460,570	-	-	4,460,570
Public safety:				
Police	862,837	-	-	862,837
Fire	4,696,200	299,115	(50,180)	4,945,135
Total public safety	5,559,037	299,115	(50,180)	5,807,972
Public works:				
Streets	4,236,292	2,071,937	(162,412)	6,145,817
Culture and recreation	594,138	-	-	594,138
Total governmental funds capital assets	\$ 14,850,037	\$ 2,371,052	\$ (212,592)	\$ 17,008,497

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**Long Term Debt Schedules
Governmental Funds,
Business Type Funds, and
Component Unit**

**City of Fenton
Annual Debt Service Requirement
on Long-Term Debt
June 30, 2008**

Fiscal Year
Ended June 30

2009	\$ 2,518,179
2010	2,461,271
2011	2,401,729
2012	2,409,584
2013	2,407,455
2014	2,401,791
2015	2,408,819
2016	2,311,895
2017	1,731,533
2018	1,712,272
2019	1,702,809
2020	1,119,500
2021	1,099,800
2022	614,625
2023	615,000

\$ 27,916,262

Principal	\$ 22,399,630
Interest	5,516,632

\$ 27,916,262

**City of Fenton
Governmental
Schedule of Debt Service Requirements
Motorola Communications System
June 30, 2008**

<u>Fiscal Year Ended June 30</u>	Interest March 1	Principal March 1	Total Requirements
2009	\$ 3,992	\$ 55,724	\$ 59,716
2010	2,030	57,686	59,716
	\$ 6,022	\$ 113,410	\$ 119,432

**City of Fenton
Governmental
Schedule of Debt Service Requirements
Magnum Fire Truck
June 30, 2008**

<u>Fiscal Year Ended June 30</u>	Interest March 1	Principal March 1	Total Requirements
2009	\$ 16,943	\$ 59,039	\$ 75,982
2010	14,776	61,206	75,982
2011	12,530	63,452	75,982
2012	10,201	65,781	75,982
2013	7,787	68,195	75,982
2014	5,285	70,697	75,982
2015	2,690	73,292	75,982
	\$ 70,212	\$ 461,662	\$ 531,874

City of Fenton
Enterprise Fund - Sewer
Schedule of 1997 Sewage Disposal System No. 3 Bond:
June 30, 2008

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>October 1</u>	<u>Interest</u> <u>April 1</u>	<u>Principal</u> <u>April 1</u>	<u>Total</u> <u>Requirements</u>
2009	\$ 122,623	\$ 122,623	\$ 663,894	\$ 909,140
2010	111,005	111,004	692,874	914,883
2011	98,880	98,879	706,046	903,805
2012	83,876	83,876	711,315	879,067
2013	68,761	68,760	713,949	851,470
2014	51,804	51,804	708,681	812,289
2015	34,973	34,973	700,776	770,722
2016	17,454	17,453	698,143	733,050
	\$ 589,376	\$ 589,372	\$ 5,595,678	\$ 6,774,426

Contract with Genesee County
Date of issue: September 11, 1996

City of Fenton
Enterprise Fund - Sewer
Schedule of Sewage Disposal System No. 3 Series 2007 Bonds
June 30, 2008

<u>Fiscal Year</u> <u>Ended June 30</u>	Interest October 1	Interest April 1	Principal April 1	Total Requirements
2009	\$ 57,502	\$ 57,502	\$ 105,344	\$ 220,348
2010	55,396	55,396	105,344	216,136
2011	53,289	53,289	120,760	227,338
2012	50,873	50,873	149,023	250,769
2013	47,893	47,893	182,425	278,211
2014	44,244	44,244	226,104	314,592
2015	39,722	39,722	277,492	356,936
2016	34,173	34,173	305,755	374,101
2017	28,057	28,057	467,625	523,739
2018	18,705	18,705	470,194	507,604
2019	9,301	9,301	465,055	483,657
	\$ 439,155	\$ 439,155	\$ 2,875,121	\$ 3,753,431

Contract with Genesee County
Date of issue: November 16, 2007

City of Fenton
Enterprise Fund - Water
Schedule of Michigan Municipal Bond Authority -
Michigan Drinking Water Revolving Fund Bonds
June 30, 2008

Fiscal Year <u>Ended June 30</u>	Interest October 1	Interest April 1	Principal April 1	Total Requirements
2009	\$ 10,735	\$ 10,735	\$ 65,000	\$ 86,470
2010	9,922	9,922	70,000	89,844
2011	9,047	9,047	70,000	88,094
2012	8,172	8,171	75,000	91,343
2013	7,235	7,234	75,000	89,469
2014	6,297	6,296	75,000	87,593
2015	5,360	5,359	80,000	90,719
2016	4,360	4,359	80,000	88,719
2017	3,360	3,359	85,000	91,719
2018	2,297	2,296	85,000	89,593
2019	1,235	1,234	98,759	101,228
	\$ 68,020	\$ 68,012	\$ 858,759	\$ 994,791

Michigan Municipal Bond Authority
Date of issue: April 1, 1999
Interest rate: 2.5%

City of Fenton
Enterprise Fund - Water
Schedule of Michigan Municipal Bond Authority -
Michigan Drinking Water Revolving Fund Bonds
June 30, 2008

