

CITY OF FENTON, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2009

**Prepared by:
Treasurer's Department**

**Cynthia A. Shane
City Treasurer**

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letters of Transmittal	i-vi
GFOA Certificate of Achievement	vii
List of City Officials	viii
Organizational Chart	ix
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	
	x
MANAGEMENT'S DISCUSSION AND ANALYSIS	
	xi-xviii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	10
Combining Statement of Net Assets - Component Units	11
Combining Statement of Activities - Component Units	12
Notes to Financial Statements	13-31
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	32
MAJOR STREET FUND	
Budgetary Comparison Schedule	33
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	34-37
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	38-41
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Nonmajor Special Revenue Funds	42-45
Combining Statement of Net Assets - Internal Service Funds	46
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	47
Combining Statement of Cash Flows - Internal Service Funds	48
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	49
Statement of Changes in Assets and Liabilities - Agency Funds	50

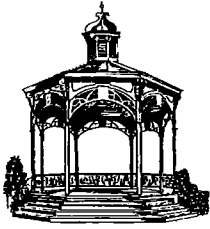
City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2009

TABLE OF CONTENTS - CONCLUDED

	<u>PAGE</u>
FINANCIAL SECTION - CONCLUDED	
COMPONENT UNIT FUNDS	
Downtown Development Authority	
Combining Balance Sheet	51
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	53
Reconciliation of the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	54
Local Development Finance Authority	
Combining Balance Sheet	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	56
STATISTICAL SECTION (UNAUDITED)	
MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION	
Statistical Section	57
Financial Trend Information	
Net Assets by Component	58-59
Changes in Governmental Net Assets	60-61
Changes in Business Type Net Assets	62-63
Fund Balances, Governmental Funds	64-65
Changes in Fund Balances, Governmental Funds	66-67
Revenue Capacity Information	
Taxable value and actual value of taxable property	68-69
Direct and overlapping property tax rates	70-71
Principal property tax payers	72
Property tax levies and collections	73
Debt Capacity Information	
Ratios of outstanding debt	74-75
Ratios of general bonded debt outstanding	76-77
Direct and overlapping governmental activities debt	78
Legal debt margin	78-80
Pledged-revenue coverage	81
Demographic and Economic Information	
Demographic and economic statistics	82
Principal employers	83
Operating Information	
Full-time equivalent government employees	84-85
Operating indicators	86-87
Capital asset statistics	88-89

INTRODUCTORY SECTION



City of Fenton

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

December 21, 2009

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, 2009 (FY 09). 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 preparations 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-one 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 Abraham & Gaffney, P.C. as our independent auditors. We are in the first year of a three-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 because of economic conditions the commercial and industrial growth has weakened. With the current status of the Michigan economy, the growth of new residential construction has continued to decline. 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. Some projects have stalled due to the tight credit market in the private sector. The problems in the national and state economy have continued to have a negative impact on the growth in our community. However, 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 will continue to make Fenton a community in demand.

While we still have interest for developing in Fenton, we also have several challenges posed by the economic downturn and reduction in revenues. We have implemented some projects to address the economic challenges we face. Significant examples of programs/cost savings measures designed to assist in dealing with the economic issues and loss of revenue include:

- We have partnered with Genesee County to implement a Neighborhood Stabilization Plan.
- The DDA has commissioned The Buxton Company to prepare a retail analytics study to target new/additional retailers for our downtown and retail business district.

Member Michigan Municipal League

- Privatized some services for lawn mowing in the parks that is expected to save \$50,000-\$80,000.
- Bid out prosecution services that resulted in a 27% decrease in prosecution fees.
- Bid out Property & Liability Insurance services for a savings of \$25,000.
- Implemented a reduction in force of 2 clerical employees, 2 DPW personnel and 1 Water Distribution employee. This resulted in a savings of approximately \$285,000.

The economic crisis has also presented some opportunities created by federal programs. In early 2009 the Congress enacted the American Recovery and Reinvestment Act of 2009. This legislation included funds for capital improvement projects. The City of Fenton was fortunate to receive funds that were designated for projects under this program. These capital improvement projects are:

- The SRF project is a \$2.1 million project that will consist of an upgrade of the city's sanitary sewer lift stations. The City of Fenton will receive, from the ARRA of 2009, principal forgiveness in the amount of \$800,000.
- The Silver Parkway resurfacing project is a \$1.5 million project that will consist of the resurfacing of Silver Parkway. The City of Fenton will receive \$1.285 million from the ARRA of 2009 for the project.

Both of these projects will begin in FY 10.

Capital equipment is a continuing expense and this year the City of Fenton purchased a new Fire Truck to replace a twenty-year-old emergency response vehicle. The new vehicle was purchased at a cost of \$379,000 and will help protect the community for at least the next twenty years.

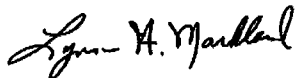
Wherever possible the City has made use of grant, matching, or low interest funds to help meet the needs of the community. Examples of such grants benefiting the City include road and water system improvements, sidewalk extensions, recreational paths, tree planting and planning studies. The City has 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.

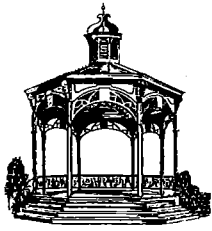
In closing, let me express my hope that you will find this document to be a useful tool in evaluating the City's financial health. Helping you and the public obtain a thorough understanding of the City's financial condition is important to us all. Should you have any questions, comments, concerns, or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

December 21, 2009

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, 2009 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 accompanying report is the sixth 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 compliment 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:

Member Michigan Municipal League

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 area. 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 hour's 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 2,138 persons from 1990. The estimated population for 2008 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 Wal-Mart completed 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 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 Trunkline over to the City. The construction of this project is complete. Silver Lake Road was widened to three lanes and resurfaced. This project has improved the aesthetics of a main entrance into the city.

The DDA (Downtown Development Authority) completed Phase I projects of their newly adopted downtown master plan. The DDA finished the River Street parking improvements. A house in the commercial district on Shiawassee Avenue was purchased by the DDA. A business incubator is the use being considered for this building.

The DDA hired Buxton Company which specializes in retail and restaurant analytics to complete a study of the demands for businesses in Fenton. This study will be useful in tool in recruiting businesses to Fenton.

The Treasurer's department converted all the financial data into new software. The BS&A software has been a major upgrade considering the previous software was twelve years old. Billing information of taxes and utilities are available to view on the city's website. Shortly debit/credit payments will be accepted through the website.

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. The council uses this plan to make positive improvements to the structural financial issues.

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 is receiving funds through the American Recovery and Reinvestment Act of 2009 to resurface Silver Parkway in the amount of \$1.2 million. Construction on this project will begin in the next fiscal year. Silver Parkway is one of the most traveled streets in Genesee County with an average traffic count of 28,000 vehicles per day.

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 city has been approved to receive a Clean Water Revolving Fund Program loan of \$2,010,000 in FYE 2010. These funds will be used to replace five of the city's seven sanitary pump stations. Two of the city's existing sanitary pump stations are relatively new and do not need to be replaced, these stations will have properly sized emergency generators added. As part of the American and Recovery and Reinvestment Act of 2009, \$804,000 of the 2,010,000 principal will be forgiven.

Downtown Master Plan Focus

The DDA (Downtown Development Authority) board retained John Dzuirman Architects to create the Downtown Master Plan and Design Guidelines. 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.

Several Phase I projects are planned for the next fiscal year. The DDA is implementing a way finding signage project to direct people not familiar with the community to different areas of the city. The DDA is actively seeking a tenant for the historic fire hall on the river, mainly considering placing a restaurant in that location.

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, 2008, in funding 75 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 2.00%, and the amount of interest received was \$217,646.

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 Abraham & Gaffney, P.C. 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, 2008. 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-one 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 Abraham & Gaffney, P.C. also made substantial contributions in the preparation of this document.

Respectfully,



Cynthia A. Shane
City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fenton Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2009

LIST OF CITY OFFICIALS

CITY COUNCIL

Barbara Sue Osborn, Mayor

Timothy Faricy

Cheryl A. King

Dianne North

John Rauch

Carl S. Hammond

E. Doran Kasper

APPOINTED OFFICIALS

Lynn Markland, City Manager

Tonya Molloseau, City Assessor

Melinda Carrier, City Clerk

Cynthia A. Shane, City Treasurer

Noel Brad Hissong, Building & Zoning Administrator

Robert Cairnduff, Fire Chief

Richard Aro, Police Chief

Leslie Bland, Director of Public Works

**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

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of 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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary 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's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not required parts 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 21, 2009

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 i through vi 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 Street Fund, 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 a major fund 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**

Type of Statements	<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 millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Current & Other						
Assets	\$ 5.3	\$ 4.7	\$ 3.7	\$ 3.3	\$ 9.0	\$ 8.0
Capital Assets	<u>14.0</u>	<u>15.8</u>	<u>37.1</u>	<u>36.3</u>	<u>51.1</u>	<u>52.1</u>
Total Assets	<u>19.3</u>	<u>20.5</u>	<u>40.8</u>	<u>39.6</u>	<u>60.1</u>	<u>60.1</u>
Long-term liabilities	.9	.7	17.0	15.8	17.9	16.5
Other liabilities	<u>1.8</u>	<u>.8</u>	<u>.5</u>	<u>.5</u>	<u>2.3</u>	<u>1.3</u>
Total liabilities	<u>2.7</u>	<u>1.5</u>	<u>17.5</u>	<u>16.3</u>	<u>20.2</u>	<u>17.8</u>
Net assets:						
Invested in capital						
Assets - Net						
of related debt	13.3	15.3	20.0	20.6	33.3	35.9
Restricted	.5	.3	.9	.9	1.4	1.2
Unrestricted (deficit)	<u>2.8</u>	<u>3.3</u>	<u>2.4</u>	<u>1.8</u>	<u>5.2</u>	<u>5.1</u>
Total net assets	<u>\$ 16.6</u>	<u>\$ 18.9</u>	<u>\$ 23.3</u>	<u>\$ 23.3</u>	<u>\$ 39.9</u>	<u>\$ 42.2</u>

The City's combined net assets increased 6.0 percent from a year ago, increasing from 39.9 million to 42.2 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 fourteen percent, during the fiscal year 2009. This increase is attributable to the purchase 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 \$3.3 million at June 30, 2009.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues						
Program revenue:						
Charges for services	\$ 1.2	\$ 1.4	\$ 4.4	\$ 4.4	\$ 5.6	\$ 5.8
Operating grants and Contributions	1.6	1.1	0.0	0.0	1.6	1.1
Capital grants and Contributions	0.8	0.6	0.0	0.0	0.8	0.6
General revenue:						
Property taxes	4.5	4.5	0.0	0.0	4.5	4.5
State-shared revenue Unrestricted	0.9	0.8	0.0	0.0	0.9	0.8
Investment earnings	0.2	0.1	0.1	0.1	0.3	0.2
Total revenue	9.2	8.5	4.5	4.5	13.7	13.0
Program Expenses						
General government	1.4	1.0	0.0	0.0	1.4	1.0
Public safety	3.4	3.6	0.0	0.0	3.4	3.6
Public Works	1.7	1.1	0.0	0.0	1.7	1.1
Parks & Recreation	0.2	0.3	0.0	0.0	0.2	0.3
Community Service	0.1	0.1	0.0	0.0	0.1	0.1
Cemetery	0.0	0.1	0.0	0.0	0.0	0.1
Interest on long-term Debt						
	0.1	0.0	0.0	0.0	0.1	0.0
Water	0.0	0.0	2.2	2.4	2.2	2.4
Sewer	0.0	0.0	2.2	2.1	2.2	2.1
Total program Expenses	6.9	6.2	4.4	4.5	11.3	10.7
Change in Net Assets	\$ 2.3	\$ 2.3	\$ 0.1	\$ 0.0	\$ 2.4	\$ 2.3

Governmental Activities

The City's total governmental revenues decreased by approximately \$.7 million due to an decrease in operating and capital grants and contributions, state shared revenues and investment earnings. During the year, the city received less in grants for road infrastructure projects as the previous year.

Expenses decreased by approximately \$.7 million, or 10 percent, from last fiscal year. A decrease resulted in public works due to reduction in street improvement projects.

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 in the first quarter of fiscal 2007 and that has been the most recent increase.

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. The sewer quarterly capital charge was increased by 17 percent in the third quarter of fiscal 2009. 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 2009, \$599,686 in operating income was incurred in the Sewer Fund and a \$(101,747) operating loss was incurred in the Water Fund.

The City's Funds

Our analysis of the City's major funds begins on page 3, 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 2009 include the General Fund and the Major Street Fund.

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 million in 2009. The general operating millage levied by the City supports these two services. Fund Balance in the General Fund increased by \$115,875.

Fund Balance of the Major Street Fund decreased by \$(47,054).

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 under budget by (\$49,505). The State reduced the city's revenue sharing payments at the end of the fiscal year. Many tax appeal reductions are being granted by the State Tax Tribunal. Expenditures were \$151,007 under budget.

Capital Assets and Debt Administration

At the end of fiscal 2009, the City had 52.0 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 8.4 million and 6.1 million for fiscal 2009 and 2008, respectively. The increase in infrastructure assets every year is due to continuous capital improvement program in which the city improves streets every year. This year the city did major improvements to Silver Lake Road.

