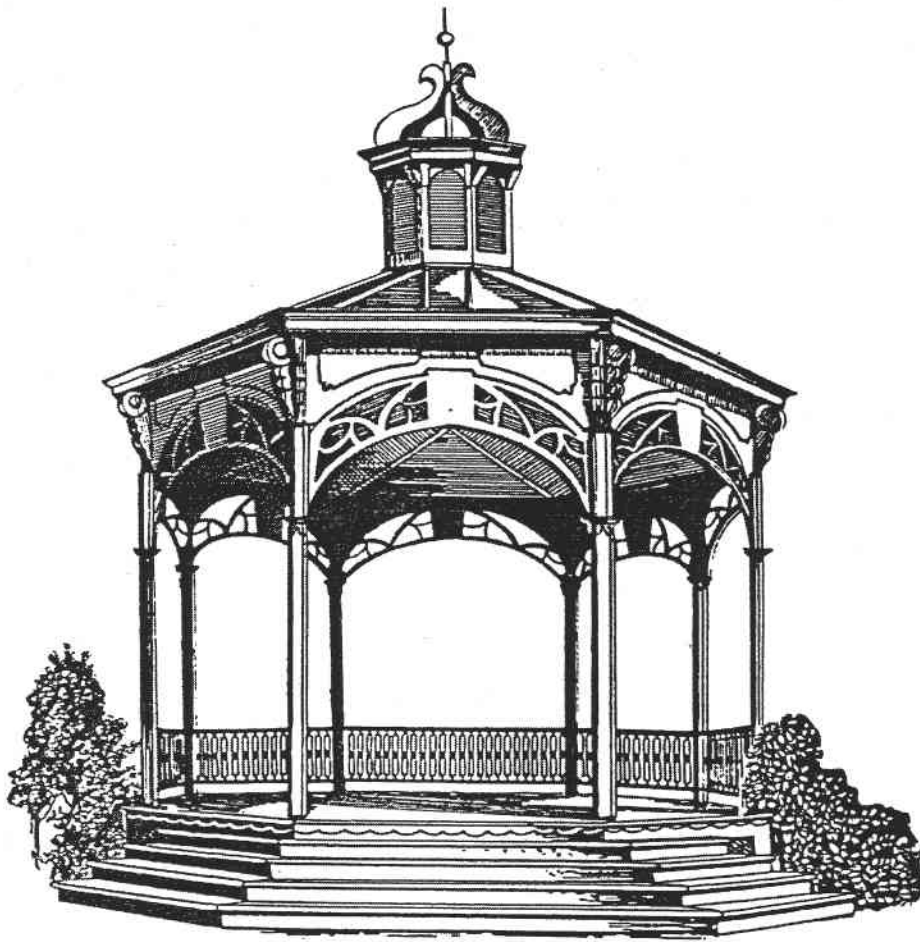


# **Comprehensive Annual Financial Report**

**For the Fiscal Year Ended  
June 30, 2005**



**City of Fenton, Michigan**

**Comprehensive Annual Financial Report**

**City of Fenton, Michigan**

**June 30, 2005**

**Prepared By:  
Treasurer's Department**

**Independent Auditors:  
Plante & Moran, PLLC**

Comprehensive Annual Financial Report  
City of Fenton, Michigan  
Year Ended June 30, 2005

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 June 30, 2005  
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**City of Fenton, Michigan  
List of Elected and Appointed Officials**

**Mayor**

Barbara Sue Osborn

**City Council**

Edward M. Angeluski

Cheryl A. King

Dianne North

Peter Medor III

Carl S. Hammond

John Rauch

**Appointed Officials**

Leslie Bland ..... Public Works Director

Richard Aro.....Police Chief

Dennis Smith..... Fire Chief

Cynthia A. Shane ..... City Treasurer

Noel Brad Hissong.....Building Inspector

Melinda Carrier.....City Clerk

Amanda Carrigan .....City Assessor

Michael Senyko.....City Manager

Christopher Wren.....Assistant City Manager



# City of Fenton

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

December 2, 2005

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, 2005 (FY 05). 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, 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 proposed 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 seventeen consecutive years, beginning with Fiscal Year 1988, we have been the recipients of the GFOA's Certificate of Achievement.

This accompanying report consists of three major sections:

1. Introductory Section, including the City Treasurer's transmittal letter.
2. Financial Section, including the financial statements and supplemental data and our independent auditor's opinion.
3. Statistical Section, including a number of tables of unaudited data detailing the financial history of the *City of Fenton* for the past ten (10) years, information on overlapping governments and demographic and other miscellaneous data.

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 accountant selected by the City Council. This requirement has been met through bidding out and retaining the services of BKR Dupuis & Ryden as our independent auditors. We are in the second year of a five year contract with them. As you may recall, BKR Dupuis & Ryden has merged with Plante & Moran, PLLC and as a result all future references, and contract information, will be with Plante & Moran, PLLC. The opinion letter of our auditors is included in the financial section of this report.