<u>Fiscal Year</u> <u>Ended June 30</u>	Interest October 1	Interest April 1	Principal April 1	Total Requirements
2009	\$ 95,312	\$ 95,313	\$ 425,000	\$ 615,625
2010	90,000	90,000	435,000	615,000
2011	84,563	84,562	445,000	614,125
2012	79,000	79,000	460,000	618,000
2013	73,250	73,250	470,000	616,500
2014	67,375	67,375	480,000	614,750
2015	61,375	61,375	495,000	617,750
2016	55,187	55,188	505,000	615,375
2017	48,875	48,875	520,000	617,750
2018	42,375	42,375	530,000	614,750
2019	35,750	35,750	545,000	616,500
2020	28,938	28,937	560,000	617,875
2021	21,937	21,938	570,000	613,875
2022	14,813	14,812	585,000	614,625
2023	7,500	7,500	600,000	615,000
	\$ 806,250	\$ 806,250	\$ 7,625,000	\$ 9,237,500

Michigan Municipal Bond Authority
Date of issue: December 19, 2002
Interest rate: 2.5%

Component Unit Combining Statements

**City of Fenton
Component Unit DDA
Schedule of 1994 Downtown Development Bonds
June 30, 2008**

<u>Fiscal Year Ended June 30</u>	<u>Interest November 1</u>	<u>Interest May 1</u>	<u>Principal May 1</u>	<u>Total Requirements</u>
2009	\$ 2,569	\$ 2,569	\$ 75,000	\$ 80,138
	\$ 2,569	\$ 2,569	\$ 75,000	\$ 80,138

City of Fenton
Component Unit DDA
Schedule of 2002 General Obligation Limited Tax Development Bonds
June 30, 2008

<u>Fiscal Year</u> <u>Ended June 30</u>	Interest October 1	Interest April 1	Principal April 1	Total Requirements
2009	\$ 105,380	\$ 105,380	\$ 260,000	\$ 470,760
2010	99,855	99,855	290,000	489,710
2011	93,693	93,692	305,000	492,385
2012	87,211	87,212	320,000	494,423
2013	80,411	80,412	335,000	495,823
2014	73,293	73,292	350,000	496,585
2015	65,855	65,855	365,000	496,710
2016	57,825	57,825	385,000	500,650
2017	49,163	49,162	400,000	498,325
2018	40,163	40,162	420,000	500,325
2019	30,712	30,712	440,000	501,424
2020	20,813	20,812	460,000	501,625
2021	10,463	10,462	465,000	485,925
	\$ 814,837	\$ 814,833	\$ 4,795,000	\$ 6,424,670

City of Fenton
Combining Balance Sheet/Statement of Net Assets
Component Unit DDA
June 30, 2008

	Special Revenue Fund	Capital Projects Fund	Totals	Adjustments	Statement of Net Assets
Assets					
Cash and cash equivalents	\$ 2,235,532	\$ 75,217	\$ 2,310,749	\$ -	\$ 2,310,749
Accounts receivable	15,544	-	15,544	-	15,544
Due from primary government	-	9	9	-	9
Capital assets not depreciated	-	-	-	295,000	295,000
Total assets	\$ 2,251,076	\$ 75,226	\$ 2,326,302	295,000	2,621,302
Liabilities					
Accounts payable	\$ -	\$ 18,621	\$ 18,621	-	18,621
Accrued liabilities	57,816	-	57,816	-	57,816
Noncurrent liabilities:					
Current portion of debt	-	-	-	335,000	335,000
Long term portion of debt	-	-	-	4,535,000	4,535,000
Total liabilities	57,816	18,621	76,437	4,870,000	4,946,437
Fund Balances/Net Assets					
Fund balances:					
Unreserved:					
Special revenue fund	2,193,260	-	2,193,260	(2,193,260)	-
Capital projects fund	-	56,605	56,605	(56,605)	-
Total fund balances	2,193,260	56,605	2,249,865	(2,249,865)	-
Total liabilities and fund balances	\$ 2,251,076	\$ 75,226	\$ 2,326,302		
Net assets:					
Invested in capital assets, net of related debt				295,000	295,000
Unrestricted				(2,620,135)	(2,620,135)
Total net assets				\$ (2,325,135)	\$ (2,325,135)
Explanation of adjustments:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				\$ 295,000	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				(4,870,000)	
				\$ (4,575,000)	

City of Fenton
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances/Statement of Activities
Component Unit DDA
Year Ended June 30, 2008

	Special Revenue Fund	Capital Projects Fund	Totals	Adjustments	Statement of Activities
Revenue					
Taxes	\$ 1,621,490	\$ -	\$ 1,621,490	\$ -	\$ 1,621,490
Interest	119,037	-	119,037	-	119,037
Other income	-	25,424	25,424	-	25,424
Total revenue	<u>1,740,527</u>	<u>25,424</u>	<u>1,765,951</u>	<u>-</u>	<u>1,765,951</u>
Expenditures/Expenses					
Current:					
General government	-	1,339,703	1,339,703	-	1,339,703
Debt service:					
Principal payments	315,000	-	315,000	(315,000)	-
Interest and fiscal charges	228,236	-	228,236	-	228,236
Total expenditures/ expenses	<u>543,236</u>	<u>1,339,703</u>	<u>1,882,939</u>	<u>(315,000)</u>	<u>1,567,939</u>
Revenue under (over) expenditures/expenses	<u>1,197,291</u>	<u>(1,314,279)</u>	<u>(116,988)</u>	<u>315,000</u>	<u>198,012</u>
Other Financing Sources (Uses)					
Transfers in	-	1,336,337	1,336,337	(1,336,337)	-
Transfers out	(1,336,337)	-	(1,336,337)	1,336,337	-
Total other financing sources (uses)	<u>(1,336,337)</u>	<u>1,336,337</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources under (over) expenditures and other financing uses	(139,046)	22,058	(116,988)	116,988	-
Change in net assets	-	-	-	198,012	198,012
Fund Balances/Net Assets - Beginning of year	<u>2,332,306</u>	<u>34,547</u>	<u>2,366,853</u>	<u>-</u>	<u>(2,523,147)</u>
Fund Balances/Net Assets - End of year	<u><u>\$ 2,193,260</u></u>	<u><u>\$ 56,605</u></u>	<u><u>\$ 2,249,865</u></u>		<u><u>\$ (2,325,135)</u></u>

Explanation of adjustments:

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. These are the effects of these differences in the treatment of long-term debt and related items.