	Governmental Activities	Business- type Activities	Component Unit Drains	Total
Land	\$ 1,605,104	\$ 190,930	\$ 345,000	\$ 2,141,034
Construction in progress	4,150,359	507,429	-	4,657,788
Buildings, net	4,359,146	-	113,580	4,472,726
Building and land improvements, net	168,661	8,197,876	-	8,366,537
Machinery, vehicles, and equipment, net	1,756,661	51,199	-	1,807,860
Roads, lights, and bridges, net	3,751,244	-	-	3,751,244
Sewer and water lines, net	-	27,368,345	-	27,368,345
Capital assets, net	<u>\$15,791,175</u>	<u>\$36,315,779</u>	<u>\$ 458,580</u>	<u>\$ 52,565,534</u>

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>2008</u>	<u>2009</u>
Net direct bonded debt	\$ 14,165,915	\$ 9,221,227
Ratio of debt to assessed valuation	2.38%	1.63%
Debt per capital	\$ 1,339	\$ 871

Additional information on the City of Fenton's capital assets and long term debt can be found in note E on pages 23-25 and note F on pages 25-28, 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 eight years the Headlee Amendment has rolled the City's operating millage below 11 mills. For 2008 and 2009 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 2009 under Proposal A was only 2.3 percent. Property taxes make up 73 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 stand still. State-shared revenue payments remained approximately the same as 2008 this past year and are likely to decrease again due to the State's structural deficit problems.

The General Fund budget for 2010 is structured so that revenues exceed expenditures by \$24,427. 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 2009 the Silver Lake Road reconstruction was completed. 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

City of Fenton

STATEMENT OF NET ASSETS

June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash	\$ 1,659,493	\$ 498,075	\$ 2,157,568	\$ 1,971,745
Investments	1,772,373	-	1,772,373	1,464,556
Investments - restricted	-	887,139	887,139	-
Receivables	817,761	1,634,143	2,451,904	4,410
Due from other governmental units	531,108	50,950	582,058	80,950
Internal balances	(194,690)	194,690	-0-	-
Inventories	35,120	30,772	65,892	-
Prepays	50,196	-	50,196	-
Total current assets	4,671,361	3,295,769	7,967,130	3,521,661
Noncurrent assets				
Capital assets not being depreciated	5,755,463	698,359	6,453,822	345,000
Capital assets, net of accumulated depreciation	10,035,712	35,617,420	45,653,132	113,580
Total noncurrent assets	15,791,175	36,315,779	52,106,954	458,580
TOTAL ASSETS	20,462,536	39,611,548	60,074,084	3,980,241
LIABILITIES				
Current liabilities				
Accounts payable	403,500	312,306	715,806	44,587
Accrued wages	102,753	6,155	108,908	456
Deposits payable	137,356	-	137,356	-
Due to other governmental units	109,206	-	109,206	308,578
Unearned revenue	79,415	-	79,415	-
Accrued interest payable	5,602	135,897	141,499	49,928
Current portion of compensated absences	63,278	27,121	90,399	-
Current portion of long-term debt	118,892	1,303,218	1,422,110	290,000
Total current liabilities	1,020,002	1,784,697	2,804,699	693,549
Noncurrent liabilities				
Meter deposits	-	1,604	1,604	-
Noncurrent portion of compensated absences	168,443	108,485	276,928	-
Noncurrent portion of long-term debt	341,417	14,392,102	14,733,519	4,245,000
Total noncurrent liabilities	509,860	14,502,191	15,012,051	4,245,000
TOTAL LIABILITIES	1,529,862	16,286,888	17,816,750	4,938,549
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	15,330,866	20,620,459	35,951,325	458,580
Restricted for:				
Highways and streets	94,950	-	94,950	-
Garbage collection	2,513	-	2,513	-
Public safety	44,184	-	44,184	-
Capital projects	123,810	-	123,810	-
Bond reserve	-	887,139	887,139	-
Unrestricted	3,336,351	1,817,062	5,153,413	(1,416,888)
TOTAL NET ASSETS (DEFICIT)	\$ 18,932,674	\$ 23,324,660	\$ 42,257,334	\$ (958,308)

See accompanying notes to financial statements.

City of Fenton

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,010,207	\$ 164,739	\$ 336,193	\$ -	\$ (509,275)	\$ -	\$ (509,275)	\$ -
Public safety	3,629,441	666,916	52,584	-	(2,909,941)	-	(2,909,941)	-
Public works	1,135,807	494,407	711,759	640,093	710,452	-	710,452	-
Community and economic development	49,423	-	-	-	(49,423)	-	(49,423)	-
Recreation and cultural	338,235	45,507	4,000	-	(288,728)	-	(288,728)	-
Interest and fees on long-term debt	9,162	-	-	-	(9,162)	-	(9,162)	-
Total governmental activities	6,172,275	1,371,569	1,104,536	640,093	(3,056,077)	-0-	(3,056,077)	-0-
Business-type activities								
Sewer	2,063,615	2,260,702	-	-	-	197,087	197,087	-
Water	2,402,112	2,091,329	-	-	-	(310,783)	(310,783)	-
Total business-type activities	4,465,727	4,352,031	-0-	-0-	-0-	(113,696)	(113,696)	-0-
Total primary government	<u>\$ 10,638,002</u>	<u>\$ 5,723,600</u>	<u>\$ 1,104,536</u>	<u>\$ 640,093</u>	(3,056,077)	(113,696)	(3,169,773)	-0-
Component units								
Downtown development authority	\$ 1,360,202	\$ -	\$ -	\$ -	-	-	-0-	(1,360,202)
Local development finance authority	149,493	-	-	-	-	-	-0-	(149,493)
Total component units	<u>\$ 1,509,695</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(1,509,695)
General revenues								
Property taxes					4,460,368	-	4,460,368	1,826,503
State shared revenue					811,891	-	811,891	-
Investment earnings					80,634	53,855	134,489	69,360
Miscellaneous					23,849	48,343	72,192	1,370
Total general revenues					<u>5,376,742</u>	<u>102,198</u>	<u>5,478,940</u>	<u>1,897,233</u>
Change in net assets					2,320,665	(11,498)	2,309,167	387,538
Net assets (deficit), beginning of the year					<u>16,612,009</u>	<u>23,336,158</u>	<u>39,948,167</u>	<u>(1,345,846)</u>
Net assets (deficit), end of the year					<u>\$ 18,932,674</u>	<u>\$ 23,324,660</u>	<u>\$ 42,257,334</u>	<u>\$ (958,308)</u>

See accompanying notes to financial statements.

City of Fenton

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2009

	General	Major Street	Nonmajor Governmental Funds	Total
ASSETS				
Cash	\$ 83,112	\$ 34,624	\$ 1,064,523	\$ 1,182,259
Investments	1,537,881	-	-	1,537,881
Receivables				
Accounts	207,910	-	99,156	307,066
Interest	4,237	89	1,126	5,452
Taxes	427,632	-	-	427,632
Special assessments	15,348	-	61,152	76,500
Due from other funds	112,156	-	19,233	131,389
Due from other governmental units	309,184	193,381	28,543	531,108
Inventories	32,551	-	2,569	35,120
Prepays	50,196	-	-	50,196
TOTAL ASSETS	\$ 2,780,207	\$ 228,094	\$ 1,276,302	\$ 4,284,603
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 220,478	\$ 145,935	\$ 22,843	\$ 389,256
Accrued wages	98,444	1,031	3,278	102,753
Deposits payable	137,356	-	-	137,356
Due to other funds	207,374	-	122,212	329,586
Due to other governmental units	109,206	-	-	109,206
Deferred revenue	499,631	-	68,567	568,198
TOTAL LIABILITIES	1,272,489	146,966	216,900	1,636,355
FUND BALANCES				
Reserved for:				
Inventories	32,551	-	2,513	35,064
Prepays	50,196	-	-	50,196
Unreserved				
Undesignated, reported in:				
General fund	1,424,971	-	-	1,424,971
Special revenue funds	-	81,128	590,195	671,323
Capital projects funds	-	-	466,694	466,694
TOTAL FUND BALANCES	1,507,718	81,128	1,059,402	2,648,248
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,780,207	\$ 228,094	\$ 1,276,302	\$ 4,284,603

See accompanying notes to financial statements.

City of Fenton

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

June 30, 2009

Total fund balances - governmental funds **\$ 2,648,248**

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

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

The cost of capital assets is	\$ 20,937,802	
Accumulated depreciation is	<u>(5,146,627)</u>	
Capital assets, net		15,791,175

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

Net assets of governmental activities accounted for in Internal Service Funds	966,220	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(495,841)</u>	
		470,379

Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds. 488,783

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

Bonds, loans, and leases payable	(460,309)	
Accrued interest payable	<u>(5,602)</u>	
		<u>(465,911)</u>

Net assets of governmental activities **\$ 18,932,674**

See accompanying notes to financial statements.

City of Fenton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2009

	General	Major Street	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 4,460,368	\$ -	\$ -	\$ 4,460,368
Licenses and permits	202,728	-	-	202,728
Intergovernmental	872,414	1,142,436	209,416	2,224,266
Charges for services	327,922	-	614,862	942,784
Fines and forfeits	82,639	-	-	82,639
Interest and rents	115,737	7,435	26,608	149,780
Other	86,725	-	18,211	104,936
TOTAL REVENUES	6,148,533	1,149,871	869,097	8,167,501
EXPENDITURES				
Current				
General government	913,337	-	55,312	968,649
Public safety	3,266,269	-	198,948	3,465,217
Public works	191,655	1,851,925	941,153	2,984,733
Community and economic development	47,818	-	-	47,818
Recreation and cultural	85,420	-	227,522	312,942
Other	260,980	-	-	260,980
Debt service	59,717	-	75,982	135,699
Capital outlay	-	-	11,498	11,498
TOTAL EXPENDITURES	4,825,196	1,851,925	1,510,415	8,187,536
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,323,337	(702,054)	(641,318)	(20,035)
OTHER FINANCING SOURCES (USES)				
Transfers in	22,014	755,000	1,029,476	1,806,490
Transfers out	(1,229,476)	(100,000)	(467,000)	(1,796,476)
TOTAL OTHER FINANCING SOURCES (USES)	(1,207,462)	655,000	562,476	10,014
NET CHANGE IN FUND BALANCES	115,875	(47,054)	(78,842)	(10,021)
Fund balances, beginning of year	1,391,843	128,182	1,138,244	2,658,269
Fund balances, end of year	<u>\$ 1,507,718</u>	<u>\$ 81,128</u>	<u>\$ 1,059,402</u>	<u>\$ 2,648,248</u>

See accompanying notes to financial statements.

City of Fenton

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

Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (10,021)

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

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

Capital outlay	\$ 2,485,621	
Depreciation expense	<u>(675,575)</u>	
Excess of capital outlay over depreciation expense		1,810,046

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

Increase in Net Assets of Internal Service Funds	85,880	
Capital outlay of Internal Service Funds included in the total above	(162,040)	
Depreciation expense of Internal Service Funds included in the total above	<u>144,824</u>	
		68,664

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

Loan principal retirement		114,763
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Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Decrease in accrued interest payable	11,774	
Increase in deferred revenue	<u>325,439</u>	
		<u>337,213</u>

Change in net assets of governmental activities \$ 2,320,665

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2009

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
ASSETS				
Current assets				
Cash	\$ 498,075	\$ -	\$ 498,075	\$ 477,234
Investments	-	-	-0-	234,492
Investments - restricted	-	887,139	887,139	-
Accounts receivable	864,091	766,044	1,630,135	-
Interest receivable	-	4,008	4,008	1,111
Due from other funds	589,464	226,479	815,943	6,574
Due from other governmental units	-	50,950	50,950	-
Inventories	-	30,772	30,772	-
Total current assets	1,951,630	1,965,392	3,917,022	719,411
Noncurrent assets				
Capital assets not being depreciated	460,911	237,448	698,359	-
Capital assets, net of accumulated depreciation	21,116,650	14,500,770	35,617,420	495,841
Total noncurrent assets	21,577,561	14,738,218	36,315,779	495,841
TOTAL ASSETS	23,529,191	16,703,610	40,232,801	1,215,252
LIABILITIES				
Current liabilities				
Accounts payable	247,766	64,540	312,306	14,244
Accrued wages	1,090	5,065	6,155	-
Accrued interest payable	83,200	52,697	135,897	-
Due to other funds	31,481	589,772	621,253	3,067
Current portion of compensated absences	9,842	17,279	27,121	63,278
Current portion of long-term debt	798,218	505,000	1,303,218	-
Total current liabilities	1,171,597	1,234,353	2,405,950	80,589
Noncurrent liabilities				
Meter deposits	-	1,604	1,604	-
Noncurrent portion of compensated absences	39,369	69,116	108,485	168,443
Noncurrent portion of long-term debt	6,903,343	7,488,759	14,392,102	-
Total noncurrent liabilities	6,942,712	7,559,479	14,502,191	168,443
TOTAL LIABILITIES	8,114,309	8,793,832	16,908,141	249,032
NET ASSETS				
Invested in capital assets, net of related debt	13,876,000	6,744,459	20,620,459	495,841
Restricted for bond reserve	-	887,139	887,139	-
Unrestricted	1,538,882	278,180	1,817,062	470,379
TOTAL NET ASSETS	\$ 15,414,882	\$ 7,909,778	\$ 23,324,660	\$ 966,220

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2009

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Internal Service
OPERATING REVENUES				
Charges for services	\$ 2,260,702	\$ 2,091,329	\$ 4,352,031	\$ 428,495
Other	48,339	4	48,343	10,158
TOTAL OPERATING REVENUES	2,309,041	2,091,333	4,400,374	438,653
OPERATING EXPENSES				
Personnel services	248,099	880,418	1,128,517	21,936
Professional services	846,317	210,903	1,057,220	-
Operating supplies	15,626	406,159	421,785	19,919
Fuel and utilities	24,033	146,629	170,662	68,305
Repairs and maintenance	1,700	39,021	40,721	81,064
Equipment and building rent	53,916	42,641	96,557	30,251
Insurance	22,600	24,714	47,314	12,800
Depreciation	495,998	442,170	938,168	144,824
Other	1,066	425	1,491	-
TOTAL OPERATING EXPENSES	1,709,355	2,193,080	3,902,435	379,099
OPERATING INCOME (LOSS)	599,686	(101,747)	497,939	59,554
NONOPERATING REVENUES (EXPENSES)				
Interest earned	29,423	24,432	53,855	13,799
Gain on sale of assets	-	-	-0-	24,271
Interest expense and fees	(354,260)	(209,032)	(563,292)	(1,730)
TOTAL NONOPERATING (EXPENSES)	(324,837)	(184,600)	(509,437)	36,340
INCOME (LOSS) BEFORE TRANSFERS	274,849	(286,347)	(11,498)	95,894
TRANSFERS OUT	-	-	-0-	(10,014)
CHANGE IN NET ASSETS	274,849	(286,347)	(11,498)	85,880
Net assets, beginning of year	15,140,033	8,196,125	23,336,158	880,340
Net assets, end of year	\$ 15,414,882	\$ 7,909,778	\$ 23,324,660	\$ 966,220