The City of Fenton has ended the fiscal year in stable financial condition and we continue to experience strong commercial, residential and industrial growth. There is a continued high level of interest in developing in Fenton as reflected by inquiries and actual plans submitted by developers. This continued balanced growth bodes well for Fenton's long term vitality. Our location near several major metropolitan markets, as well as our relatively new position as the commercial hub for southern Genesee, northern Livingston, and eastern Oakland counties, quality educational system, abundant natural resources, and overall quality of life continue to make Fenton a community in demand.

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

- Completed construction of the connection of Main Street and Silver Lake Road
- Continued focus on the improvement of local streets within the area
- Continuing to budget and add staff to accommodate and meet the needs of our expanding community
- Completed purchase of a new radio communications system for the Police and Fire Departments
- Purchased a new ladder truck for the Fire Department
- Commencement of discussions on improvements to City Hall
- Continued implementation of a Geographic Information System (GIS)

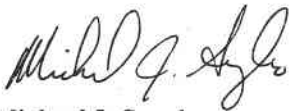
Wherever possible the City has made use of grant, matching, or low interest funds to help meet the needs of the community. Examples of such grants benefiting the City include road and water system improvements, sidewalk extensions, recreational paths, tree planting and planning studies. The City has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

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

Respectfully submitted,



Michael J. Senyko  
City Manager



# City of Fenton

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

November 8, 2005

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, 2005 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.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes a list of principal officials, the government's organizational chart, and this transmittal letter. The Basic Financial Statements section includes the entity-wide financial statements, fund financial statements and schedules. The required supplemental section includes management's discussion and analysis. Other supplementary information includes combining and individual fund financial statements. The statistical section includes various tables that reflect social and economic data, financial trends, and the fiscal capacity of the City. This data is unaudited.

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

C-3

## REPORTING ENTITY

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

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

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

City of Fenton Building Authority:

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

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

Local Development Finance Authority:

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

Downtown Development Authority:

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

## ECONOMIC CONDITION AND OUTLOOK

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

The City is a stable community with many assets – quality residential neighborhoods, good schools, beautiful view of the Shiawassee River, and historic downtown and residential neighborhoods, a solid industrial base and convenient freeway access. Periodic events and festivals, such as the 4<sup>th</sup> of July Freedom Festival and Applefest 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. Several residential

developments are in the building or planning stages. Eagles at the Waters Edge development includes 92 attached condos, 138 townhouse units attached, and 65 single family detached condos. Heritage Pond includes 57 sites condos and Pine Creek North is developing 268 site condos. Orchard Hills is developing phase II with 80 single family condos and Lexington Oak is developing 53 single family condos. Lockwood Management is planning a 106 unit senior housing development.

The City is the heart of a beautiful recreation area. There are 58 lakes within a 10-mile radius of the City, which are used for fishing, boating, swimming and other water sports. Silver Lake Park in Fenton features a municipal beach and picnic areas. Lake Fenton, with more than 11 miles of shoreline, is the largest lake in the area, encompassing 845 acres and with a maximum depth of 92 feet. The area around the City provides facilities for downhill and cross-country skiing, snowmobiling and ice fishing.

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

The 2000 U.S. Census was 10,582, a population increase of 25% or 2138 persons from 1990. The estimated population for 2005 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 this development has attracted the new businesses of Quizno's, Fantastic Sams, Comerica Bank and Peoples State Bank. Foley Development Company is continuing construction on another Planned Unit Business development, 37.15 acres, which is located north of Silver Lake Village. The development has attracted Main Dish Kitchen this year. A new Planned Unit Business development of 18.71 acres is being planned with the anchor store being Target. Also the Wal-Mart is planning to increase their size to a Super Wal-Mart. A multi-million dollar industrial park is located in the City. This park is filled with strong viable corporations, enhancing the employment market and tax base in the city.

## **MAJOR INITIATIVES**

**For the Year.** A major concern, year after year, of the City is the maintenance and expansion of the general infrastructure (roads, bridges and sidewalks). The City has received a Surface Transportation Program Fund Grant (\$900,000) to complete the Main and Silver Lake Road connector. This project will improve the route between US-23 and I-75 interchange. This project is under construction. The Surface Transportation Program Fund Grants require a 20% match plus engineering expenses.

A main goal of the city council is to continue establishment of a local street capital improvement program. This fiscal year the resurfacing of Jennings and Bealfred Roads was completed.

The DDA has developed a plan for a streetscape in the area of the Main and Silver Lake Road connector. This connector is the main entrance to the city from the I-75 interchange and attractive landscaping will benefit this area.

The City created and filled the new position of Economic Development Director. This person will administrate and coordinate all DDA, LDFA and BRA projects.