\$ 315,000

City of Fenton
Governmental Funds Balance Sheet/Statement of Net Assets
Component Unit LDFA
June 30, 2008

	Special Revenue Fund	Capital Projects Fund	Totals	Adjustments	Statement of Net Assets
Assets					
Cash and cash equivalents	\$ 913,014	\$ 86,416	\$ 999,430	\$ -	\$ 999,430
Accounts receivable	1,080	-	1,080	-	1,080
Accrued interest	2,662	-	2,662	-	2,662
Total assets	<u>\$ 916,756</u>	<u>\$ 86,416</u>	<u>\$ 1,003,172</u>	-	1,003,172
Liabilities					
Accounts payable	\$ -	\$ 9,824	\$ 9,824	-	9,824
Due to primary government	-	14,059	14,059	-	14,059
Total liabilities	-	23,883	23,883	-	23,883
Fund Balances/Net Assets					
Fund balances:					
Unreserved:					
Special revenue fund	916,756	-	916,756	(916,756)	-
Capital projects fund	-	62,533	62,533	(62,533)	-
Total fund balances	<u>916,756</u>	<u>62,533</u>	<u>979,289</u>	<u>(979,289)</u>	-
Total liabilities and fund balances	<u>\$ 916,756</u>	<u>\$ 86,416</u>	<u>\$ 1,003,172</u>		
Net assets:					
Unrestricted				<u>979,289</u>	<u>979,289</u>
Total net assets				<u>\$ 979,289</u>	<u>\$ 979,289</u>

City of Fenton
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances/Statement of Activities
Component Unit LDFA
Year Ended June 30, 2008

	Special Revenue Fund	Capital Projects Fund	Totals	Adjustments	Statement of Activities
Revenue					
Taxes	\$ 370,853	\$ -	\$ 370,853	\$ -	\$ 370,853
Interest	30,242	193	30,435	-	30,435
Total revenue	401,095	193	401,288	-	401,288
Expenditures/Expenses					
Current:					
General government	-	21,308	21,308	-	21,308
Capital outlay	-	156,920	156,920	-	156,920
Total expenditures/ expenses	-	178,228	178,228	-	178,228
Revenue under (over) expenditures/expenses	401,095	(178,035)	223,060	-	223,060
Other Financing Sources (Uses)					
Transfers in	-	203,000	203,000	(203,000)	-
Transfers out	(203,000)	-	(203,000)	203,000	-
Total other financing sources (uses)	(203,000)	203,000	-	-	-
Revenue and other financing sources under (over) expenditures and other financing uses	198,095	24,965	223,060	(223,060)	-
Change in net assets	-	-	-	223,060	223,060
Fund Balances - Beginning of year	718,661	37,568	756,229	-	756,229
Fund Balances - End of year	\$ 916,756	\$ 62,533	\$ 979,289	\$ -	\$ 979,289

Statistical Section - Unaudited

City of Fenton

Statistical Information

Statistical information contained herein relates to the physical, economic, social, and political characteristics of the City. It is designed to provide a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements, notes, and supporting schedules presented in the financial section.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.

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City of Fenton

Net Assets by Component (Unaudited)

	2005	2006	2007	2008
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 9,544,656	\$ 11,081,127	\$ 11,468,410	\$ 13,330,319
Restricted	1,885,510	713,626	347,552	410,856
Unrestricted	1,190,951	2,212,632	2,518,552	2,870,834
Total net assets	12,621,117	14,007,385	14,334,514	16,612,009
Business Type Activities:				
Invested in capital assets, net of related debt	18,676,883	19,387,156	19,711,079	20,116,220
Restricted	891,239	919,808	815,410	855,831
Unrestricted	3,505,141	2,943,468	2,724,734	2,364,107
Total net assets	23,073,263	23,250,432	23,251,223	23,336,158
Primary government in total:				
Invested in capital assets, net of related debt	28,221,539	30,468,283	31,179,489	33,446,539
Restricted	2,776,749	1,633,434	1,162,962	1,266,687
Unrestricted	4,696,092	5,156,100	5,243,286	5,234,941
Total net assets	\$ 35,694,380	\$ 37,257,817	\$ 37,585,737	\$ 39,948,167

City of Fenton
Changes in Governmental Net Assets (Unaudited)