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 2,509,446	\$ 1,821,996	\$ 4,331,442	\$ -
Cash receipts from interfund services provided	-	-	-0-	526,381
Cash paid to suppliers	(919,156)	(1,109,444)	(2,028,600)	(221,574)
Cash paid to employees	(250,187)	(886,453)	(1,136,640)	(27,339)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,340,103	(173,901)	1,166,202	277,468
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	-	-	-0-	(10,014)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(136,680)	(46,489)	(183,169)	(162,040)
Gain on sale of assets	-	-	-0-	24,271
Interest expense and fees	(361,123)	(212,094)	(573,217)	(4,421)
Payments on borrowings	(769,238)	(490,000)	(1,259,238)	(75,738)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,267,041)	(748,583)	(2,015,624)	(217,928)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(887,139)	(887,139)	(234,492)
Maturity of investments	7	922,855	922,862	176
Interest earned	31,203	30,937	62,140	12,707
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	31,210	66,653	97,863	(221,609)
NET INCREASE (DECREASE) IN CASH	104,272	(855,831)	(751,559)	(172,083)
Cash, beginning of year	393,803	855,831	1,249,634	649,317
Cash, end of year	\$ 498,075	\$ -0-	\$ 498,075	\$ 477,234
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 599,686	\$ (101,747)	\$ 497,939	\$ 59,554
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	495,998	442,170	938,168	144,824
Decrease (increase) in accounts receivable	(61,175)	8,056	(53,119)	-
Decrease (increase) in due from other funds	261,580	(226,443)	35,137	84,661
(Increase) in due from other governmental units	-	(50,950)	(50,950)	-
Increase (decrease) in accounts payable	21,581	25,270	46,851	(9,235)
(Decrease) in accrued liabilities	(51,299)	(92,430)	(143,729)	-
Increase (decrease) in compensated absences	49,211	86,395	135,606	(5,403)
Increase (decrease) in due to other funds	24,521	(264,222)	(239,701)	3,067
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,340,103	\$ (173,901)	\$ 1,166,202	\$ 277,468

See accompanying notes to financial statements.

City of Fenton

Fiduciary Funds

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 53,577</u>
LIABILITIES	
Due to other governmental units	\$ 43,935
Due to union groups	8,372
Due to individuals and agencies	<u>1,270</u>
	<u>\$ 53,577</u>

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2009

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash	\$ 1,640,526	\$ 331,219	\$ 1,971,745
Investments	734,093	730,463	1,464,556
Interest receivable	2,005	2,405	4,410
Due from other governmental units	60,729	20,221	80,950
Total current assets	2,437,353	1,084,308	3,521,661
Noncurrent assets			
Capital assets not being depreciated	345,000	-	345,000
Capital assets, net of accumulated depreciation	113,580	-	113,580
Total noncurrent assets	458,580	-0-	458,580
TOTAL ASSETS	2,895,933	1,084,308	3,980,241
LIABILITIES			
Current liabilities			
Accounts payable	44,142	445	44,587
Accrued wages	342	114	456
Due to other governmental units	288,578	20,000	308,578
Accrued interest payable	49,928	-	49,928
Current portion of long-term debt	290,000	-	290,000
Total current assets	672,990	20,559	693,549
Noncurrent liabilities			
Noncurrent portion of long-term debt	4,245,000	-	4,245,000
TOTAL LIABILITIES	4,917,990	20,559	4,938,549
NET ASSETS (DEFICIT)			
Invested in capital assets	458,580	-	458,580
Unrestricted	(2,480,637)	1,063,749	(1,416,888)
TOTAL NET ASSETS (DEFICIT)	\$ (2,022,057)	\$ 1,063,749	\$ (958,308)

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Net (Expense) Revenues and Changes in Net Assets		
		Downtown Development Authority	Local Development Finance Authority	Total
Governmental activities:				
Downtown Development Authority				
Community and economic development	\$ 1,360,202	\$ (1,360,202)	\$ -	\$ (1,360,202)
Local Development Finance Authority				
Community and economic development	149,493	-	(149,493)	(149,493)
TOTAL COMPONENT UNITS	\$ 1,509,695	(1,360,202)	(149,493)	(1,509,695)
General revenues				
Property taxes		1,616,123	210,380	1,826,503
Investment earnings		45,787	23,573	69,360
Miscellaneous		1,370	-	1,370
Total general revenues		1,663,280	233,953	1,897,233
CHANGE IN NET ASSETS		303,078	84,460	387,538
Net assets (deficit), beginning of year		(2,325,135)	979,289	(1,345,846)
Net assets (deficit), end of year		<u>\$ (2,022,057)</u>	<u>\$ 1,063,749</u>	<u>\$ (958,308)</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fenton, Michigan, has a population of approximately 10,582. The City is located in the southeast corner of Genesee County, bordering Livingston County to the south and Oakland County to the east.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Fenton (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the City's audited financial statements and are not audited separately.

2. 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 2008 or 2009.

3. 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 - 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 - 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - concluded

Brownfield Redevelopment Authority - A majority of the members of the governing board of the Brownfield Redevelopment 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, 2009, 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.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for 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 City reports the following major enterprise funds:

- a. The Sewer Fund is used to account for the operations required to providing sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.
- b. The Water Fund is used to account for the operations required to providing water services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - concluded

FUND FINANCIAL STATEMENTS - CONCLUDED

Additionally, the City reports internal service funds to account for equipment acquisition, usage, and maintenance and also financing of employee sick pay provided to other departments of the City on cost reimbursement basis.

The City also reports agency funds to account for collection and payment to the county, school districts, and other funds within the City for property taxes collected by the City on their behalf and amounts withheld from the City employee's payroll related to union dues and other payments.

5. Measurement Focus

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

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

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

6. Basis of Accounting

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are 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. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - concluded

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

7. Budgets and Budgetary Accounting

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:

- a. 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.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. 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.
- d. 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.
- e. 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.
- f. Budget appropriations lapse at year end.
- g. 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.
- h. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Cash and Investments

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

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

Restricted investments in the business-type activities consist of certain proceeds of the City's enterprise fund bonds which 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.

9. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs, accounts receivable related to charges for services, property taxes, and special assessments.

10. Property Tax

The City of Fenton bills and collects its own property taxes and taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Fenton on July 1 and December 1 and are payable without penalty through September 15 and February 28, respectively. The July 1 levy is composed of the County's levy, the State Education Tax assessment and the City's millage and assessments. The December 1 levy was composed of school taxes as well as any unpaid July 1 City levies. All real property taxes not paid to the City by March 1 are turned over to the Genesee County Treasurer for collection. The Genesee County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Tax Collection Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 13.0 mills (\$13 per \$1,000 of assessed valuation) for general governmental services. For the year ended June 30, 2009, the City levied 10.6226 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2008 levy for property within the City was \$463,525,458.

11. Inventories

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

12. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Capital Assets

Capital assets, which include land, construction in progress, buildings, building and land improvements, machinery, vehicles, and equipment, infrastructure assets (e.g., roads, lights, and bridges), and sewer and water lines and are reported in the applicable governmental or business-type activities and component units 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. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	20 - 40
Building and land improvements	5 - 20
Machinery, vehicles, and equipment	3 - 10
Roads, lights, and bridges	10 - 20
Sewer and water lines	40 - 100

14. 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, 2009, 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 type - 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, 2009, the unused vacation days are insignificant and, therefore, no liability has been recorded.

15. Long-Term Obligations

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

16. Deferred and Unearned Revenue

Governmental funds report deferred revenues in connection with receivables for revenue that is not considered 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. Government-wide financial statements report unearned revenue for amounts received but not yet earned.

17. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The (Equipment) Internal Service Fund records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

18. Reserved Fund Balance

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

19. Restricted Net Assets

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

20. Comparative Data

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

NOTE B: CASH AND INVESTMENTS

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE B: CASH AND INVESTMENTS - CONTINUED

The United States Congress has temporarily increased Federal Deposit Insurance Corporation (FDIC) deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for interest-bearing savings deposits and \$250,000 for interest-bearing demand deposits. FDIC insurance coverage through its Transaction Account Insurance Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent) NOW accounts, this program is scheduled to end December 31, 2009. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

Deposits

As of June 30, 2009, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 2,157,568	\$ 2,294,999
Certificates of deposit	<u>2,659,512</u>	<u>2,659,512</u>
Total primary government	4,817,080	4,954,511
FIDUCIARY FUNDS		
Checking and savings	53,577	97,116
COMPONENT UNITS		
Checking and savings	1,971,745	2,036,317
Certificates of deposit	<u>1,464,556</u>	<u>1,464,556</u>
Total component units	<u>3,436,301</u>	<u>3,500,873</u>
TOTAL REPORTING ENTITY	<u>\$ 8,306,958</u>	<u>\$ 8,552,500</u>

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The City has not adopted a policy that indicates how the City will minimize credit risk if/when the City has investments that are subject to this type of risk. As of June 30, 2009, the City did not have any investments that would be subject to rating.

Interest rate risk

The City has not adopted a policy that indicates how the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time if/when the City has investments that are subject to this type of risk.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE B: CASH AND INVESTMENTS - CONCLUDED

Concentration of credit risk

The City has not adopted a policy that indicates how the City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized if/when the City has investments that are subject to this type of risk.

Custodial credit risk

The City has not adopted a policy that indicates how the City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer. The City's cash and investments are exposed to the custodial credit risk. Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2009, the City accounts were insured by the FDIC for \$2,489,177 and the amount of \$6,063,323 was 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.

The cash and investments referred to above have been reported in either the cash or investments captions on the basic financial statements, based upon criteria disclosed in Note A.

The following summarizes the categorization of these amounts as of June 30, 2009:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash	\$ 2,157,568	\$ 1,971,745	\$ 53,577	\$ 4,182,890
Investments	1,772,373	1,464,556	-	3,236,929
Investments - restricted	<u>887,139</u>	<u>-</u>	<u>-</u>	<u>887,139</u>
	<u>\$ 4,817,080</u>	<u>\$ 3,436,301</u>	<u>\$ 53,577</u>	<u>\$ 8,306,958</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2009, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 112,156</u>
Due to Sewer Fund from:	
Water Fund	<u>\$ 589,464</u>
Due to Water Fund from:	
General Fund	\$ 188,141
Sewer Fund	25,215
Nonmajor governmental funds	10,056
Internal service funds	<u>3,067</u>
	<u>\$ 226,479</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONCLUDED

Due to nonmajor funds from:	
General Fund	<u>\$ 19,233</u>
Due to internal service funds from:	
Sewer Fund	\$ 6,266
Water Fund	<u>308</u>
	<u>\$ 6,574</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General fund from:	
Nonmajor governmental funds	\$ 12,000
Internal service funds	<u>10,014</u>
	<u>\$ 22,014</u>
Transfers to Major Street Fund from:	
General Fund	\$ 705,000
Nonmajor governmental funds	<u>50,000</u>
	<u>\$ 755,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 524,476
Major Street Fund	100,000
Other nonmajor governmental funds	<u>405,000</u>
	<u>\$ 1,029,476</u>

The transfers from the nonmajor governmental funds and the internal service fund (Sick Pay) to the General Fund were to fund combined activities paid for by the General Fund and to reimburse retirements during the year, respectively. The transfers from the General Fund and the nonmajor governmental funds to the Major Street Fund were to fund capital improvements. The transfers from the General Fund, the Major Street Fund, and the nonmajor governmental funds to the nonmajor governmental funds were to fund current year operations.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

Primary Government

	<u>Balance July 1, 2008</u>	<u>Additions/ Reclassification</u>	<u>Deletions/ Reclassification</u>	<u>Balance June 30, 2009</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,605,104	\$ -	\$ -	\$ 1,605,104
Construction in progress - roads	<u>3,014,350</u>	<u>2,273,562</u>	<u>(1,137,553)</u>	<u>4,150,359</u>
Total capital assets not being depreciated	4,619,454	2,273,562	(1,137,553)	5,755,463
Capital assets, being depreciated				
Buildings	6,007,171	-	-	6,007,171
Building and land improvements	546,530	6,308	-	552,838
Machinery, vehicles, and equipment	4,325,533	205,751	(177,974)	4,353,310
Roads, lights, and bridges	<u>3,131,467</u>	<u>1,137,553</u>	<u>-</u>	<u>4,269,020</u>
Total capital assets being depreciated	14,010,701	1,349,612	(177,974)	15,182,339
Less accumulated depreciation for				
Buildings	(1,502,158)	(145,867)	-	(1,648,025)
Building and land improvements	(356,902)	(27,275)	-	(384,177)
Machinery, vehicles, and equipment	(2,451,872)	(322,751)	177,974	(2,596,649)
Roads, lights, and bridges	<u>(338,094)</u>	<u>(179,682)</u>	<u>-</u>	<u>(517,776)</u>
Total accumulated depreciation	<u>(4,649,026)</u>	<u>(675,575)</u>	<u>177,974</u>	<u>(5,146,627)</u>
Total capital assets being depreciated, net	<u>9,361,675</u>	<u>674,037</u>	<u>-0-</u>	<u>10,035,712</u>
Governmental activities capital assets, net	<u>\$13,981,129</u>	<u>\$ 2,947,599</u>	<u>\$(1,137,553)</u>	<u>\$15,791,175</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 87,739
Public safety	248,535
Public works	324,506
Recreation and cultural	<u>14,795</u>
Total depreciation expense	<u>\$ 675,575</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - concluded