The City has financed and is in the process of installing a new 800 MHz communication system for the fire and police departments. Considering the concerns related to homeland security, this system should be a plus to the community.

The City has contracted the custom building of a Sutphen MAGNUM 110' Mid-Mount Aerial Platform fire truck. This new fire truck has a 300 gallon on-board booster tank, 115' of ground ladders, 2000 gallon per minute dual nozzle flow rate and a five section boom that works in tight spaces. The addition of this truck to our fleet will greatly improve our fire protection to our citizens. The financing of this truck has been arranged and the truck will be delivered in August, 2005.

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

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

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

The City has been chosen to receive a Surface Transportation Program Fund Grant in next fiscal year for the Torrey Road Bridge Project. Community Development Block Grant funds will be used to resurface Thurber Street. The Local Street capital improvement program consists of Mary Court, Lincoln, Jefferson, Sinclair and Parallel Streets.

The DDA is planning Mill Pond Dam improvements for the coming year. Structural and surface improvements are planned. Adjacent to Mill Pond Park is the vacant historical fire hall built in 1932. The DDA plans to remodel this building for the anticipated use as a restaurant.

City Hall improvements are planned for the coming year. With our growth, City Hall is in need of improvements to keep up with our added customer load, service and expansion. The potential improvements include carpeting, painting and front office renovation.

#### Economic Development Director Focus

During the fiscal year an Economic Development Director was hired. This is a new position for the City of Fenton. This person was hired for the leadership, administration and coordination of all DDA (Downtown Development Authority, LDFA (Local Development Finance Authority) and BRA (Brownfield Redevelopment Authority) activities and projects.

The DDA is currently focusing on redeveloping the downtown area. The board has recognized that a critical aspect of developing the downtown involves creating a long-term vision of what downtown Fenton will become and is in the process of developing a comprehensive Downtown Plan and Design Guidelines.

The responsibility of the comprehensive Downtown Plan is to envision what downtown Fenton should become and enable it to reach its greatest potential over the next ten years and beyond.

The DDA board has retained John Dzurman Architects to create the Downtown Plan. The plan will consist of developing a comprehensive overview of the downtown area and a block-by-block plan for future development. Upon completion, the plan will include recommended building locations, parking, streetscape improvements,

signage, open spaces, and pedestrian and parking facilities based on future needs. The plan will provide the DDA 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 LDFA issued bonds in 1991 for street improvements. The Authority had sufficient funds to redeem all of the Bonds maturing in the years 2006 thru 2011 before July 1, 2005, which resulted in interest savings to the Authority. Also the Authority had available funds to continue projects. The Rounds Drive/ Shiawassee Avenue improvements began and will be completed in fiscal ending 2006.

Michigan's Brownfield law is designed to encourage and assist developers who want to return property to productive use more quickly and at a lower cost than before, while still protecting human health and natural resources. The City of Fenton has several properties that qualify and are being pursued under the Brownfield Act. The City's goal is to remediate property and to develop the property considered a Brownfield site. Currently, the Redevelopment Authority is considering the Tipsico Lake and Oak Street property, both of which are owned by the City of Fenton.

## **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 a 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, 2004, in funding 79 percent of the present value of projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 30 years as a part of the annual required contribution calculated by the actuary.

**Cash Management.** The city complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds is invested in demand deposits (savings and checking), investment pool, certificates of deposit, and money markets. The average yield on maturing investments during the year was 2.25%, and the amount of interest received was

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

## OTHER INFORMATION

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

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the *City of Fenton* for its comprehensive annual financial report for the fiscal year ended June 30, 2004. 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 Certificated of Achievement for the last seventeen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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

Respectfully,



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, 2004

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.



*Nancy L. Zjella*

President

*Jeffrey R. Emer*

Executive Director

**City of Fenton, Michigan  
Organizational Chart**

**Citizens of the City of Fenton**

**Mayor and  
City Council**

**City Attorney**

---

<b>Planning Commission</b>	<b>Library Board</b>
<b>Local Development Finance Authority</b>	<b>Compensation Commission</b>
<b>Building Authority</b>	<b>Cemetery Board</b>
<b>Museum Board</b>	<b>Board of Review</b>
<b>Zoning Board of Appeals</b>	<b>Beautification Commission</b>
<b>Downtown Development Authority</b>	<b>Park And Recreation Board</b>

**City Manager**

---

<b>Police Chief</b>	<b>Fire Chief</b>	<b>City Clerk</b>	<b>Zoning Administrator</b>	<b>Treasurer</b>	<b>Assessor</b>	<b>Public Works Director</b>
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**Support Staff**

## **Financial Section**

*Independent Auditors' Report*

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fenton, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fenton, Michigan's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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, Michigan's basic financial statements. The accompanying introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and other financial information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules, and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*PLANTE & MORAN, PLLC*