	2005	2006	2007	2008
Expenses				
Legislative and executive	\$ 180,253	\$ 197,051	\$ 189,289	\$ 108,653
General government	1,309,602	1,223,414	1,459,285	1,330,663
Public safety	2,966,655	3,128,752	3,642,615	3,414,988
Public works	1,753,694	2,345,278	1,725,658	1,665,853
Recreation and cultural	154,860	170,906	243,507	244,321
Community Service	142,844	139,098	107,223	75,288
Cemetery	47,949	72,109	65,511	52,333
Interest on long-term debt	3,305	34,296	57,766	27,104
Total governmental activities	6,559,162	7,310,904	7,490,854	6,919,203
Program revenues:				
Charges for services				
General government	99,340	89,408	81,528	80,681
Public safety	505,469	601,299	609,998	647,191
Public works	419,347	441,473	432,625	444,049
Parks and recreation	26,737	24,859	29,313	23,153
Cemetery	15,545	31,887	20,699	27,084
Total charges for services	1,066,438	1,188,926	1,174,163	1,222,158
Operating grants and contributions	892,297	893,444	1,138,543	1,638,754
Capital grants and contributions	307,150	1,303,418	30,551	776,126
Total program revenue	2,265,885	3,385,788	2,343,257	3,637,038
Net (expense) revenue	(4,293,277)	(3,925,116)	(5,147,597)	(3,282,165)
General revenues:				
Property taxes	3,945,739	4,230,989	4,385,154	4,496,996
State-shared revenues	898,721	891,252	867,264	862,880
Investment earnings	92,820	158,579	211,208	189,044
Gain on sale of capital assets	10,583	30,564	11,100	10,740
Total general revenues	4,947,863	5,311,384	5,474,726	5,559,660
Change in net assets	\$ 654,586	\$ 1,386,268	\$ 327,129	\$ 2,277,495

City of Fenton
Changes in Business Type Net assets (Unaudited)

	2005	2006	2007	2008
Expenses:				
Water	\$ 1,806,817	\$ 2,057,635	\$ 2,334,328	\$ 2,179,363
Sewer	2,423,654	2,286,890	2,344,030	2,215,830
Total business-type activities	4,230,471	4,344,525	4,678,358	4,395,193
Program revenues:				
Charges for Services				
Water	1,748,795	2,133,655	2,263,120	2,198,405
Sewer	1,669,022	1,640,425	2,108,018	2,156,951
Total charges for Services	3,417,817	3,774,080	4,371,138	4,355,356
Capital Grants and Contributions:				
Water	133,070	149,488	51,000	3,050
Sewer	305,060	469,600	117,395	16,190
Total Capital Grants and Contributions	438,130	619,088	168,395	19,240
Total program revenue	3,855,947	4,393,168	4,539,533	4,374,596
Net (expense) revenue	(374,524)	48,643	(138,825)	(20,597)
General revenues:				
Investment earnings	113,604	128,526	139,616	105,532
Total general revenues	113,604	128,526	139,616	105,532
Change in net assets	\$ (260,920)	\$ 177,169	\$ 791	\$ 84,935

City of Fenton
Fund Balances, Governmental Funds (Unaudited)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund:										
Reserved	\$ 36,355	\$ 35,070	\$ 33,021	\$ 34,487	\$ -	\$ -	\$ 360,433	\$ 97,770	\$ 203,361	\$ 98,144
Unreserved	1,867,124	1,098,160	986,362	1,100,651	1,137,215	1,192,859	1,184,321	1,260,154	1,095,887	1,293,699
Total general fund	1,903,479	1,133,230	1,019,383	1,135,138	1,137,215	1,192,859	1,544,754	1,357,924	1,299,248	1,391,843
All other governmental funds:										
Reserved								5,875	7,643	5,986
Unreserved, reported in:										
Special revenue funds	721,301	934,074	835,036	924,129	709,924	693,125	575,654	567,913	761,036	780,578
Capital project funds	360,812	547,543	282,243	345,291	381,480	607,729	1,274,366	536,764	300,565	479,862
Debt service funds	260,389	185,453	137,313	86,847	1,231	1,231	1,231			
Total all other governmental funds	\$ 1,342,502	\$ 1,667,070	#####	\$ 1,356,267	\$ 1,092,635	\$ 1,302,085	\$ 1,851,251	\$ 1,110,552	\$ 1,069,244	\$ 1,266,426