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 190,930	\$ -	\$ -	\$ 190,930
Construction in progress	<u>324,260</u>	<u>183,169</u>	<u>-</u>	<u>507,429</u>
Total capital assets not being depreciated	515,190	183,169		698,359
Capital assets, being depreciated				
Building improvements	8,859,988	-	-	8,859,988
Sewer and water lines	36,423,353	-	-	36,423,353
Machinery and equipment	<u>625,484</u>	<u>-</u>	<u>-</u>	<u>625,484</u>
Total capital assets being depreciated	45,908,825	-0-	-0-	45,908,825
Less accumulated depreciation for				
Building improvements	(440,616)	(221,496)	-	(662,112)
Sewer and water lines	(8,361,290)	(693,718)	-	(9,055,008)
Machinery and equipment	<u>(551,331)</u>	<u>(22,954)</u>	<u>-</u>	<u>(574,285)</u>
Total accumulated depreciation	<u>(9,353,237)</u>	<u>(938,168)</u>	<u>-0-</u>	<u>(10,291,405)</u>
Total capital assets being depreciated, net	<u>36,555,588</u>	<u>(938,168)</u>	<u>-0-</u>	<u>35,617,420</u>
Business-type activities capital assets, net	<u>\$ 37,070,778</u>	<u>\$ (754,999)</u>	<u>\$ -0-</u>	<u>\$ 36,315,779</u>

Depreciation expense was charged to the following business-type activities:

Sewer	\$ 495,998
Water	<u>442,170</u>
Total depreciation expense	<u>\$ 938,168</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE E: CAPITAL ASSETS - CONCLUDED

Component Unit

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2009</u>
Downtown Development Authority				
Capital assets, not being depreciated				
Land	\$ 295,000	\$ 50,000	\$ -	\$ 345,000
Capital assets, being depreciated				
Buildings	-	116,992	-	116,992
Less accumulated depreciation for				
Buildings	<u>-</u>	<u>(3,412)</u>	<u>-</u>	<u>(3,412)</u>
Total capital assets being				
depreciated, net	<u>-0-</u>	<u>113,580</u>	<u>-0-</u>	<u>113,580</u>
Net capital assets	<u>\$ 295,000</u>	<u>\$ 163,580</u>	<u>\$ -0-</u>	<u>\$ 458,580</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2009.

Primary Government

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2009</u>	Amounts Due Within <u>One Year</u>
Governmental Activities					
Installment purchase agreements	\$ 575,072	\$ -	\$(114,763)	\$ 460,309	\$ 118,892
Capital leases	75,738	-	(75,738)	-0-	-
Compensated absences	<u>237,124</u>	<u>53,275</u>	<u>(58,678)</u>	<u>231,721</u>	<u>63,278</u>
Total	887,934	53,275	(249,179)	692,030	182,170
Business-type Activities					
2005 Sewage Refunding Bonds	5,595,678	-	(663,894)	4,931,784	692,874
2007 Sewage Disposal Bonds	2,875,121	-	(105,344)	2,769,777	105,344
1999 Michigan Municipal Bond Authority	858,759	-	(65,000)	793,759	70,000
2002 Michigan Municipal Bond Authority	7,625,000	-	(425,000)	7,200,000	435,000
Compensated absences	<u>131,251</u>	<u>22,038</u>	<u>(17,683)</u>	<u>135,606</u>	<u>27,121</u>
Total	<u>17,085,809</u>	<u>22,038</u>	<u>(1,276,921)</u>	<u>15,830,926</u>	<u>1,330,339</u>
TOTAL PRIMARY GOVERNMENT	<u>\$17,973,743</u>	<u>\$ 75,313</u>	<u>\$(1,526,100)</u>	<u>\$16,522,956</u>	<u>\$ 1,512,509</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F: LONG-TERM DEBT - CONTINUED

Component Unit

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Amounts Balance <u>June 30, 2009</u>	Due Within <u>One Year</u>
Component Unit (DDA)					
1994 Downtown Development Bonds	\$ 75,000	\$ -	\$(75,000)	\$ -0-	\$ -
2002 General Obligation Bonds	<u>4,795,000</u>	<u>-</u>	<u>(260,000)</u>	<u>4,535,000</u>	<u>290,000</u>
TOTAL COMPONENT UNIT	<u>\$ 4,870,000</u>	<u>\$ -0-</u>	<u>\$(335,000)</u>	<u>\$ 4,535,000</u>	<u>\$ 290,000</u>

Primary Government

Installment Purchase Agreements

\$270,000 Installment Purchase Agreement on Motorola communications system dated March 1, 2005, due in an installment of \$59,716, including interest on March 1, 2010, with interest of 3.52 percent, payable annually. \$ 57,686

\$630,000 Installment Purchase Agreement on Magnum fire truck dated March 1, 2005, due in principal installments of \$75,982, including interest through March 1, 2015, with interest of 3.67 percent, payable annually. 402,623

\$ 460,309

General Obligation Bonds

\$6,818,086 2005 Sewerage Refunding Bonds dated February 1, 2005, due in annual principal installments ranging from \$692,874 to \$713,950 through April 1, 2016, with interest ranging from 3.50 to 5.00 percent, payable semi-annually. \$ 4,931,784

\$2,885,399 2007 Sewerage Disposal Bonds dated November 11, 2007, due in annual installments ranging from \$105,344 to \$470,194 through April 1, 2019, with interest of 4.00 percent, payable semi-annually. 2,769,777

\$ 7,701,561

Revenue Bonds

\$1,413,076 Michigan Municipal Bond Authority Series 1999 dated April 1, 1999, due in annual installments ranging from \$70,000 to \$98,759 through April 1, 2019, with an interest rate of 2.5 percent, payable semi-annually. \$ 793,759

\$1,413,076 Michigan Municipal Bond Authority Series 2002 dated December 19, 2002, due in annual installments ranging from \$435,000 to \$600,000 through May 1, 2023, with an interest rate of 2.5 percent, payable semi-annually. 7,200,000

\$ 7,993,759

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - concluded

Compensated Absences

In accordance with the City's personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused sick pay under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$231,721 for governmental activities and \$135,606 for business-type activities for sick pay at June 30, 2009. Of these amounts, \$63,278 and \$27,121 have been recorded as current liabilities, and \$168,443 and 108,485 have been recorded as noncurrent liabilities respectively.

Water and Sewer Obligations

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.

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 \$9,530,199. During the current year, net revenues of the system were \$367,917 compared to the annual debt requirements of \$704,844.

Component Unit (DDA)

\$6,200,000 2001 General Obligation Limited Tax Development Bonds dated September 1, 2001, due in annual installments ranging from \$290,000 to \$465,000 through April 1, 2021, with an interest ranging from 4.25 to 4.50 percent, payable semi-annually. \$ 4,535,000

The annual requirements to pay the debt principal and interest outstanding for bonds and loans are as follows:

Primary Government

Year Ending June 30,	Installment Purchase Agreements		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 118,892	\$ 16,806	\$ 798,218	\$ 332,800	\$ 505,000	\$ 199,844
2011	63,452	12,530	826,806	304,336	515,000	187,219
2012	65,781	10,201	860,338	269,499	535,000	174,344
2013	68,195	7,787	896,374	233,307	545,000	160,969
2014	70,697	5,284	934,785	192,097	555,000	147,344
2015-2019	73,292	2,690	3,385,040	364,770	3,023,759	520,345
2020-2023	-	-	-	-	2,315,000	146,375
	<u>\$ 460,309</u>	<u>\$ 55,298</u>	<u>\$ 7,701,561</u>	<u>\$ 1,696,809</u>	<u>\$ 7,993,759</u>	<u>\$ 1,536,440</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F: LONG-TERM DEBT - CONCLUDED

Component Unit (DDA)

Year Ending June 30,	General Obligation <u>Limited Tax Development Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 290,000	\$ 199,710
2011	305,000	187,385
2012	320,000	174,423
2013	335,000	160,822
2014	350,000	146,585
2015-2019	2,010,000	487,435
2020-2021	<u>925,000</u>	<u>62,550</u>
	<u>\$ 4,535,000</u>	<u>\$ 1,418,910</u>

NOTE G: 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.

NOTE H: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H: RETIREMENT PLAN - CONCLUDED

Annual Pension Cost

For the year ended June 30, 2009, the City's annual pension cost of \$352,196 for the plan was equal to the City's required and actual contribution. The required contribution was determined as part of the December 31, 2007 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, 2008, the date of the latest actuarial valuation was thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Actuarial value of assets	\$ 7,690,763	\$ 8,320,117	\$ 8,775,967
Actuarial accrued liability (AAL) (entry age)	9,505,510	10,564,003	11,724,216
Unfunded AAL	1,814,747	2,243,886	2,948,249
Funded ratio	81 %	79 %	75 %
Covered payroll	2,996,270	2,910,583	2,949,617
UAAL as a percentage of covered payroll	61 %	77 %	100 %

	Year Ended June 30,		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Annual pension cost	\$ 320,475	\$ 361,716	\$ 352,196
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE I: OTHER POST-EMPLOYMENT BENEFITS

The City provides post-employment 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. For the year ended June 30, 2009, the City paid \$213,295 for post employment health benefits.

Upcoming reporting change:

The Governmental Accounting Standards Board has released Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The 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 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.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE J: BUILDING AND ZONING FINANCIAL INFORMATION

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, 2009 is as follows:

REVENUES	
Building permits	\$ 49,240
EXPENDITURES	
Professional services	<u>224,076</u>
EXCESS OF REVENUES UNDER EXPENDITURES	174,836
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(785,881)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$(960,717)</u>

NOTE K: 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, 2009, 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.

NOTE L: RESTATED BEGINNING FUND BALANCE

Beginning fund balance for the Downtown Development Authority was restated to correct accrued interest payable which should have not been recorded in the prior year fund level financial statements.

NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

In the body of the required and other supplementary information to the financial statements, the City's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONCLUDED

During the year ended June 30, 2009, the City incurred expenditures in one (1) Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Expended</u>	<u>Variance</u>
D.A.R.E. Fund	\$ 1,500	\$ 1,532	\$ 32

REQUIRED SUPPLEMENTARY INFORMATION

City of Fenton

BUDGETARY COMPARISON SCHEDULES

Fund Descriptions

GENERAL FUND

The General Fund is used to account for all financial transactions not properly accounted for in another fund. The transactions relating to the general governmental activities of the City, which are financed by property tax levies, by distribution of State and Federal revenues, and by revenue from various activities and services, are recorded in this fund. The majority of current operating expenditures of the City, other than proprietary fund activities, are financed through revenue received by the General Fund.

MAJOR STREET FUND

The Major Street Fund is used to account for 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.

City of Fenton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 4,460,800	\$ 4,484,506	\$ 4,460,368	\$ (24,138)
Licenses and permits	185,000	198,000	202,728	4,728
Intergovernmental - State	899,300	917,110	872,414	(44,696)
Charges for services	319,500	316,350	327,922	11,572
Fines and forfeits	100,000	100,000	82,639	(17,361)
Interest and rents	109,825	109,100	115,737	6,637
Other	11,200	72,972	86,725	13,753
TOTAL REVENUES	6,085,625	6,198,038	6,148,533	(49,505)
EXPENDITURES				
Current				
General government	1,112,860	949,045	913,337	35,708
Public safety				
Police department	2,263,720	2,386,110	2,334,347	51,763
Fire department	629,510	718,633	707,846	10,787
Building inspection	236,600	227,200	224,076	3,124
Total public safety	3,129,830	3,331,943	3,266,269	65,674
Public works	192,700	219,150	191,655	27,495
Community and economic development	47,000	57,300	47,818	9,482
Recreation and cultural	67,950	95,548	85,420	10,128
Other	300,500	263,500	260,980	2,520
Debt service	59,725	59,717	59,717	-0-
TOTAL EXPENDITURES	4,910,565	4,976,203	4,825,196	151,007
EXCESS OF REVENUES OVER EXPENDITURES	1,175,060	1,221,835	1,323,337	101,502
OTHER FINANCING SOURCES (USES)				
Transfer in	-	12,000	22,014	10,014
Transfers out	(982,360)	(1,302,860)	(1,229,476)	73,384
TOTAL OTHER FINANCING SOURCES (USES)	(982,360)	(1,290,860)	(1,207,462)	83,398
NET CHANGE IN FUND BALANCE	192,700	(69,025)	115,875	184,900
Fund balance, beginning of year	1,391,843	1,391,843	1,391,843	-0-
Fund balance, end of year	\$ 1,584,543	\$ 1,322,818	\$ 1,507,718	\$ 184,900

City of Fenton

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental - State				
Trunkline turnback	\$ 603,545	\$ 601,200	\$ 601,199	\$ (1)
Gas and weight tax	505,000	483,357	467,324	(16,033)
Other	75,100	73,932	73,913	(19)
Interest	15,000	15,000	7,435	(7,565)
TOTAL REVENUES	1,198,645	1,173,489	1,149,871	(23,618)
EXPENDITURES				
Current				
Public works	1,793,990	1,936,967	1,851,925	85,042
EXCESS OF REVENUES (UNDER) EXPENDITURES	(595,345)	(763,478)	(702,054)	61,424
OTHER FINANCING SOURCES (USES)				
Transfer in	655,000	755,000	755,000	-0-
Transfer out	(100,000)	(100,000)	(100,000)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	555,000	655,000	655,000	-0-
NET CHANGE IN FUND BALANCE	(40,345)	(108,478)	(47,054)	61,424
Fund balance, beginning of year	128,182	128,182	128,182	-0-
Fund balance, end of year	<u>\$ 87,837</u>	<u>\$ 19,704</u>	<u>\$ 81,128</u>	<u>\$ 61,424</u>

OTHER SUPPLEMENTARY INFORMATION

City of Fenton

NONMAJOR GOVERNMENTAL FUNDS

Fund Descriptions

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 Fund - 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.