September 9, 2005

## **Management's Discussion and Analysis**

## Management's Discussion and Analysis

### Using this Annual Report

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

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

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

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

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

The City of Fenton maintains 20 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, Major and Local Streets Funds, all of which are considered to be major funds. Data for the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

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

<u>Type of Statements</u>	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and major/local streets	Activities the City operates similar to private business: the water and sewer system	Instances in which the City is the trustee or agent for someone else's resources.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other:						
Assets	\$ 5.1	\$ 3.9	\$ 4.9	\$ 6.8	\$10.0	\$10.7
Capital assets	9.6	9.1	39.1	38.9	48.7	48.0
Total assets	14.7	13.0	44.0	45.7	58.7	58.7
Long-term liabilities	1.2	.3	20.4	21.4	21.6	21.7
Other liabilities	.9	.7	.5	.9	1.4	1.6
Total liabilities	2.1	1.0	20.9	22.3	23.0	23.3
Net assets:						
Invested in capital assets – net of related debt	9.5	9.0	18.7	17.4	28.2	26.4
Restricted	1.9	1.2	0.0	0.0	1.9	1.2
Unrestricted (deficit)	1.2	1.8	4.4	6.0	5.6	7.8
Total net assets	\$12.6	\$12.0	\$23.1	\$23.4	\$35.7	\$35.4

The City's combined net assets increased one percent from a year ago, increasing from 35.4 million to 35.7 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$.6 million in net assets, or 5 percent, during the fiscal year 2005. This increase is attributable to proceeds from installment purchase received and spent by year end. The business-type activities experienced a \$.3 million decrease in net assets. This was primarily due to the reduction of long-term debt. 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 \$1.2 million at June 30, 2005.

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):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1.1	\$ 1.1	\$ 3.4	\$ 3.2	\$ 4.5	\$ 4.3
Operating grants and contributions	0.9	2.3	0.0	0.0	2.4	2.3
Capital grants and contributions	0.3	0.0	0.4	0.6	0.7	0.6
General revenue:						
Property taxes	3.9	3.5	0.0	0.0	3.9	3.5
State-shared revenue	0.9	0.9	0.0	0.0	0.9	0.9
Unrestricted:						
Investment earnings	0.1	0.1	0.1	0.1	0.2	0.2
<b>Total revenue</b>	<b>7.2</b>	<b>7.9</b>	<b>3.9</b>	<b>3.9</b>	<b>12.6</b>	<b>11.8</b>
<b>Program Expenses</b>						
Legislative	0.2	0.2	0.0	0.0	0.2	0.2
General government	1.3	1.2	0.0	0.0	1.3	1.2
Public safety	3.0	2.8	0.0	0.0	3.0	2.8
Public works	1.8	1.5	0.0	0.0	1.8	1.5
Parks and recreation	0.2	0.1	0.0	0.0	0.2	0.1
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	0.0	0.3	0.0	0.0	0.0	0.3
Water	0.0	0.0	1.8	1.3	1.8	1.3
Sewer	0.0	0.0	2.4	2.4	2.4	2.4
<b>Total program expenses</b>	<b>6.6</b>	<b>6.3</b>	<b>4.2</b>	<b>3.7</b>	<b>10.8</b>	<b>10.0</b>
<b>Change in net assets</b>	<b>\$ 0.6</b>	<b>\$ 1.6</b>	<b>\$(0.3)</b>	<b>\$ 0.2</b>	<b>\$ 1.8</b>	<b>\$ 1.8</b>

### Governmental Activities

The City's total governmental revenues increased by approximately \$654,586 due to an increase in tax revenues. Part of this increase was due to the annual increase in taxable values due to inflation. The other portion of the increase was the revenue sharing agreement between the City and the Downtown Development Authority. The DDA shared \$300,000 of tax revenue with the City's general fund.

Expenses increased by approximately \$216,067, or 3.4 percent, from last fiscal year. The increase resulted from an increase in public safety and public works due to the City's labor agreements and increases in the employee health insurance costs, as well as the continued growth of the City of Fenton and related demand for various services by the community.

### 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 processes the water for all residents. The water rates were increased in the last quarter of fiscal 2005 to support the additional expenses to operate the new water plant.

The City is a participant in a county-wide sanitary sewer construction program under Act 342 Michigan Compiled Laws. The City contracts with Genesee County Water and Waste Services for the operation of the plant. The City has pledged the full faith and credit of the City for the payment of the City's share of principal and interest payments. The assets and liabilities relating to those contracts have been recorded in the Sewer Fund. The City of Fenton, Fenton Township and City of Linden share a plant located in Fenton Township. The City's proportionate share of the operating costs of the plant is covered by our sewer rates. Sewer rates remained the same in fiscal year 2003 through 2005. The sewer rates will be reviewed in fiscal year 2006 for possible increases. During fiscal 2005, \$384,147 in operating loss was incurred in the Sewer Fund and a \$123,227 operating income was realized in the Water Fund.