City of Fenton
Changes in Fund Balances, Governmental Funds (Unaudited)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenue										
Property taxes	\$ 2,548,531	\$ 2,537,026	\$ 2,680,851	\$ 2,992,277	\$ 3,331,320	\$ 3,471,199	\$ 3,945,739	\$ 4,230,989	\$ 4,350,972	\$ 4,454,173
Special assessments	18,567	23,935	51,813	37,404	31,234	21,592	16,940	9,630	20,551	15,235
Licenses and permits	151,112	175,728	201,462	189,527	207,890	199,950	188,548	219,417	183,527	192,848
Intergovernmental	2,109,264	1,846,859	1,890,045	1,798,813	1,745,502	1,643,819	1,636,084	1,641,769	1,856,088	2,409,873
Charges for services	738,598	781,073	757,617	807,434	853,325	890,454	850,713	929,924	953,140	990,606
Fines and forfeitures	48,378	29,844	32,016	48,652	52,113	87,889	75,657	100,282	98,361	113,225
Interest	172,323	209,964	149,806	60,945	41,026	57,980	72,177	136,634	182,900	165,142
Other	86,381	139,149	163,663	101,277	137,620	120,172	90,817	54,986	70,498	704,615
Total revenue	5,873,154	5,743,578	5,927,273	6,036,329	6,400,030	6,493,055	6,876,675	7,323,631	7,716,037	9,045,717
Expenditures										
Current:										
Legislative and executive	119,817	136,428	94,977	101,242	165,196	168,023	180,249	197,051	189,289	108,653
General government	1,370,550	2,031,287	1,446,025	1,602,382	1,114,972	1,110,618	1,187,861	1,283,627	1,356,293	1,242,586
Public safety	1,667,005	1,921,844	2,183,186	1,895,435	2,594,115	2,686,839	2,871,127	3,223,832	3,126,586	3,443,691
Public works	2,242,031	1,613,052	2,246,069	1,619,268	2,163,482	1,771,524	2,109,046	2,058,361	2,301,573	3,492,752
Recreation and cultural	189,967	196,792	299,346	326,765	266,667	196,359	225,450	283,553	228,712	229,526
Other	183,952	243,025	180,881	183,306	177,293	186,713	190,793	176,138	172,734	127,621
Capital outlay	375,700	92,004	205,756	-	31,570	49,995	62,203	836,131	291,316	18,486
Debt service	204,276	201,240	168,035	94,247	93,014	40,258	40,259	176,067	135,699	135,699
Total Expenditures	6,353,298	6,435,672	6,824,275	5,822,645	6,606,309	6,210,329	6,866,988	8,234,760	7,802,202	8,799,014
Excess of Revenue Over (Under) Expenditures	(480,144)	(692,094)	(897,002)	213,684	(206,279)	282,726	9,687	(911,129)	(86,165)	246,703
Other Financing Sources (Uses)										
Debt issuance							900,000			
Debt premium or discount										
Sale of fixed assets			296,155	7,800			8,600			9,100
Transfers in	1,549,319	1,290,713	1,613,301	1,218,589	1,484,847	604,492	1,432,490	1,514,587	1,716,000	1,430,197
Transfers out	(1,473,322)	(1,141,917)	(1,548,565)	(1,228,600)	(1,545,622)	(622,120)	(1,449,716)	(1,530,987)	(1,729,819)	(1,396,223)
Debt defeasance										
Total other financing sources (uses)	75,997	148,796	360,891	(2,211)	(60,775)	(17,628)	891,374	(16,400)	(13,819)	43,074
Special item										
Extraordinary item										
Net change in fund balances	(404,147)	(543,298)	(536,111)	211,473	(267,054)	265,098	901,061	(927,529)	(99,984)	289,777
Fund Balances - Beginning of year	3,650,128	3,245,981	2,702,683	2,166,572	2,378,045	2,110,991	2,494,944	3,396,005	2,468,476	2,368,492
Fund Balances - End of year	\$ 3,245,981	\$ 2,702,683	\$ 2,166,572	\$ 2,378,045	\$ 2,110,991	\$ 2,376,089	\$ 3,396,005	\$ 2,468,476	\$ 2,368,492	\$ 2,658,269
Debt service as a percentage of noncapital expenditures	3.32%	3.75%	2.85%	1.70%	2.08%	0.75%	0.64%	3.20%	1.96%	2.16%

City of Fenton

Taxable value and actual value of taxable property (Unaudited)

Tax Year	Fiscal year ended June 30,	Taxable Value by Property Type:					Total Value	Tax rate (mills)	Estimated Actual Value	Value as a % of Actual
		Real property:			Personal property					
		Residential	Commercial	Industrial						
1998	1999	\$ 132,407,780	\$ 68,650,080	\$ 15,464,090	\$ 31,082,400	\$ 247,604,350	11.00	\$ 537,070,400	46.10%	
1999	2000	138,013,250	73,866,830	17,035,180	32,988,500	261,903,760	11.00	577,010,200	45.39%	
2000	2001	153,037,980	80,699,570	19,002,480	36,076,700	288,816,730	11.00	634,013,600	45.55%	
2001	2002	168,563,750	90,569,930	21,192,720	35,929,500	316,255,900	11.00	818,934,400	38.62%	
2002	2003	188,410,420	106,294,960	21,768,100	37,544,000	354,017,480	10.98	883,023,000	40.09%	
2003	2004	193,886,780	116,078,570	22,700,560	37,467,400	370,133,310	10.87	964,670,600	38.37%	
2004	2005	206,660,120	122,048,650	23,708,540	40,682,700	393,100,010	10.87	991,013,200	39.67%	
2005	2006	222,144,150	131,396,894	26,662,760	40,613,400	420,817,204	10.71	1,111,149,236	37.87%	
2006	2007	239,633,621	136,690,241	28,201,940	38,026,945	442,552,747	10.62	1,158,011,328	38.22%	
2007	2008	250,438,950	148,888,730	29,763,330	39,436,900	468,527,910	10.62	1,190,025,534	39.37%	

Note: Under Michigan law, the revenue base is referred to as "Taxable Value". This amount represents Assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

City of Fenton

Direct and overlapping property tax rates (Unaudited)

Tax Year	Millage rates - direct city taxes			Overlapping taxes							Total tax rate:	
	General operating	Debt	Total direct taxes	County	Community college	Intermediate school district	Regional parks	School Debt	School: Homestead	School: Non-homestead	Homestead	Non-homestead
1997	11.00	0.35	11.35	8.25	1.87	3.60	0.00	3.30	6.00	17.98	45.72	63.70
1998	11.00	0.32	11.32	8.25	1.87	3.60	0.00	6.65	6.00	17.98	49.01	66.99
1999	11.00	0.00	11.00	8.24	1.87	3.60	0.00	7.65	6.00	18.00	49.36	67.36
2000	11.00	0.00	11.00	8.21	1.87	3.60	0.00	7.63	6.00	17.79	49.31	67.10
2001	11.00	0.00	11.00	8.21	2.87	3.58	0.40	7.64	6.00	17.79	50.70	68.49
2002	10.98	0.00	10.98	8.15	2.82	3.57	0.40	7.61	6.00	17.79	50.51	68.30
2003	10.87	0.00	10.87	8.15	2.72	3.52	0.40	7.59	5.00	17.54	49.12	66.66
2004	10.87	0.00	10.87	8.15	2.68	3.54	0.39	7.60	6.00	18.00	50.10	68.10
2005	10.71	0.00	10.71	8.51	2.68	3.54	0.37	5.64	6.00	17.63	48.16	65.79
2006	10.62	0.00	10.62	9.43	2.68	3.53	0.37	5.64	6.00	17.42	48.89	66.31
2007	10.62	0.00	10.62	10.65	2.68	3.53	0.37	5.64	6.00	18.00	50.11	68.11