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.

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.

CAPITAL PROJECTS 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

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2009

	Special		
	Local Street	Budget Stabilization	Parks and Recreation
ASSETS			
Cash	\$ -	\$ 299,524	\$ 40,317
Accounts receivable	-	-	-
Interest receivable	56	-	78
Special assessments receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units	28,543	-	-
Inventories	-	-	-
TOTAL ASSETS	<u>\$ 28,599</u>	<u>\$ 299,524</u>	<u>\$ 40,395</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 105	\$ -	\$ 17,126
Accrued wages	479	-	1,422
Due to other funds	14,193	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	14,777	-0-	18,548
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	13,822	299,524	21,847
Capital project funds	-	-	-
TOTAL FUND BALANCES	<u>13,822</u>	<u>299,524</u>	<u>21,847</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 28,599</u>	<u>\$ 299,524</u>	<u>\$ 40,395</u>

Revenue Funds

Cemetery	Garbage Collection	Narcotics Enforcement	D.A.R.E	Emergency 911
\$ 214,736	\$ -	\$ 17,879	\$ 26,270	\$ 1
9,049	90,107	-	-	-
59	-	35	-	-
-	-	-	-	-
56	17,800	-	-	1,377
-	-	-	-	-
-	2,569	-	-	-
<u>\$ 223,900</u>	<u>\$ 110,476</u>	<u>\$ 17,914</u>	<u>\$ 26,270</u>	<u>\$ 1,378</u>
\$ 5,612	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,377
56	107,963	-	-	-
7,415	-	-	-	-
13,083	107,963	-0-	-0-	1,377
-	2,513	-	-	-
210,817	-	17,914	26,270	1
-	-	-	-	-
210,817	2,513	17,914	26,270	1
<u>\$ 223,900</u>	<u>\$ 110,476</u>	<u>\$ 17,914</u>	<u>\$ 26,270</u>	<u>\$ 1,378</u>

City of Fenton

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2009

	Capital Projects Funds		
	Fire Equipment	C.I.P. Fund	Working Capital Fund
ASSETS			
Cash	\$ 266,561	\$ 75,639	\$ 123,596
Accounts receivable	-	-	-
Interest receivable	533	151	214
Special assessments receivable	-	-	61,152
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Inventories	-	-	-
TOTAL ASSETS	<u>\$ 267,094</u>	<u>\$ 75,790</u>	<u>\$ 184,962</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	61,152
TOTAL LIABILITIES	-0-	-0-	61,152
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	-	-	-
Capital project funds	267,094	75,790	123,810
TOTAL FUND BALANCES	<u>267,094</u>	<u>75,790</u>	<u>123,810</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 267,094</u>	<u>\$ 75,790</u>	<u>\$ 184,962</u>

Total

\$ 1,064,523
99,156
1,126
61,152
19,233
28,543
2,569

\$ 1,276,302

\$ 22,843
3,278
122,212
68,567

216,900

2,513

590,195
466,694

1,059,402

\$ 1,276,302

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2009

	Special		
	Local Street	Budget Stabilization	Parks and Recreation
REVENUES			
Intergovernmental	\$ 209,416	\$ -	\$ -
Charges for services	-	-	24,831
Interest and rents	1,868	-	5,794
Other	-	-	4,000
TOTAL REVENUES	211,284	-0-	34,625
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	470,047	-	-
Recreation and cultural	-	-	227,522
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	470,047	-0-	227,522
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(258,763)	-0-	(192,897)
OTHER FINANCING SOURCES (USES)			
Transfers in	220,000	-	192,400
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	220,000	-0-	192,400
NET CHANGE IN FUND BALANCES	(38,763)	-0-	(497)
Fund balances, beginning of year	52,585	299,524	22,344
Fund balances, end of year	<u>\$ 13,822</u>	<u>\$ 299,524</u>	<u>\$ 21,847</u>

Revenue Funds

Cemetery	Garbage Collection	Narcotics Enforcement	D.A.R.E	Emergency 911
\$ -	\$ -	\$ -	\$ -	\$ -
19,549	435,257	-	-	135,225
4,080	-	634	570	-
-	-	2,767	794	-
23,629	435,257	3,401	1,364	135,225
55,312	-	-	-	-
-	-	416	1,532	197,000
-	471,106	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
55,312	471,106	416	1,532	197,000
(31,683)	(35,849)	2,985	(168)	(61,775)
32,500	17,800	-	-	61,776
-	-	(12,000)	-	-
32,500	17,800	(12,000)	-0-	61,776
817	(18,049)	(9,015)	(168)	1
210,000	20,562	26,929	26,438	-
\$ 210,817	\$ 2,513	\$ 17,914	\$ 26,270	\$ 1

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2009

	Capital Projects Funds		
	Fire Equipment	C.I.P. Fund	Working Capital Fund
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Interest and rents	4,912	1,750	7,000
Other	-	-	10,650
TOTAL REVENUES	4,912	1,750	17,650
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Recreation and cultural	-	-	-
Debt service			
Principal retirement	59,039	-	-
Interest and fiscal charges	16,943	-	-
Capital outlay	11,498	-	-
TOTAL EXPENDITURES	87,480	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(82,568)	1,750	17,650
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	405,000	-
Transfers out	-	(405,000)	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	100,000	-0-	(50,000)
NET CHANGE IN FUND BALANCES	17,432	1,750	(32,350)
Fund balances, beginning of year	249,662	74,040	156,160
Fund balances, end of year	<u>\$ 267,094</u>	<u>\$ 75,790</u>	<u>\$ 123,810</u>

<u>Total</u>	
\$	209,416
	614,862
	26,608
	18,211
	<u>869,097</u>
	55,312
	198,948
	941,153
	227,522
	59,039
	16,943
	11,498
	<u>1,510,415</u>
	(641,318)
	1,029,476
	<u>(467,000)</u>
	<u>562,476</u>
	(78,842)
	<u>1,138,244</u>
\$	<u><u>1,059,402</u></u>

City of Fenton

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL

Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Local Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 183,700	\$ 176,150	\$ 170,522	\$ (5,628)
Other	6,200	38,200	38,894	694
Interest	500	700	1,868	1,168
	<u>190,400</u>	<u>215,050</u>	<u>211,284</u>	<u>(3,766)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	<u>503,480</u>	<u>512,666</u>	<u>470,047</u>	<u>42,619</u>
	<u>(313,080)</u>	<u>(297,616)</u>	<u>(258,763)</u>	<u>38,853</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES				
OTHER FINANCING SOURCES				
Transfers in	<u>266,560</u>	<u>266,560</u>	<u>220,000</u>	<u>(46,560)</u>
NET CHANGE IN FUND BALANCE				
	<u>(46,520)</u>	<u>(31,056)</u>	<u>(38,763)</u>	<u>(7,707)</u>
Fund balance, beginning of year	<u>52,585</u>	<u>52,585</u>	<u>52,585</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 6,065</u>	<u>\$ 21,529</u>	<u>\$ 13,822</u>	<u>\$ (7,707)</u>
<u>Budget Stabilization Fund</u>				
REVENUES				
	\$ -	\$ -	\$ -	\$ -0-
EXPENDITURES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE				
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund balance, beginning of year	<u>299,524</u>	<u>299,524</u>	<u>299,524</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 299,524</u>	<u>\$ 299,524</u>	<u>\$ 299,524</u>	<u>\$ -0-</u>

City of Fenton

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Parks and Recreation Fund</u>				
REVENUES				
Charges for services	\$ 20,000	\$ 24,000	\$ 24,831	\$ 831
Interest and rents	5,100	5,500	5,794	294
Other	-	500	4,000	3,500
TOTAL REVENUES	25,100	30,000	34,625	4,625
EXPENDITURES				
Current				
Recreation and cultural	232,860	238,710	227,522	11,188
EXCESS OF REVENUES (UNDER) EXPENDITURES	(207,760)	(208,710)	(192,897)	15,813
OTHER FINANCING SOURCES				
Transfer in	210,800	213,200	192,400	(20,800)
NET CHANGE IN FUND BALANCE	3,040	4,490	(497)	(4,987)
Fund balance, beginning of year	22,344	22,344	22,344	-0-
Fund balance, end of year	<u>\$ 25,384</u>	<u>\$ 26,834</u>	<u>\$ 21,847</u>	<u>\$ (4,987)</u>
<u>Cemetery Fund</u>				
REVENUES				
Charges for services	\$ 19,100	\$ 19,100	\$ 19,549	\$ 449
Interest	500	500	4,080	3,580
TOTAL REVENUES	19,600	19,600	23,629	4,029
EXPENDITURES				
Current				
General government	57,475	69,555	55,312	14,243
EXCESS OF REVENUES (UNDER) EXPENDITURES	(37,875)	(49,955)	(31,683)	18,272
OTHER FINANCING SOURCES				
Transfer in	-	32,500	32,500	-0-
NET CHANGE IN FUND BALANCE	(37,875)	(17,455)	817	18,272
Fund balance, beginning of year	210,000	210,000	210,000	-0-
Fund balance, end of year	<u>\$ 172,125</u>	<u>\$ 192,545</u>	<u>\$ 210,817</u>	<u>\$ 18,272</u>

City of Fenton

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Garbage Collection Fund</u>				
REVENUES				
Charges for services	\$ 445,000	\$ 440,000	\$ 435,257	\$ (4,743)
EXPENDITURES				
Current				
Public works	440,000	473,300	471,106	2,194
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,000	(33,300)	(35,849)	(2,549)
OTHER FINANCING SOURCES				
Transfer in	-	13,000	17,800	4,800
NET CHANGE IN FUND BALANCE	5,000	(20,300)	(18,049)	2,251
Fund balance, beginning of year	20,562	20,562	20,562	-0-
Fund balance, end of year	<u>\$ 25,562</u>	<u>\$ 262</u>	<u>\$ 2,513</u>	<u>\$ 2,251</u>

<u>Narcotics Enforcement Fund</u>				
REVENUES				
Interest	\$ 200	\$ 200	\$ 634	\$ 434
Other	1,000	3,000	2,767	(233)
TOTAL REVENUES	1,200	3,200	3,401	201
EXPENDITURES				
Current				
Public safety	-	1,000	416	584
EXCESS OF REVENUES OVER EXPENDITURES	1,200	2,200	2,985	785
OTHER FINANCING (USES)				
Transfer out	-	(12,000)	(12,000)	-0-
NET CHANGE IN FUND BALANCE	1,200	(9,800)	(9,015)	785
Fund balance, beginning of year	26,929	26,929	26,929	-0-
Fund balance, end of year	<u>\$ 28,129</u>	<u>\$ 17,129</u>	<u>\$ 17,914</u>	<u>\$ 785</u>

City of Fenton

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>D.A.R.E. Fund</u>				
REVENUES				
Interest	\$ 350	\$ 350	\$ 570	\$ 220
Other	200	750	794	44
TOTAL REVENUES	550	1,100	1,364	264
EXPENDITURES				
Current				
Public safety	1,000	1,500	1,532	(32)
NET CHANGE IN FUND BALANCE	(450)	(400)	(168)	232
Fund balance, beginning of year	26,438	26,438	26,438	-0-
Fund balance, end of year	<u>\$ 25,988</u>	<u>\$ 26,038</u>	<u>\$ 26,270</u>	<u>\$ 232</u>
<u>Emergency 911 Fund</u>				
REVENUES				
Charges for services	\$ 195,000	\$ 134,000	\$ 135,225	\$ 1,225
EXPENDITURES				
Current				
Public safety	195,000	197,000	197,000	-0-
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(63,000)	(61,775)	1,225
OTHER FINANCING SOURCES				
Transfer in	-	63,000	61,776	(1,224)
NET CHANGE IN FUND BALANCE	-0-	-0-	1	1
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 1</u>

City of Fenton

INTERNAL SERVICE FUNDS

Fund Descriptions

Equipment Fund - To account for the costs of operating and maintaining certain automotive and street maintenance equipment used by various 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

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2009

	Equipment	Sick Pay	Total
ASSETS			
Current assets			
Cash	\$ 477,058	\$ 176	\$ 477,234
Investments	-	234,492	234,492
Interest receivable	991	120	1,111
Due from other funds	6,574	-	6,574
Total current assets	484,623	234,788	719,411
Noncurrent assets			
Capital assets, net of accumulated depreciation	495,841	-	495,841
TOTAL ASSETS	980,464	234,788	1,215,252
LIABILITIES			
Current liabilities			
Accounts payable	14,244	-	14,244
Current portion of compensated absences	-	63,278	63,278
Due to other funds	-	3,067	3,067
Total current liabilities	14,244	66,345	80,589
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	168,443	168,443
TOTAL LIABILITIES	14,244	234,788	249,032
NET ASSETS			
Invested in capital assets	495,841	-	495,841
Unrestricted	470,379	-	470,379
TOTAL NET ASSETS	\$ 966,220	\$ -0-	\$ 966,220