**The City's Funds**

Our analysis of the City's major funds begins on page 10, 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 2004 include the General Fund, the Major and Local Street Funds.

The General Fund pays for most of the City's governmental services. The most significant of these are police and fire services, which incurred expenditures of approximately 2.6 million in 2005. The general operating millage levied by the City supports these two services. Net assets in the General Fund increased by \$351,895 primarily due to the \$270,000 loan proceeds for the radio system and also budgeted expenditure reductions across all programs.

Net assets of the Major and Local Streets Funds increased (decreased) by \$(62,629) and \$10,189.

**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. Expenditures were \$476,483 under budget, mainly due to the efforts of administrators to keep expenditures under control. Also the purchase of the radio system was deferred to 2006.

**Capital Assets and Debt Administration**

At the end of fiscal 2005, the City had 48.8 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 \$2.0 million and \$1.2 million for fiscal 2005 and 2004, respectively.

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

	<u>2005</u>	<u>2004</u>
Net direct bonded debt	6,669	4,106
Ratio of debt to assessed valuation	1.70	1.11
Debt per capita	388	630

Additional information on the City of Fenton's capital assets and long term debt can be found in note 3C on pages 32-33 and note 3F on pages 35-38, 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 two years Headlee Amendment has rolled the City's operating millage below 11 mills. For 2004 and 2005 the City has levied 10.87 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 2005 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 has been experiencing new growth and 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. State-shared revenue payments decreased by \$12,816 this past year and are likely to decrease again due to the State's structural deficit problems.

The General Fund budget for 2006 is structured so that expenditures exceed revenues by \$104,781, the city council felt certain projects warranted spending a portion of the Fund Balance. 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 completes a major road infrastructure project, for 2006 this is the Main/Silver Lake Road Connector and the Torrey Road Bridge. The City prepares a Five Year Financial Plan for the General Fund, foreseeing the possible financial condition for more than just one year.

The City began operation of the new water plant in July 2004. The lime-soda ash water softening plant will improve the quality of water for Fenton residents. Hopefully residents will not have to operate individual water softeners in their homes. Rates were increased to support the operation of the new plant during the 2005 fiscal year. Sewer rates are reviewed every year to insure that rates are covering the costs of the operation of the plant.

### **Contacting the City's Management**

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

## **Basic Financial Statements**

**Government-Wide Financial Statements**

**City of Fenton  
Statement of Net Assets  
June 30, 2005**

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,007,790	\$ 641,572	\$ 1,649,362
Investments	2,097,486	1,904,137	4,001,623
Receivables (net of allowances for uncollectibles)	792,023	1,376,821	2,168,844
Due from component units	2,145	-	2,145
Internal balances	(42,463)	42,463	-
Inventory	34,885	35,086	69,971
Deposit	209,034	-	209,034
Prepaid items	51,313	-	51,313
Restricted assets:			
Cash and cash equivalents:			
Capital asset purchase	900,000	-	900,000
Held by County	1,231	410	1,641
Bond redemption	-	890,829	890,829
Capital assets not being depreciated	2,379,589	238,962	2,618,551
Capital assets (net of accumulated depreciation)	7,287,988	38,885,461	46,173,449
<b>Total assets</b>	<b>14,721,021</b>	<b>44,015,741</b>	<b>58,736,762</b>
<b>Liabilities</b>			
Accounts payable	392,151	348,338	740,489
Accrued liabilities	92,097	143,084	235,181
Accrued interest payable	-	2,736	2,736
Deposits payable	78,940	780	79,720
Due to primary government	-	-	-
Due to other governmental units	275,263	-	275,263
Unearned revenue	19,230	-	19,230
Noncurrent liabilities:			
Current portion of debt	288,430	1,131,257	1,419,687
Long term portion of debt	953,793	19,316,283	20,270,076
<b>Total liabilities</b>	<b>2,099,904</b>	<b>20,942,478</b>	<b>23,042,382</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	9,544,656	18,676,883	28,221,539
Restricted for:			
Highways and streets	56,174	-	56,174
Debt service	1,231	-	1,231
Capital projects	1,274,366	-	1,274,366
Other purposes	553,739	891,239	1,444,978
Unrestricted	1,190,951	3,505,141	4,696,092
<b>Total net assets</b>	<b>\$ 12,621,117</b>	<b>\$ 23,073,263</b>	<b>\$ 35,694,380</b>

*See notes to financial statements.*

**Component Units**

<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>
\$ 2,126,672	\$ 633,713
-	-
11,700	1,080
-	-
-	-
-	-
-	-
-	-
-	-
295,000	-
<hr/> 2,433,372	<hr/> 634,793
92,633	75,664
665	-
-	-
-	-
-	2,145
-	-
-	-
300,000	-
5,490,000	-
<hr/> 5,883,298	<hr/> 77,809
295,000	-
-	-
-	-
-	-
-	-
<hr/> (3,744,926)	<hr/> 556,984
<hr/> <b>\$ (3,449,926)</b>	<hr/> <b>\$ 556,984</b>