City of Fenton**Principal property tax payers**

Include the ten largest taxpayers; for the current year and NINE years prior

	Taxpayer	2007 Taxable Value	Percentage of total	1998 Taxable Value	Percentage of total	1998 rank
1	Georgetown	\$ 8,810,420	1.88%	\$ 5,447,800	2.44%	2
2	Target Corporation	8,236,120	1.76%	vacant land	N/A	N/A
3	Silver Lake Hills Arbor	7,006,590	1.50%	vacant land	N/A	N/A
4	Creative Foam Corporation	6,809,190	1.45%	6,302,170	2.82%	1
5	New Plan Excel Realty	6,327,000	1.35%	vacant land	N/A	N/A
6	Owens Investment	6,274,340	1.34%	vacant land	N/A	N/A
7	Consumers Energy	6,260,430	1.34%	5,112,560	2.29%	3
8	Regency Realty Group	5,655,040	1.21%	vacant land	N/A	N/A
9	Home Depot	5,290,600	1.13%	vacant land	N/A	N/A
10	New Plan of Michigan	4,897,210	1.05%	vacant land	N/A	N/A

Data provided by local assessment records.

City of Fenton
Property tax levies and collections (Unaudited)

Tax Year	Fiscal year ended June 30,	Total levy	Current collections	Percent collected	Delinquent collections	Total tax collections	Percent of levy collected
1998	1999	2,804,107	2,655,840	94.7%	139,519	2,795,359	99.7%
1999	2000	2,895,094	2,740,034	94.6%	139,102	2,879,136	99.4%
2000	2001	3,197,129	3,039,444	95.1%	154,587	3,194,031	99.9%
2001	2002	3,467,617	3,252,501	93.8%	199,781	3,452,282	99.6%
2002	2003	3,886,769	3,651,783	94.0%	211,537	3,863,320	99.4%
2003	2004	4,023,151	3,827,520	95.1%	186,176	4,013,696	99.8%
2004	2005	4,272,500	4,104,165	96.1%	158,720	4,262,885	99.8%
2005	2006	4,498,613	4,292,059	95.4%	188,777	4,480,836	99.6%
2006	2007	4,693,686	4,374,525	93.2%	302,460	4,676,985	99.6%
2007	2008	4,914,512	4,519,935	92.0%	348,091	4,868,026	99.1%

City of Fenton

Ratios of outstanding debt (Unaudited)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:										
General obligation bonds	\$ 20,000	\$ 10,000	-	-	-	-	-	-	-	-
Installment purchase agreements	-	-	-	-	110,930	75,525	938,571	792,784	685,851	575,072
Special assessment bonds	40,000	20,000	-	-	-	-	-	-	-	-
Revenue bonds	-	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	84,350	64,707	147,562	75,738
Total	60,000	30,000	-	-	110,930	75,525	1,022,921	857,491	833,413	650,810
Business Type Activities:										
General obligation bonds	13,266,014	12,899,892	12,572,077	12,122,855	11,639,255	11,162,245	11,558,781	9,882,525	9,170,166	8,470,799
Installment purchase agreements	-	-	-	96,308	49,725	-	-	-	-	-
Special assessment bonds	-	-	-	-	-	-	-	-	-	-
Revenue bonds	1,480,000	1,420,000	1,360,000	1,300,000	10,840,000	10,400,000	9,888,759	9,433,759	8,963,759	8,483,759
Capital leases	-	-	-	-	-	-	-	-	-	-
Total	14,746,014	14,319,892	13,932,077	13,519,163	22,528,980	21,562,245	21,447,540	19,316,284	18,133,925	16,954,558
Component Unit Activities:										
General obligation bonds	1,875,000	1,760,000	1,640,000	7,710,000	7,345,000	6,960,000	5,790,000	5,490,000	5,185,000	4,870,000
Total	1,875,000	1,760,000	1,640,000	7,710,000	7,345,000	6,960,000	5,790,000	5,490,000	5,185,000	4,870,000
Total debt of the government	\$ 16,681,014	\$ 16,109,892	\$ 15,572,077	\$ 21,229,163	\$ 29,984,910	\$ 28,597,770	\$ 28,260,461	\$ 25,663,775	\$ 24,152,338	\$ 22,475,368
Total Taxable Value	\$ 247,604,350	\$ 261,903,760	\$ 288,816,730	\$ 316,255,900	\$ 354,017,480	\$ 370,133,310	\$ 393,100,010	\$ 420,817,204	\$442,552,747	\$468,527,910
Ratio of total debt to taxable value	6.74%	6.15%	5.39%	6.71%	8.47%	7.73%	7.19%	6.10%	5.46%	4.80%
Total Population	9,705	10,582	10,582	10,582	10,582	10,582	10,582	10,582	10,582	10,582
Total debt per capita	1,719	1,522	1,472	2,006	2,834	2,702	2,671	2,425	2,282	2,124
Personal Income	\$ 24,955	\$ 25,593	\$ 26,430	\$ 26,042	\$ 26,707	\$ 28,277	\$ 28,130	\$ 28,803	N/A	N/A
Ratio of total debt to personal income	0.15%	0.16%	0.17%	0.12%	0.09%	0.10%	0.10%	0.11%	N/A	N/A

City of Fenton

Ratios of general bonded debt outstanding (unaudited)