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2009

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 428,495	\$ -	\$ 428,495
Other	4,756	5,402	10,158
TOTAL OPERATING REVENUES	433,251	5,402	438,653
OPERATING EXPENSES			
Personnel services	21,936	-	21,936
Operating supplies	19,919	-	19,919
Fuel and utilities	68,305	-	68,305
Repairs and maintenance	81,064	-	81,064
Equipment and building rent	30,251	-	30,251
Insurance	12,800	-	12,800
Depreciation	144,824	-	144,824
TOTAL OPERATING EXPENSES	379,099	-0-	379,099
OPERATING INCOME	54,152	5,402	59,554
NONOPERATING REVENUES (EXPENSES)			
Interest earned	9,187	4,612	13,799
Gain on sale of assets	24,271	-	24,271
Interest expense and fees	(1,730)	-	(1,730)
TOTAL NONOPERATING REVENUES (EXPENSES)	31,728	4,612	36,340
INCOME BEFORE TRANSFERS	85,880	10,014	95,894
TRANSFERS OUT	-	(10,014)	(10,014)
CHANGE IN NET ASSETS	85,880	-0-	85,880
Net assets, beginning of year	880,340	-	880,340
Net assets, end of year	<u>\$ 966,220</u>	<u>\$ -0-</u>	<u>\$ 966,220</u>

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	Equipment	Sick Pay	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from interfund services provided	\$ 510,965	\$ 15,416	\$ 526,381
Cash paid to suppliers	(221,574)	-	(221,574)
Cash paid to employees	(21,936)	(5,403)	(27,339)
NET CASH PROVIDED BY OPERATING ACTIVITIES	267,455	10,013	277,468
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	-	(10,014)	(10,014)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(162,040)	-	(162,040)
Gain on sale of assets	24,271	-	24,271
Interest expense and fees	(4,421)	-	(4,421)
Payments on borrowings	(75,738)	-	(75,738)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(217,928)	-0-	(217,928)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(234,492)	(234,492)
Maturity of investments	-	176	176
Interest earned	8,196	4,511	12,707
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	8,196	(229,805)	(221,609)
NET INCREASE (DECREASE) IN CASH	57,723	(229,806)	(172,083)
Cash, beginning of year	419,335	229,982	649,317
Cash, end of year	<u>\$ 477,058</u>	<u>\$ 176</u>	<u>\$ 477,234</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 54,152	\$ 5,402	\$ 59,554
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	144,824	-	144,824
Decrease in due from other funds	77,714	6,947	84,661
(Decrease) in accounts payable	(9,235)	-	(9,235)
(Decrease) in compensated absences	-	(5,403)	(5,403)
Increase in due to other funds	-	3,067	3,067
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 267,455</u>	<u>\$ 10,013</u>	<u>\$ 277,468</u>

City of Fenton

AGENCY FUNDS

Fund Descriptions

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

Payroll Fund - To account for amounts withheld from City employee payroll related payments.

City of Fenton

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2009

	Tax Collection	Employees Union	Payroll	Total
ASSETS				
Cash	\$ 43,935	\$ 8,372	\$ 1,270	\$ 53,577
LIABILITIES				
Due to other governmental units	\$ 43,935	\$ -	\$ -	\$ 43,935
Due to union groups	-	8,372	-	8,372
Due to individuals and agencies	-	-	1,270	1,270
	<u>\$ 43,935</u>	<u>\$ 8,372</u>	<u>\$ 1,270</u>	<u>\$ 53,577</u>

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2009

	Restated Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<u>Tax Collection Fund</u>				
ASSETS				
Cash	\$ 196	\$ 25,501,702	\$ 25,457,963	\$ 43,935
LIABILITIES				
Due to other governmental units	\$ 196	\$ 25,501,702	\$ 25,457,963	\$ 43,935
<u>Employees Union Fund</u>				
ASSETS				
Cash	\$ 8,372	\$ 272	\$ 272	\$ 8,372
LIABILITIES				
Due to union groups	\$ 8,372	\$ 272	\$ 272	\$ 8,372
<u>Payroll Fund</u>				
ASSETS				
Cash	\$ 13,844	\$ 4,513,080	\$ 4,525,654	\$ 1,270
LIABILITIES				
Due to individuals and agencies	\$ 13,844	\$ 4,513,080	\$ 4,525,654	\$ 1,270
<u>Total Agency Funds</u>				
ASSETS				
Cash	\$ 22,412	\$ 30,015,054	\$ 29,983,889	\$ 53,577
LIABILITIES				
Due to other governmental units	\$ 196	\$ 25,501,702	\$ 25,457,963	\$ 43,935
Due to union groups	8,372	272	272	8,372
Due to individuals and agencies	13,844	4,513,080	4,525,654	1,270
	\$ 22,412	\$ 30,015,054	\$ 29,983,889	\$ 53,577

COMPONENT UNIT FUNDS

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2009

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 1,554,726	\$ 85,800	\$ 1,640,526
Investments	734,093	-	734,093
Interest receivable	2,005	-	2,005
Due from other governmental units	-	60,729	60,729
	<u>2,290,824</u>	<u>146,529</u>	<u>2,437,353</u>
TOTAL ASSETS	\$ 2,290,824	\$ 146,529	\$ 2,437,353
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 44,142	\$ 44,142
Accrued wages	-	342	342
Due to other governmental units	241,375	47,203	288,578
	<u>241,375</u>	<u>91,687</u>	<u>333,062</u>
TOTAL LIABILITIES	241,375	91,687	333,062
FUND BALANCES			
Unreserved, reported in:			
Special revenue fund	2,049,449	-	2,049,449
Capital projects fund	-	54,842	54,842
	<u>2,049,449</u>	<u>54,842</u>	<u>2,104,291</u>
TOTAL FUND BALANCES	2,049,449	54,842	2,104,291
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,290,824	\$ 146,529	\$ 2,437,353

City of Fenton

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO THE STATEMENT
OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2009

Total fund balances - governmental funds **\$ 2,104,291**

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

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

The cost of capital assets is	\$ 461,992	
Accumulated depreciation is	<u>(3,412)</u>	
Capital assets, net		458,580

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	(4,535,000)	
Accrued interest payable	<u>(49,928)</u>	
		<u>(4,584,928)</u>

Net assets of governmental activities **\$ (2,022,057)**

City of Fenton

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2009

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 1,616,123	\$ -	\$ 1,616,123
Interest and rents	45,787	1,370	47,157
TOTAL REVENUES	1,661,910	1,370	1,663,280
EXPENDITURES			
Current			
Community and economic development	-	1,310,819	1,310,819
Debt service			
Principal	335,000	-	335,000
Interest and fiscal charges	216,573	-	216,573
TOTAL EXPENDITURES	551,573	1,310,819	1,862,392
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,110,337	(1,309,449)	(199,112)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,307,686	1,307,686
Transfers out	(1,307,686)	-	(1,307,686)
TOTAL OTHER FINANCING SOURCES (USES)	(1,307,686)	1,307,686	-0-
NET CHANGE IN FUND BALANCES	(197,349)	(1,763)	(199,112)
Restated fund balances, beginning of year	2,246,798	56,605	2,303,403
Fund balances, end of year	<u>\$ 2,049,449</u>	<u>\$ 54,842</u>	<u>\$ 2,104,291</u>

City of Fenton

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2009

Net change in fund balances - total governmental funds **\$ (199,112)**

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

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

Capital outlay	\$ 166,992	
Depreciation expense	<u>(3,412)</u>	
 Excess of capital outlay over depreciation expense		 163,580

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

Bond principal retirement		335,000
---------------------------	--	---------

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

Decrease in accrued interest payable		<u>3,610</u>
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Change in net assets of governmental activities **\$ 303,078**

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2009

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 326,952	\$ 4,267	\$ 331,219
Investments	730,463	-	730,463
Interest receivable	2,405	-	2,405
Due from other governmental units	221	20,000	20,221
TOTAL ASSETS	\$ 1,060,041	\$ 24,267	\$ 1,084,308
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 445	\$ 445
Accrued wages	-	114	114
Due to other governmental units	13,957	6,043	20,000
TOTAL LIABILITIES	13,957	6,602	20,559
FUND BALANCES			
Unreserved			
Special revenue fund	1,046,084	-	1,046,084
Capital projects fund	-	17,665	17,665
TOTAL FUND BALANCES	1,046,084	17,665	1,063,749
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,060,041	\$ 24,267	\$ 1,084,308

Note: Reconciliation of the governmental fund balance sheet to the statement of net assets for this component unit is not required as the fund balance was equal to the net assets as of June 30, 2009.

City of Fenton

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2009

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 210,380	\$ -	\$ 210,380
Interest	23,493	80	23,573
TOTAL REVENUES	233,873	80	233,953
EXPENDITURES			
Current			
Community and economic development	-	149,493	149,493
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	233,873	(149,413)	84,460
OTHER FINANCING SOURCES (USES)			
Transfers in	-	104,545	104,545
Transfers out	(104,545)	-	(104,545)
TOTAL OTHER FINANCING SOURCES (USES)	(104,545)	104,545	-0-
NET CHANGE IN FUND BALANCES	129,328	(44,868)	84,460
Fund balances, beginning of year	916,756	62,533	979,289
Fund balances, end of year	<u>\$ 1,046,084</u>	<u>\$ 17,665</u>	<u>\$ 1,063,749</u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net assets for the year ended June 30, 2009.

**STATISTICAL SECTION
(UNAUDITED)**

City of Fenton

Statistical Section

This part of the City's comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trend Information:	
Net Assets by Component	58-59
Changes in Governmental Net Assets	60-61
Changes in Business Type Net Assets	62-63
Fund Balances, Governmental Funds	64-65
Changes in Fund Balances, Governmental Funds	66-67
Revenue Capacity Information:	
Taxable value and actual value of taxable property	68-69
Direct and overlapping property tax rates	70-71
Principal property tax payers	72
Property tax levies and collections	73
Debt Capacity Information:	
Ratios of outstanding debt	74-75
Ratios of general bonded debt outstanding	76-77
Direct and overlapping governmental activities debt	78
Legal debt margin	79-80
Pledged-revenue coverage	81
Demographic and Economic Information:	
Demographic and economic statistics	82
Principal employers	83
Operating Information:	
Full-time equivalent government employees	84-85
Operating indicators	86-87
Capital asset statistics	88-89

City of Fenton

NET ASSETS BY COMPONENT (UNAUDITED)

2004-2009

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 9,023,545	\$ 9,544,656	\$ 11,081,127
Restricted	1,265,471	1,885,510	713,626
Unrestricted	<u>1,784,548</u>	<u>1,190,951</u>	<u>2,212,632</u>
Total governmental activities net assets	<u>\$ 12,073,564</u>	<u>\$ 12,621,117</u>	<u>\$ 14,007,385</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 17,324,297	\$ 18,676,883	\$ 19,387,156
Restricted	-	891,239	919,808
Unrestricted	<u>6,009,886</u>	<u>3,505,141</u>	<u>2,943,468</u>
Total business-type activities net assets	<u>\$ 23,334,183</u>	<u>\$ 23,073,263</u>	<u>\$ 23,250,432</u>
Primary government in total			
Invested in capital assets, net of related debt	\$ 26,347,842	\$ 28,221,539	\$ 30,468,283
Restricted	1,265,471	2,776,749	1,633,434
Unrestricted	<u>7,794,434</u>	<u>4,696,092</u>	<u>5,156,100</u>
Total primary government net assets	<u>\$ 35,407,747</u>	<u>\$ 35,694,380</u>	<u>\$ 37,257,817</u>

Note:

The City implemented the reporting requirements of GASB Statement 34 in fiscal year 2004. Net asset information for periods prior to implementation is not readily available.

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 11,468,410	\$ 13,330,319	\$ 15,330,866
347,552	410,856	265,457
<u>2,518,552</u>	<u>2,870,834</u>	<u>3,336,351</u>
<u>\$ 14,334,514</u>	<u>\$ 16,612,009</u>	<u>\$ 18,932,674</u>
\$ 19,711,079	\$ 20,116,220	\$ 20,620,459
815,410	855,831	887,139
<u>2,724,734</u>	<u>2,364,107</u>	<u>1,817,062</u>
<u>\$ 23,251,223</u>	<u>\$ 23,336,158</u>	<u>\$ 23,324,660</u>
\$ 31,179,489	\$ 33,446,539	\$ 35,951,325
1,162,962	1,266,687	1,152,596
<u>5,243,286</u>	<u>5,234,941</u>	<u>5,153,413</u>
<u>\$ 37,585,737</u>	<u>\$ 39,948,167</u>	<u>\$ 42,257,334</u>

City of Fenton

CHANGES IN GOVERNMENTAL NET ASSETS (UNAUDITED)

2004-2009

	2004	2005	2006
Expenses			
General government	\$ 1,355,486	\$ 1,489,855	\$ 1,420,465
Public safety	2,751,891	2,966,655	3,128,752
Public works	1,545,260	1,753,694	2,345,278
Community and economic development	135,106	142,844	139,098
Recreation and cultural	200,848	202,809	243,015
Interest on long-term debt	354,504	3,305	34,296
Total governmental activities expenses	<u>\$ 6,343,095</u>	<u>\$ 6,559,162</u>	<u>\$ 7,310,904</u>
Program revenues			
Charges for services			
General government	\$ 10,438	\$ 99,340	\$ 89,408
Public safety	584,786	505,469	601,299
Public works	457,505	419,347	441,473
Recreation and cultural	55,505	42,282	56,746
Total charges for services	1,108,234	1,066,438	1,188,926
Operating grants and contributions	732,282	892,297	893,444
Capital grants and contributions	208,061	307,150	1,303,418
Total program revenue	<u>2,048,577</u>	<u>2,265,885</u>	<u>3,385,788</u>
Net (expense) revenue	<u>\$ (4,294,518)</u>	<u>\$ (4,293,277)</u>	<u>\$ (3,925,116)</u>
General revenues			
Property taxes	\$ 3,471,199	\$ 3,945,739	\$ 4,230,989
State-shared revenues	911,537	898,721	891,252
Investment earnings	63,613	92,820	158,579
Miscellaneous	11,616	10,583	30,564
Total general revenues	<u>4,457,965</u>	<u>4,947,863</u>	<u>5,311,384</u>
Change in net assets	<u>\$ 163,447</u>	<u>\$ 654,586</u>	<u>\$ 1,386,268</u>

Note:

The City implemented the reporting requirements of GASB Statement 34 in fiscal year 2004. Net asset information for periods prior to implementation is not readily available.