**City of Fenton  
Statement of Activities  
Year Ended June 30, 2005**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
Legislative and executive	\$ 180,253	\$ -	\$ -	\$ -
General government	1,309,602	99,340	42,652	-
Public safety	2,966,655	505,469	95,768	-
Public works	1,753,694	419,347	752,999	307,150
Parks and recreation	154,860	26,737	500	-
Community service	142,844	-	-	-
Cemetery	47,949	15,545	378	-
Interest on long term debt	3,305	-	-	-
<b>Total governmental activities</b>	<b>6,559,162</b>	<b>1,066,438</b>	<b>892,297</b>	<b>307,150</b>
Business-type activities:				
Water	1,806,817	1,748,795	-	133,070
Sewer	2,423,654	1,669,022	-	305,060
<b>Total business-type activities</b>	<b>4,230,471</b>	<b>3,417,817</b>	<b>-</b>	<b>438,130</b>
<b>Total primary government</b>	<b>\$10,789,633</b>	<b>\$ 4,484,255</b>	<b>\$ 892,297</b>	<b>\$ 745,280</b>
<b>Component units:</b>				
Downtown development authority	\$ 794,251	\$ -	\$ -	\$ -
Local development finance authority	182,882	-	-	-
<b>Total component units</b>	<b>\$ 977,133</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

General revenues:

  Property taxes

  State shared revenues

  Unrestricted investment earnings

Special item - Gain on sale of capital assets

  Total general revenues and special items

Change in net assets

Net assets - beginning of year, as restated

Net assets - end of year

See notes to financial statements.

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>
\$ (180,253)	\$ -	\$ (180,253)	\$ -	\$ -
(1,167,610)	-	(1,167,610)	-	-
(2,365,418)	-	(2,365,418)	-	-
(274,198)	-	(274,198)	-	-
(127,623)	-	(127,623)	-	-
(142,844)	-	(142,844)	-	-
(32,026)	-	(32,026)	-	-
(3,305)	-	(3,305)	-	-
<b>(4,293,277)</b>	<b>-</b>	<b>(4,293,277)</b>	<b>-</b>	<b>-</b>
-	75,048	75,048	-	-
-	(449,572)	(449,572)	-	-
-	(374,524)	(374,524)	-	-
<b>(4,293,277)</b>	<b>(374,524)</b>	<b>(4,667,801)</b>	<b>-</b>	<b>-</b>
-	-	-	(794,251)	-
-	-	-	-	(182,882)
-	-	-	(794,251)	(182,882)
3,945,739	-	3,945,739	987,438	561,582
898,721	-	898,721	-	-
92,820	113,604	206,424	52,467	29,242
10,583	-	10,583	-	-
<b>4,947,863</b>	<b>113,604</b>	<b>5,061,467</b>	<b>1,039,905</b>	<b>590,824</b>
654,586	(260,920)	393,666	245,654	407,942
11,966,531	23,334,183	35,300,714	(3,695,580)	149,042
<b>\$ 12,621,117</b>	<b>\$ 23,073,263</b>	<b>\$ 35,694,380</b>	<b>\$ (3,449,926)</b>	<b>\$ 556,984</b>

## **Fund Financial Statements**

**City of Fenton  
Balance Sheet  
Governmental Funds  
June 30, 2005**

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 27,732	\$ 31,225	\$ 253,397	\$ 312,354
Investments	2,097,310	-	-	-	2,097,310
Receivables:					
Taxes	163,466	-	-	-	163,466
Accounts	109,338	-	-	71,758	181,096
Special assessments	14,379	-	-	81,669	96,048
Accrued interest	8,837	463	12	3,346	12,658
Due from other funds	486	40,350	50,000	705,066	795,902
Due from other governments	287,274	16,000	32,884	-	336,158
Due from component unit	2,145	-	-	-	2,145
Inventory	32,269	-	-	2,616	34,885
Deposit	-	-	-	209,033	209,033
Prepaid items	51,313	-	-	-	51,313
Restricted assets:					
Cash and cash equivalents:					
Installment purchase	270,000	-	-	630,000	900,000
Held by County	-	-	-	1,231	1,231
<b>Total assets</b>	<b>\$ 3,036,817</b>	<b>\$ 84,545</b>	<b>\$ 114,121</b>	<b>\$ 1,958,116</b>	<b>\$ 5,193,599</b>
<b>Liabilities</b>					
Accounts payable	\$ 233,805	\$ 37,926	\$ 99,308	\$ 2,865	\$ 373,904
Accrued liabilities	83,321	2,026	3,232	3,266	91,845
Deposits payable	74,646	-	-	4,294	78,940
Due to other funds	795,619	-	-	66,745	862,364
Due to other governments	275,263	-	-	-	275,263
Deferred revenue	29,409	-	-	85,869	115,278
<b>Total liabilities</b>	<b>1,492,063</b>	<b>39,952</b>	<b>102,540</b>	<b>163,039</b>	<b>1,797,594</b>
<b>Fund Balances</b>					
Reserved	360,433	-	-	1,795,077	2,155,510
Unreserved:					
Undesignated	1,184,321	44,593	11,581	-	1,240,495
<b>Total fund balances</b>	<b>1,544,754</b>	<b>44,593</b>	<b>11,581</b>	<b>1,795,077</b>	<b>3,396,005</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,036,817</b>	<b>\$ 84,545</b>	<b>\$ 114,121</b>	<b>\$ 1,958,116</b>	<b>\$ 5,193,599</b>