Fiscal Year	Tax-limited General obligation bonds (LTGO)	Tax supported bonds (UTGO)	Less pledged debt service funds	Other general obligation debt	Net general bonded debt	Taxable value	Debt as a percentage of taxable value	Population	Debt per capita
1999	\$ 60,000	\$ -	(\$8,725)	\$ -	\$ 51,275	\$ 247,604,350	0.0002	9,705	\$ 5
2000	30,000	-	(7,172)	-	22,828	261,903,760	0.0001	10,582	2
2001	-	-	-	-	-	288,816,730	-	10,582	-
2002	-	-	-	-	-	316,255,900	-	10,582	-
2003	-	-	-	110,930	110,930	354,017,480	0.0003	10,582	10
2004	-	-	-	75,525	75,525	370,133,310	0.0002	10,582	7
2005	-	-	-	1,022,921	1,022,921	393,100,010	0.0026	10,582	97
2006	-	-	-	857,491	857,491	420,817,204	0.0020	10,582	81
2007	-	-	-	685,851	685,851	442,552,747	0.0015	10,582	65
2008	-	-	-	575,072	575,072	468,527,910	0.0012	10,582	54

City of Fenton

Direct and overlapping governmental activities debt (Unaudited)

<u>Governmental unit</u>	<u>Debt outstanding</u>	<u>Estimated % applicable</u>	<u>share of overlapping debt</u>
Genesee County	\$ 36,121,000	3.93%	\$ 1,419,555
Mott Community College	66,040,000	3.93%	2,595,372
Fenton School District	77,611,950	48.55%	37,680,602
Lake Fenton School District	28,195,000	4.73%	1,333,624
Bishop Airport Authority	<u>29,280,000</u>	3.93%	<u>1,150,704</u>
total overlapping debt	237,247,950		44,179,857
Direct City debt	<u>22,636,714</u>	100.00%	<u>22,636,714</u>
Total direct and overlapping debt	<u><u>\$ 259,884,664</u></u>		<u><u>\$ 66,816,571</u></u>

City of Fenton
Legal debt margin (Unaudited)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Calculation of debt limit:										
State equalized valuation	\$ 268,535,200	\$ 288,505,100	\$ 317,006,800	\$ 409,467,200	\$ 441,511,500	\$ 482,335,300	\$ 495,506,600	\$555,574,618	\$ 579,005,664	\$595,012,767
10% of taxable value	<u>26,853,520</u>	<u>28,850,510</u>	<u>31,700,680</u>	<u>40,946,720</u>	<u>44,151,150</u>	<u>48,233,530</u>	<u>49,550,660</u>	<u>55,557,461</u>	<u>57,900,566</u>	<u>59,501,276</u>
Calculation of debt subject to limit:										
Total debt	16,681,014	16,109,892	15,572,077	21,229,163	29,984,910	28,597,770	28,260,461	25,834,772	24,413,373	22,636,714
Less: debt not subject to limit:										
Special assessment bonds	20,000	10,000	-	-						
Revenue bonds	1,480,000	1,420,000	1,360,000	1,300,000	10,840,000	10,400,000	9,888,759	9,433,759	8,963,759	8,470,799
Pollution abatement bonds										
Water Resources Commission or Court ordered bonds										
net debt subject to limit	<u>15,201,014</u>	<u>14,689,892</u>	<u>14,212,077</u>	<u>19,929,163</u>	<u>19,144,910</u>	<u>18,197,770</u>	<u>18,371,702</u>	<u>16,401,013</u>	<u>15,449,614</u>	<u>14,165,915</u>
Legal debt margin	<u>\$ 26,853,520</u>	<u>\$ 28,850,510</u>	<u>\$ 31,700,680</u>	<u>\$ 40,946,720</u>	<u>\$ 44,151,150</u>	<u>\$ 48,233,530</u>	<u>\$ 49,550,660</u>	<u>\$ 55,557,461</u>	<u>\$ 57,900,566</u>	<u>\$ 59,501,276</u>
Net debt subject to limit as % of debt limit	56.61%	50.92%	44.83%	48.67%	43.36%	37.73%	37.08%	29.52%	26.68%	23.81%

City of Fenton

Pledged-revenue coverage (Unaudited)

Water Revenue Bonds

Fiscal year	Gross revenues	Applicable expenses	Net revenues	Debt service		Coverage
				Principal	Interest	
1999	\$ 1,314,030	\$ 685,701	\$ 628,329	\$ -	\$ -	N/A
2000	1,360,689	651,870	708,819	60,000	18,500	9.03
2001	1,542,245	625,834	916,411	60,000	35,500	9.60
2002	1,342,406	746,622	595,784	60,000	32,460	6.44
2003	1,474,949	826,590	648,359	60,000	30,960	7.13
2004	1,670,229	841,022	829,207	440,000	240,722	1.22
2005	1,930,044	1,364,740	565,304	450,000	193,573	0.88
2006	2,308,560	1,572,492	736,068	460,000	247,210	1.04
2007	2,386,818	1,595,097	791,721	470,000	291,868	1.04
2008	2,232,035	1,514,112	717,923	480,000	223,829	1.02

Sewer Revenue Bonds

Fiscal year	Gross revenues	Applicable expenses	Net revenues	Debt service		Coverage
				Principal	Interest	
1999	\$ 1,933,544	\$ 762,417	\$ 1,171,127	\$ 74,307	\$ 540,885	1.90
2000	2,092,621	920,328	1,172,293	267,490	714,149	1.19
2001	2,561,567	975,512	1,586,055	274,342	696,641	1.63
2002	2,299,988	1,160,376	1,079,760	398,624	678,570	1.00
2003	2,320,740	1,286,189	1,034,551	433,003	652,464	0.95
2004	2,257,324	1,309,113	948,211	477,009	623,823	0.86
2005	2,039,507	1,334,580	704,927	598,196	592,874	0.59
2006	2,213,134	1,276,943	936,191	636,739	553,320	0.79
2007	2,292,331	1,300,131	992,200	712,359	547,080	0.79
2008	2,248,093	1,314,490	933,603	735,189	405,343	0.82