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 1,648,574	\$ 1,439,316	\$ 1,010,207
3,642,615	3,414,988	3,629,441
1,725,658	1,665,853	1,135,807
107,223	75,288	49,423
309,018	296,654	338,235
57,766	27,104	9,162
<u>\$ 7,490,854</u>	<u>\$ 6,919,203</u>	<u>\$ 6,172,275</u>
\$ 81,528	\$ 80,681	\$ 164,739
609,998	647,191	666,916
432,625	444,049	494,407
50,012	50,237	45,507
1,174,163	1,222,158	1,371,569
1,138,543	2,399,695	1,104,536
30,551	15,185	640,093
2,343,257	3,637,038	3,116,198
<u>\$ (5,147,597)</u>	<u>\$ (3,282,165)</u>	<u>\$ (3,056,077)</u>
\$ 4,385,154	\$ 4,496,996	\$ 4,460,368
867,264	862,880	811,891
211,208	189,044	80,634
11,100	10,740	23,849
5,474,726	5,559,660	5,376,742
<u>\$ 327,129</u>	<u>\$ 2,277,495</u>	<u>\$ 2,320,665</u>

City of Fenton

CHANGES IN BUSINESS-TYPE NET ASSETS (UNAUDITED)

2000-2009

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Expenses				
Water	\$ 793,346	\$ 803,110	\$ 933,327	\$ 1,044,064
Sewer	<u>1,660,970</u>	<u>1,731,933</u>	<u>1,839,477</u>	<u>2,350,102</u>
Total Expenses	<u>\$ 2,454,316</u>	<u>\$ 2,535,043</u>	<u>\$ 2,772,804</u>	<u>\$ 3,394,166</u>
Program revenues				
Charges for Services				
Water	\$ 959,991	\$ 1,018,672	\$ 1,058,745	\$ 1,236,190
Sewer	<u>1,406,824</u>	<u>1,492,432</u>	<u>1,549,550</u>	<u>1,809,840</u>
Total Charges for Services	2,366,815	2,511,104	2,608,295	3,046,030
Capital Grants and Contributions				
Water	197,368	280,145	144,670	132,523
Sewer	<u>510,820</u>	<u>842,665</u>	<u>581,960</u>	<u>450,660</u>
Total Capital Grants and Contribution	708,188	1,122,810	726,630	583,183
Total program revenue	<u>3,075,003</u>	<u>3,633,914</u>	<u>3,334,925</u>	<u>3,629,213</u>
Net (expense) revenue	<u>\$ 620,687</u>	<u>\$ 1,098,871</u>	<u>\$ 562,121</u>	<u>\$ 235,047</u>
General Revenues				
Investment earnings	\$ 346,024	\$ 421,622	\$ 231,715	\$ 133,246
Miscellaneous	<u>32,283</u>	<u>48,276</u>	<u>75,754</u>	<u>33,230</u>
Total General Revenues	<u>378,307</u>	<u>469,898</u>	<u>307,469</u>	<u>166,476</u>
Change in Net Assets	<u>\$ 998,994</u>	<u>\$ 1,568,769</u>	<u>\$ 869,590</u>	<u>\$ 401,523</u>

2004	2005	2006	2007	2008	2009
\$ 1,270,492	\$ 1,806,817	\$ 2,057,635	\$ 2,334,328	\$ 2,179,363	\$ 2,402,112
<u>2,423,351</u>	<u>2,423,654</u>	<u>2,286,890</u>	<u>2,344,030</u>	<u>2,215,830</u>	<u>2,063,615</u>
<u>\$ 3,693,843</u>	<u>\$ 4,230,471</u>	<u>\$ 4,344,525</u>	<u>\$ 4,678,358</u>	<u>\$ 4,395,193</u>	<u>\$ 4,465,727</u>
\$ 1,410,117	\$ 1,748,795	\$ 2,133,655	\$ 2,263,120	\$ 2,198,405	\$ 2,091,329
<u>1,794,138</u>	<u>1,669,022</u>	<u>1,640,425</u>	<u>2,108,018</u>	<u>2,156,951</u>	<u>2,260,702</u>
3,204,255	3,417,817	3,774,080	4,371,138	4,355,356	4,352,031
154,665	133,070	149,488	51,000	3,050	-
<u>413,085</u>	<u>305,060</u>	<u>469,600</u>	<u>117,395</u>	<u>16,190</u>	<u>-</u>
567,750	438,130	619,088	168,395	19,240	-0-
<u>3,772,005</u>	<u>3,855,947</u>	<u>4,393,168</u>	<u>4,539,533</u>	<u>4,374,596</u>	<u>4,352,031</u>
<u>\$ 78,162</u>	<u>\$ (374,524)</u>	<u>\$ 48,643</u>	<u>\$ (138,825)</u>	<u>\$ (20,597)</u>	<u>\$ (113,696)</u>
\$ 122,291	\$ 113,604	\$ 128,526	\$ 139,616	\$ 105,532	\$ 53,855
<u>33,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,343</u>
155,548	113,604	128,526	139,616	105,532	102,198
<u>\$ 233,710</u>	<u>\$ (260,920)</u>	<u>\$ 177,169</u>	<u>\$ 791</u>	<u>\$ 84,935</u>	<u>\$ (11,498)</u>

City of Fenton

FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2000-2009

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Fund				
Reserved	\$ 35,070	\$ 33,021	\$ 34,487	\$ -
Unreserved	<u>1,098,160</u>	<u>986,362</u>	<u>1,100,651</u>	<u>1,137,215</u>
Total General Fund	<u>\$ 1,133,230</u>	<u>\$ 1,019,383</u>	<u>\$ 1,135,138</u>	<u>\$ 1,137,215</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	934,074	835,036	924,129	709,924
Capital project funds	547,543	282,243	345,291	381,480
Debt service funds	<u>185,453</u>	<u>137,313</u>	<u>86,847</u>	<u>1,231</u>
Total all other governmental funds	<u>\$ 1,667,070</u>	<u>\$ 1,254,592</u>	<u>\$ 1,356,267</u>	<u>\$ 1,092,635</u>

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ -	\$ 360,433	\$ 97,770	\$ 203,361	\$ 98,144	\$ 82,747
<u>1,192,859</u>	<u>1,184,321</u>	<u>1,260,154</u>	<u>1,095,887</u>	<u>1,293,699</u>	<u>1,424,971</u>
<u>\$ 1,192,859</u>	<u>\$ 1,544,754</u>	<u>\$ 1,357,924</u>	<u>\$ 1,299,248</u>	<u>\$ 1,391,843</u>	<u>\$ 1,507,718</u>
\$ -	\$ -	\$ 5,875	\$ 7,643	\$ 5,986	\$ 2,513
693,125	575,654	567,913	761,036	780,578	671,323
607,729	1,274,366	536,764	300,565	479,862	466,694
<u>1,231</u>	<u>1,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,302,085</u>	<u>\$ 1,851,251</u>	<u>\$ 1,110,552</u>	<u>\$ 1,069,244</u>	<u>\$ 1,266,426</u>	<u>\$ 1,140,530</u>

City of Fenton

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2000-2009

	2000	2001	2002	2003
Revenues				
Property taxes	\$ 2,560,961	\$ 2,732,664	\$ 3,029,681	\$ 3,362,554
Licenses and permits	175,728	201,462	189,527	207,890
Intergovernmental	1,846,859	1,890,045	1,798,813	1,745,502
Charges for services	781,073	757,617	807,434	853,325
Fines and forfeitures	29,844	32,016	48,652	52,113
Interest and rents	209,964	149,806	60,945	41,026
Other	139,149	163,663	101,277	137,620
Total revenues	5,743,578	5,927,273	6,036,329	6,400,030
Expenditures				
Current:				
General government	2,167,715	1,541,002	1,703,624	1,280,168
Public safety	1,921,844	2,183,186	1,895,435	2,594,115
Public works	1,613,052	2,246,069	1,619,268	2,163,482
Recreation and cultural	196,792	299,346	326,765	266,667
Other	243,025	180,881	183,306	177,293
Capital outlay	92,004	205,756	-	31,570
Debt service				
Principal	177,477	156,324	83,097	84,519
Interest and fiscal charges	23,763	11,711	11,150	8,495
Total Expenditures	6,435,672	6,824,275	5,822,645	6,606,309
Excess of revenues over (under) expenditures	(692,094)	(897,002)	213,684	(206,279)
Other Financing Sources (Uses)				
Debt issuance	-	-	-	-
Sale of fixed assets	-	296,155	7,800	-
Transfers in	1,290,713	1,613,301	1,218,589	1,484,847
Transfers out	(1,141,917)	(1,548,565)	(1,228,600)	(1,545,622)
Total other financing sources (uses)	148,796	360,891	(2,211)	(60,775)
Net change in fund balances	(543,298)	(536,111)	211,473	(267,054)
Fund Balances - Beginning of year	3,245,981	2,702,683	2,166,572	2,378,045
Fund Balances - End of year	\$ 2,702,683	\$ 2,166,572	\$ 2,378,045	\$ 2,110,991
Debt service as a percentage of noncapital expenditures	3.75%	2.85%	1.70%	2.08%

2004	2005	2006	2007	2008	2009
\$ 3,492,791	\$ 3,962,679	\$ 4,240,619	\$ 4,371,523	\$ 4,469,408	\$ 4,460,368
199,950	188,548	219,417	183,527	192,848	202,728
1,643,819	1,636,084	1,641,769	1,856,088	2,409,873	2,224,266
890,454	850,713	929,924	953,140	990,606	942,784
87,889	75,657	100,282	98,361	113,225	82,639
57,980	72,177	136,634	182,900	165,142	149,780
120,172	90,817	54,986	70,498	704,615	104,936
6,493,055	6,876,675	7,323,631	7,716,037	9,045,717	8,167,501
1,278,641	1,368,110	1,480,678	1,545,582	1,351,239	968,649
2,686,839	2,871,127	3,223,832	3,126,586	3,443,691	3,465,217
1,771,524	2,109,046	2,058,361	2,301,573	3,492,752	2,984,733
196,359	225,450	283,553	228,712	229,526	312,942
186,713	190,793	176,138	172,734	127,621	308,798
49,995	62,203	836,131	291,316	18,486	11,498
35,405	36,954	145,778	106,933	110,779	114,763
4,853	3,305	30,289	28,766	24,920	20,936
6,210,329	6,866,988	8,234,760	7,802,202	8,799,014	8,187,536
282,726	9,687	(911,129)	(86,165)	246,703	(20,035)
-	900,000	-	-	-	-
-	8,600	-	-	9,100	-
604,492	1,432,490	1,514,587	1,716,000	1,430,197	1,806,490
(622,120)	(1,449,716)	(1,530,987)	(1,729,819)	(1,396,223)	(1,796,476)
(17,628)	891,374	(16,400)	(13,819)	43,074	10,014
265,098	901,061	(927,529)	(99,984)	289,777	(10,021)
2,110,991	2,494,944	3,396,005	2,468,476	2,368,492	2,658,269
<u>\$ 2,376,089</u>	<u>\$ 3,396,005</u>	<u>\$ 2,468,476</u>	<u>\$ 2,368,492</u>	<u>\$ 2,658,269</u>	<u>\$ 2,648,248</u>
0.75%	0.64%	3.20%	1.96%	2.16%	1.66%

City of Fenton

TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)

2000-2009

Tax Year	Fiscal Year Ended June 30,	Taxable Value by Property Type				
		Residential	Commercial	Industrial	Personal Property	Total Value
1999	2000	\$138,013,250	\$ 73,866,830	\$17,035,180	\$32,988,500	\$ 261,903,760
2000	2001	153,037,980	80,699,570	19,002,480	36,076,700	288,816,730
2001	2002	168,563,750	90,569,930	21,192,720	35,929,500	316,255,900
2002	2003	188,410,420	106,294,960	21,768,100	37,544,000	354,017,480
2003	2004	193,886,780	116,078,570	22,700,560	37,467,400	370,133,310
2004	2005	206,660,120	122,048,650	23,708,540	40,682,700	393,100,010
2005	2006	222,144,150	131,396,894	26,662,760	40,613,400	420,817,204
2006	2007	239,633,621	136,690,241	28,201,940	38,026,945	442,552,747
2007	2008	250,438,950	148,888,730	29,763,330	39,436,900	468,527,910
2008	2009	244,096,797	149,947,115	31,055,846	38,425,700	463,525,458

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.