*See notes to financial statements.*

**City of Fenton**  
**Reconciliation of Fund Balances as Reported in the Governmental**  
**Balance Sheet to the Statement of Net Assets**  
**June 30, 2005**

Fund balances of governmental funds	\$ 3,396,005
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities (exclusive of internal service funds) are not financial resources and, therefore, are not reported in the funds.	9,331,953
Internal service funds are used by management to charge the costs of fleet management and compensated absences to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	735,682
Long-term liabilities, including bond and contract payables, are not due and payable in the current period and therefore are not reported in the funds.	(938,571)
Special assessment revenues to be received in the future are recognized at the governmental wide level due being measurable and earned.	<u>96,048</u>
Net assets of governmental activities	<u><u>\$ 12,621,117</u></u>

*See notes to financial statements.*

**City of Fenton**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**Year Ended June 30, 2005**

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 3,945,739	\$ -	\$ -	\$ -	\$ 3,945,739
Special assessments	-	-	-	16,940	16,940
Licenses and permits	188,548	-	-	-	188,548
Intergovernmental revenue:					
State	898,721	514,329	223,034	-	1,636,084
Charges for services	189,330	-	-	661,383	850,713
Fines and forfeits	75,657	-	-	-	75,657
Interest	50,680	2,065	787	18,645	72,177
Refunds and reimbursements	5,497	-	-	17,490	22,987
Miscellaneous revenues	64,332	-	-	3,498	67,830
<b>Total revenues</b>	<b>5,418,504</b>	<b>516,394</b>	<b>223,821</b>	<b>717,956</b>	<b>6,876,675</b>
<b>Expenditures:</b>					
Current:					
Legislative and executive	180,249	-	-	-	180,249
General government	1,187,861	-	-	-	1,187,861
Public safety	2,669,860	-	-	201,267	2,871,127
Public works	192,574	724,023	729,632	462,817	2,109,046
Recreation and cultural	-	-	-	225,450	225,450
Community service	142,844	-	-	-	142,844
Cemetery	-	-	-	47,949	47,949
Capital outlay	49,995	-	-	12,208	62,203
Debt service:					
Principal retirement	-	-	-	36,954	36,954
Interest and fiscal charges	-	-	-	3,305	3,305
<b>Total expenditures</b>	<b>4,423,383</b>	<b>724,023</b>	<b>729,632</b>	<b>989,950</b>	<b>6,866,988</b>
<b>Revenues over (under) expenditures</b>	<b>995,121</b>	<b>(207,629)</b>	<b>(505,811)</b>	<b>(271,994)</b>	<b>9,687</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	270,000	516,000	646,490	1,432,490
Transfers out	(913,226)	(125,000)	-	(411,490)	(1,449,716)
Issuance of debt	270,000	-	-	630,000	900,000
Sale of capital assets	-	-	-	8,600	8,600
<b>Total other financing sources (uses)</b>	<b>(643,226)</b>	<b>145,000</b>	<b>516,000</b>	<b>873,600</b>	<b>891,374</b>
<b>Net change in fund balances</b>	<b>351,895</b>	<b>(62,629)</b>	<b>10,189</b>	<b>601,606</b>	<b>901,061</b>
<b>Fund balances - beginning of year</b>	<b>1,192,859</b>	<b>107,222</b>	<b>1,392</b>	<b>1,193,471</b>	<b>2,494,944</b>
<b>Fund balances - end of year</b>	<b>\$ 1,544,754</b>	<b>\$ 44,593</b>	<b>\$ 11,581</b>	<b>\$ 1,795,077</b>	<b>\$ 3,396,005</b>

See notes to financial statements.