City of Fenton
Demographic and economic statistics

Fiscal year	Population	Personal* income (in thousands)	Per Capita* Personal Income	Unemploy- ment rate
1999	9,705	\$ 10,809,636	\$ 24,955	3.3
2000	10,582	11,117,952	25,593	2.8
2001	10,582	11,550,238	26,430	5.1
2002	10,582	11,428,292	26,042	5.2
2003	10,582	11,768,618	26,707	5.4
2004	10,582	12,509,332	28,277	4.7
2005	10,582	12,475,412	28,130	4.9
2006	10,582	12,615,522	28,803	7.7
2007	10,582	N/A	N/A	8.0
2008	10,582	N/A	N/A	9.7

*Personal Income figures are for the County of Genesee

City of Fenton**Principal employment industries (unaudited)**

Industry	2008		1999	
	Number of Jobs(1)	Percentage of total	Number of Jobs(1)	Percentage of total
Trade, Transportation, and Utilities	31,200	21.47%	34,400	19.87%
Education and Health Services	25,200	17.34%	22,400	12.94%
Government	23,600	16.24%	24,800	14.33%
Manufacturing	14,200	9.77%	36,500	21.09%
Leisure and Hospitality	16,100	11.08%	15,500	8.95%
Professional and Business Services	13,200	9.08%	14,500	8.38%
Natural Resources, Mining, and Construction	5,000	3.44%	7,500	4.33%
Other Services	6,000	4.13%	6,600	3.81%
Financial Activities	7,000	4.82%	7,300	4.22%
Transportation, Warehousing and Utilities	3,800	2.62%	3,600	2.08%
Total	145,300	1.00	173,100	1.00

Notes:

(1) Source: Bureau of Labor Statistics (non-farm employment). Number of jobs is presented for the Flint Metropolitan area which includes Genesee County

City of Fenton

Full-time equivalent government employees (Unaudited)

Function/ program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	13	11	12	13	13	13	14	14	14	13
Public safety:										
Police	20	20	20	20	20	19	21	21	21	21
Building inspection	2	2	2	3	2	2	2	2	2	2
Fire	1	1	1	1	1	1	1	1	1	1
Public works:										
DPW	6	8	8	8	8	8	8	8	8	8
Water and sewer	5	5	5	5	5	9	10	10	10	10
Total	47	47	48	50	49	52	56	56	56	55

City of Fenton
Operating indicators (Unaudited)

Function/ program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Election data:										
Registered voters	7,660	7,985	8,163	8,111	8,397	8,793	8,887	8,768	9,094	8,783
Voters (at the polls or absentee)	911	4,752	794	3,360	531	5,604	939	4,207	721	1,005
Percent voting	11.89%	59.51%	9.73%	41.43%	6.32%	63.73%	10.57%	47.98%	7.93%	11.00%
Police:										
Physical arrests	626	505	548	477	570	616	866	985	1,162	1,175
Traffic violations	N/A	N/A	N/A	N/A	N/A	N/A	2,207	2,046	2,019	2,020
Investigations	7,164	7,628	8,042	8,072	8,608	8,459	8,690	8,623	9,144	9,100
Fire										
Fire runs	N/A	N/A	627	362	346	357	333	360	381	389
Emergency medical runs	N/A	N/A	710	233	226	213	128	133	141	162
Inspections	N/A	N/A	25	25	25	25	30	25	30	500
Public works										
Miles of street resurfaced	2.89	2.50	6.25	3.20	2.35	2.50	1.75	0.43	1.10	1.40
Water										
Number of customers billed	N/A	3,273	3,406	3,498	3,500	3,531	3,655	3,700	3,746	3,759
Total consumption*	N/A	392,575	387,257	422,802	431,825	419,271	402,686	356,301	361,320	360,325
Average consumption per user	N/A	119	114	121	123	119	110	96	96	96
Sewer:										
Average daily sewage treatment**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Water consumption in thousand gallons

**Sewer Plant is shared other communities

N/A - data not available

City of Fenton
Capital asset statistics (Unaudited)

Function/ program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:											
Stations	1	1	1	1	1	1	1	1	1	1	1
Patrol units	9	9	9	9	9	10	9	9	9	9	9
Fire											
Stations	1	1	1	1	1	1	1	1	1	1	1
Fire response vehicles	7	7	7	8	8	8	8	8	8	8	8
Emergency response vehicles	1	1	1	1	1	1	1	1	1	1	1
Public works											
Streets (miles):											
Major streets	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22
Local streets	31.60	31.60	31.60	31.60	31.60	31.60	31.60	31.60	31.60	31.60	31.60
Parks and recreation:											
Acreage	172	172	172	172	172	172	172	172	172	172	172
Developed parks/ playgrounds	17	17	17	17	17	17	17	17	17	17	17
Developed fields (soccer, baseball, etc)	1	1	1	1	1	1	1	1	1	1	1
Water:											
mains (miles)	N/A	N/A	N/A	61	61	63	64	64	64	64	64
Fire hydrants											
Storage capacity	1 mil gal.	1 mil gal.	1 mil gal.	1 mil gal.	1 mil gal.	1 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal
Sewer:											
Miles of sanitary sewers	N/A	N/A	N/A	50	51	53	56	56	56	56	56
Miles of storm sewers	N/A	N/A	N/A	36	37	38	39	39	39	39	39