<u>Tax Rate (mills)</u>	<u>Estimated Actual Value</u>	<u>Taxable Value % of Actual</u>
11.00	\$ 577,010,200	45.39%
11.00	634,013,600	45.55%
11.00	818,934,400	38.62%
10.98	883,023,000	40.09%
10.87	964,670,600	38.37%
10.87	991,013,200	39.67%
10.71	1,111,149,236	37.87%
10.62	1,158,011,328	38.22%
10.62	1,190,025,534	39.37%
10.62	1,130,479,218	41.00%

City of Fenton

DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)

2000-2009

Tax Year	Millage Rates - Direct City Taxes			County	Community College	Intermediate School District
	General Operating	Debt	Total Direct Taxes			
1999	11.00	0.00	11.00	8.24	1.87	3.60
2000	11.00	0.00	11.00	8.21	1.87	3.60
2001	11.00	0.00	11.00	8.21	2.87	3.58
2002	10.98	0.00	10.98	8.15	2.82	3.57
2003	10.87	0.00	10.87	8.15	2.72	3.52
2004	10.87	0.00	10.87	8.15	2.68	3.54
2005	10.71	0.00	10.71	8.51	2.68	3.54
2006	10.62	0.00	10.62	9.43	2.68	3.53
2007	10.62	0.00	10.62	10.65	2.68	3.53
2008	10.62	0.00	10.62	10.21	2.68	3.53

<u>Overlapping taxes</u>				<u>Total tax rate:</u>	
<u>Regional</u>	<u>School</u>	<u>School:</u>	<u>School:</u>	<u>Homestead</u>	<u>Non-homestead</u>
<u>Parks</u>	<u>Debt</u>	<u>Homestead</u>	<u>Non-homestead</u>		
0.00	7.65	6.00	18.00	38.36	56.36
0.00	7.63	6.00	17.79	38.31	56.10
0.40	7.64	6.00	17.79	39.70	57.49
0.40	7.61	6.00	17.79	39.53	57.32
0.40	7.59	5.00	17.54	38.25	55.79
0.39	7.60	6.00	18.00	39.23	57.23
0.37	5.64	6.00	17.63	37.45	55.08
0.37	5.64	6.00	17.42	38.27	55.69
0.37	5.64	6.00	18.00	39.49	57.49
0.37	5.84	6.00	18.00	39.25	57.25

City of Fenton

PRINCIPAL PROPERTY TAX PAYERS

June 30, 2009 and 2000

<u>Taxpayer</u>	<u>2009 Taxable Value</u>	<u>Percentage of Total</u>	<u>2000 Taxable Value</u>	<u>Percentage of Total</u>	<u>2000 Rank</u>
Georgetown	\$ 9,009,844	1.94%	\$ 7,366,180	2.81%	1
Silver Lake Hills Arbor	7,181,039	1.55%	vacant land	N/A	N/A
Creative Foam Corporation	6,977,973	1.51%	6,105,060	2.33%	3
Consumers Energy	6,882,833	1.48%	5,629,810	2.15%	4
Target Corporation	6,153,675	1.33%	vacant land	N/A	N/A
Rengency Realty Group Inc.	5,683,685	1.23%	vacant land	N/A	N/A
New Plan Excel Realty	5,427,650	1.17%	2,378,210	0.91%	11
Home Depot	5,366,130	1.16%	4,218,800	1.61%	7
Wal-Mart Properties	5,321,401	1.15%	vacant land	N/A	N/A
New Plan of Michigan	5,009,845	1.08%	4,158,400	1.59%	6

Note:

Source: Data provided by local assessment records.

City of Fenton

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

2000-2009

<u>Tax Year</u>	<u>Fiscal Year June 30,</u>	<u>Total Levy</u>	<u>Current Collections</u>	<u>Percent Collected</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Levy Collected</u>
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%
2008	2009	4,579,124	4,133,108	90.3%	415,649	4,548,757	99.3%

Note:

Source: Data provided from local Treasurer's Department.

City of Fenton

RATIOS OF OUTSTANDING DEBT (UNAUDITED)

2000-2009

	2000	2001	2002	2003
Governmental Activities				
General obligation bonds	\$ 10,000	\$ -	\$ -	\$ -
Installment purchase agreements	-	-	-	110,930
Special assessment bonds	20,000	-	-	-
Capital leases	-	-	-	-
Total	30,000	-0-	-0-	110,930
Business-type Activities				
General obligation bonds	12,899,892	12,572,077	12,122,855	11,639,255
Installment purchase agreements	-	-	96,308	49,725
Revenue bonds	1,420,000	1,360,000	1,300,000	10,840,000
Total	14,319,892	13,932,077	13,519,163	22,528,980
Component Unit Activities				
General obligation bonds	1,760,000	1,640,000	7,710,000	7,345,000
Total debt of the government	16,109,892	15,572,077	21,229,163	29,984,910
Total Taxable Value	\$ 261,903,760	\$ 288,816,730	\$ 316,255,900	\$ 354,017,480
Ratio of total debt to taxable value	6.15%	5.39%	6.71%	8.47%
Total Population ⁽¹⁾	10,582	10,582	10,582	10,582
Total debt per capita	\$ 1,522	\$ 1,472	\$ 2,006	\$ 2,834
Personal Income ⁽²⁾	\$ 25,593	\$ 26,430	\$ 26,042	\$ 26,707
Ratio of total debt to personal income	0.16%	0.17%	0.12%	0.09%

Note:

(1) Source: Actual 2000 Census Report.

(2) Source: Bureau of Economic Analysis.

2004	2005	2006	2007	2008	2009
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
75,525	938,571	792,784	685,851	575,072	460,309
-	-	-	-	-	-
-	84,350	64,707	147,562	75,738	-
75,525	1,022,921	857,491	833,413	650,810	460,309
11,162,245	11,558,781	9,882,525	9,170,166	8,470,799	7,701,561
-	-	-	-	-	-
10,400,000	9,888,759	9,433,759	8,963,759	8,483,759	7,993,759
21,562,245	21,447,540	19,316,284	18,133,925	16,954,558	15,695,320
6,960,000	5,790,000	5,490,000	5,185,000	4,870,000	4,535,000
28,597,770	28,260,461	25,663,775	24,152,338	22,475,368	20,690,629
<u>\$ 370,133,310</u>	<u>\$ 393,100,010</u>	<u>\$ 420,817,204</u>	<u>\$ 442,552,747</u>	<u>\$ 468,527,910</u>	<u>\$ 463,525,458</u>
7.73%	7.19%	6.10%	5.46%	4.80%	4.46%
10,582	10,582	10,582	10,582	10,582	10,582
\$ 2,702	\$ 2,671	\$ 2,425	\$ 2,282	\$ 2,124	\$ 1,955
\$ 28,277	\$ 28,130	\$ 28,803	\$ 29,347	N/A	N/A
0.10%	0.10%	0.11%	0.12%	N/A	N/A

City of Fenton

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)

2000-2009

<u>Fiscal Year</u>	<u>Tax-Limited General Obligation Bonds (LTGO)</u>	<u>Tax Supported Bonds (UTGO)</u>	<u>Less Pledged Debt Service Funds</u>	<u>Other General Obligation Debt</u>
2000	\$ 30,000	\$ -	\$ (7,172)	\$ -
2001	-	-	-	-
2002	-	-	-	-
2003	-	-	-	110,930
2004	-	-	-	75,525
2005	-	-	-	1,022,921
2006	-	-	-	857,491
2007	-	-	-	685,851
2008	-	-	-	575,072
2009	-	-	-	460,309

Note:

(1) Source: Actual 2000 Census Report.

<u>Net General Bonded Debt</u>	<u>Taxable Value</u>	<u>Debt as a Percentage of Taxable Value</u>	<u>Population ⁽¹⁾</u>	<u>Debt Per Capita</u>
\$ 22,828	\$ 261,903,760	0.0001	10,582	2
-	288,816,730	-	10,582	-
-	316,255,900	-	10,582	-
110,930	354,017,480	0.0003	10,582	10
75,525	370,133,310	0.0002	10,582	7
1,022,921	393,100,010	0.0026	10,582	97
857,491	420,817,204	0.0020	10,582	81
685,851	442,552,747	0.0015	10,582	65
575,072	468,527,910	0.0012	10,582	54
460,309	463,525,458	0.0010	10,582	43

City of Fenton

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

June 30, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Genesee County	\$ 97,086,736	3.93%	\$ 3,815,509
Mott Community College	75,725,000	3.93%	2,975,993
Fenton School District	51,022,227	48.55%	24,771,291
Lake Fenton School District	27,259,000	4.73%	1,289,351
Bishop Airport Authority	<u>10,555,000</u>	3.93%	<u>414,812</u>
Total Overlapping Debt	261,647,963		33,266,955
Direct City Debt	<u>9,221,227</u>	100.00%	<u>9,221,227</u>
Total Direct and Overlapping Debt	<u>\$ 270,869,190</u>		<u>\$ 42,488,182</u>

City of Fenton

LEGAL DEBT MARGIN (UNAUDITED)

2000-2009

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Calculation of debt limit:				
State equalized valuation	\$ 288,505,100	\$ 317,006,800	\$ 409,467,200	\$ 441,511,500
10% of taxable value	28,850,510	31,700,680	40,946,720	44,151,150
Calculation of debt subject to limit:				
Total debt	16,109,892	15,572,077	21,229,163	29,984,910
Less: debt not subject to limit:				
Special assessment bonds	10,000			
Revenue bonds	1,420,000	1,360,000	1,300,000	10,840,000
Net debt subject to limit	<u>14,689,892</u>	<u>14,212,077</u>	<u>19,929,163</u>	<u>19,144,910</u>
Legal debt margin	<u>\$ 28,850,510</u>	<u>\$ 31,700,680</u>	<u>\$ 40,946,720</u>	<u>\$ 44,151,150</u>
Net debt subject to limit as % of debt limit	50.92%	44.83%	48.67%	43.36%

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 482,335,300	\$ 495,506,600	\$ 555,574,618	\$ 579,005,664	\$ 595,012,767	\$ 567,344,609
48,233,530	49,550,660	55,557,461	57,900,566	59,501,276	56,734,460
28,597,770	28,260,461	25,834,772	24,413,373	22,636,714	17,214,986
10,400,000	9,888,759	9,433,759	8,963,759	8,470,799	7,993,759
<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>	<u>9,221,227</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>	<u>\$ 56,734,460</u>
37.73%	37.08%	29.52%	26.68%	23.81%	16.25%

City of Fenton

PLEDGED-REVENUE COVERAGE (UNAUDITED)

2000-2009

Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Water Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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
2009	2,115,761	1,750,910	364,851	490,000	212,095	0.52

Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Sewer Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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
2009	2,338,464	1,213,357	1,125,107	769,238	360,250	1.00

City of Fenton

DEMOGRAPHIC AND ECONOMIC STATISTICS

2000-2009

<u>Fiscal Year</u>	<u>Population ⁽¹⁾</u>	<u>Personal* Income (in thousands)</u>	<u>Per Capita ⁽²⁾ Personal Income</u>	<u>Unemployment Rate ⁽³⁾</u>
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	12,970,376	29,347	8
2008	10,582	N/A	N/A	9.7
2009	10,582	N/A	N/A	15.8

Note:

(1) Source: Actual 2000 Census Report.

(2) Source: Personal Income figures are for the County of Genesee.

(3) Source: Michigan Department of Labor & Economic Growth.

City of Fenton

PRINCIPAL EMPLOYMENT INDUSTRIES (UNAUDITED)

June 30, 2009

Industry	2009 Number of Jobs (1)	Percentage of Total	1999 Number of Jobs (1)	Percentage of Total
Trade, Transportation, and Utilities	28,100	21.39%	33,500	19.83%
Education and Health Services	26,000	19.79%	21,800	12.91%
Government	24,600	18.72%	25,300	14.98%
Manufacturing	7,000	5.33%	35,400	20.96%
Leisure and Hospitality	15,100	11.49%	15,000	8.88%
Professional and Business Services	12,000	9.13%	14,100	8.35%
Natural Resources, Mining, and Construction	4,000	3.04%	7,800	4.62%
Other Services	5,500	4.19%	6,200	3.67%
Financial Activities Information	6,400 2,700	4.87% 2.05%	7,200 2,600	4.26% 1.54%
Total	131,400	1.00	168,900	1.00

Note:

Source: Bureau of Economic Analysis.

City of Fenton

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES (UNAUDITED)

2000-2009

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General government	11	12	13	13	13
Public safety:					
Police	20	20	20	20	19
Building inspection	2	2	3	2	2
Fire	1	1	1	1	1
Public works:					
DPW	8	8	8	8	8
Water and sewer	5	5	5	5	9
Total	47	48	50	49	52

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
14	14	14	13	11
21	21	21	21	19
2	2	2	2	1
1	1	1	1	1
8	8	8	8	7
<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>9</u>
56	56	56	55	48

City of Fenton

OPERATING INDICATORS (UNAUDITED)

2000-2009

Function/ program	2000	2001	2002	2003
Election data				
Registered voters	7,985	8,163	8,111	8,397
Voters (at the polls or absentee)	4,752	794	3,360	531
Percent voting	59.51%	9.73%	41.43%	6.32%
Police				
Physical arrests	505	548	477	570
Traffic violations	N/A	N/A	N/A	N/A
Investigations	7,628	8,042	8,072	8,608
Fire				
Fire runs	N/A	627	362	346
Emergency medical runs	N/A	710	233	226
Inspections	N/A	25	25	25
Public works				
Miles of street resurfaced	2.50	6.25	3.20	2.35
Water				
Number of customers billed	3,273	3,406	3,498	3,500
Total consumption*	392,575	387,257	422,802	431,825
Average consumption per user	119	114	121	123
Sewer				
Average daily sewage treatment**	N/A	N/A	N/A	N/A

*Water consumption in thousand gallons

**Sewer Plant is shared other communities

N/A - data not available

2004	2005	2006	2007	2008	2009
8,793	8,887	8,768	9,094	8,783	8,882
5,604	939	4,207	721	1,005	1,437
63.73%	10.57%	47.98%	7.93%	11.00%	16.18%
616	866	985	1,162	1,175	813
N/A	2,207	2,046	2,019	2,020	1,596
8,459	8,690	8,623	9,144	9,100	9,635
357	333	360	381	389	412
213	128	133	141	162	170
25	30	25	30	500	250
2.50	1.75	0.43	1.10	1.40	1.16
3,531	3,655	3,700	3,746	3,759	3,480
419,271	402,686	356,301	361,320	360,325	313,909
119	110	96	96	96	90
N/A	N/A	N/A	N/A	N/A	N/A

City of Fenton

CAPITAL ASSET STATISTICS (UNAUDITED)

2000-2009

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

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1	1	1	1	1	1
9	9	9	9	9	9
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
15.22	15.22	15.22	15.22	15.22	18.69
31.60	31.60	31.60	31.60	31.60	35.05
172	172	172	172	172	172
17	17	17	17	17	17
1	1	1	1	1	1
64	64	64	64	64	64
1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.
56	56	56	56	56	56
39	39	39	39	39	39