**City of Fenton**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**Year Ended June 30, 2005**

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

Net change in fund balance - total governmental funds	\$	901,061
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		550,278
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. These are the effects of these differences in the treatment of long-term debt and related items.		(863,046)
The net revenue of internal service funds is reported with governmental activities.		78,352
Recognition of special assessment revenue on an accrual basis		(12,059)
Change in net assets of governmental activities	\$	<u>654,586</u>

*See notes to financial statements.*

**City of Fenton  
Statement of Net Assets  
Proprietary Funds  
June 30, 2005**

	<u>Business-type Activities-Enterprise Funds</u>			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 641,572	\$ -	\$ 641,572	\$ 695,437
Investments	7	1,904,130	1,904,137	176
<b>Receivables:</b>				
Accounts	458,014	575,115	1,033,129	-
Accrued interest	14,039	24,353	38,392	2,597
Unbilled utility service income	121,743	183,557	305,300	-
Due from other funds	1,598,354	2,380	1,600,734	23,999
Inventory	-	35,086	35,086	-
Total current assets	2,833,729	2,724,621	5,558,350	722,209
<b>Noncurrent assets:</b>				
Restricted assets	-	891,239	891,239	-
Capital assets not depreciated	157,803	81,159	238,962	-
Capital assets(net of accumulated depreciatic	23,102,284	15,783,177	38,885,461	335,624
Total noncurrent assets	23,260,087	16,755,575	40,015,662	335,624
Total assets	26,093,816	19,480,196	45,574,012	1,057,833
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	253,225	95,113	348,338	18,247
Accrued liabilities	41,532	101,552	143,084	252
Compensated absences	-	-	-	219,302
Accrued interest payable	-	2,736	2,736	-
Due to other funds	7,053	1,551,218	1,558,271	-
Capital leases payable - current	-	-	-	19,643
Bonds and notes payable - current	676,257	455,000	1,131,257	-
Total current liabilities	978,067	2,205,619	3,183,686	257,444
<b>Noncurrent liabilities:</b>				
Meter deposits	-	780	780	-
Capital leases payable	-	-	-	64,707
Bonds and notes payable	9,882,524	9,433,759	19,316,283	-
Total noncurrent liabilities	9,882,524	9,434,539	19,317,063	64,707
Total liabilities	10,860,591	11,640,158	22,500,749	322,151
<b>Net Assets</b>				
Invested in capital assets, net of related debt	13,377,563	6,430,577	19,808,140	270,917
Restricted for bond reserve	-	891,239	891,239	-
Unrestricted	1,855,662	518,222	2,373,884	464,765
Total net assets	\$ 15,233,225	\$ 7,840,038	\$ 23,073,263	\$ 735,682

See notes to financial statements.

**City of Fenton**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2005**

	<u>Business-type Activities-Enterprise Funds</u>			<b>Governmental Activities- Internal Service Funds</b>
	Sewer	Water	Totals	
<b>Operating revenues:</b>				
Charges for services	\$ 1,668,823	\$ 1,716,315	\$ 3,385,138	\$ 404,211
Other income	199	32,480	32,679	2,628
Total operating revenues	<u>1,669,022</u>	<u>1,748,795</u>	<u>3,417,817</u>	<u>406,839</u>
<b>Operating expenses:</b>				
Wages and benefits	168,074	572,848	740,922	37,287
Office and administrative	-	3,293	3,293	-
Benefit payments	73,597	225,137	298,734	-
Supplies	5,536	259,319	264,855	12,313
Gas and oil	-	-	-	35,905
Heat, power, and lights	11,985	125,164	137,149	33,352
Repairs and maintenance	41,851	25,969	67,820	93,711
Equipment rent	32,893	15,179	48,072	1,503
Building rent	29,000	29,350	58,350	-
Professional fees	50,727	13,997	64,724	-
Payment to Genesee County for sewage treatment	884,521	-	884,521	-
Depreciation	495,343	184,798	680,141	131,945
GIS/computer	12,519	12,016	24,535	-
Insurance	23,000	38,000	61,000	14,813
Miscellaneous	877	44,468	45,345	705
Total operating expenses	<u>1,829,923</u>	<u>1,549,538</u>	<u>3,379,461</u>	<u>361,534</u>
Operating income (loss)	<u>(160,901)</u>	<u>199,257</u>	<u>38,356</u>	<u>45,305</u>
<b>Nonoperating revenues (expenses):</b>				
Interest on investments	65,425	48,179	113,604	13,838
Interest and fiscal charges	(593,731)	(193,573)	(787,304)	-
Gain/loss on sale of capital assets	-	(63,706)	(63,706)	1,983
Total nonoperating revenues (expenses)	<u>(528,306)</u>	<u>(209,100)</u>	<u>(737,406)</u>	<u>15,821</u>
Income (loss) before contributions and transfer:	(689,207)	(9,843)	(699,050)	61,126
Capital contributions - tap fees	305,060	133,070	438,130	-
Transfers in	-	-	-	17,226
Change in net assets	<u>(384,147)</u>	<u>123,227</u>	<u>(260,920)</u>	<u>78,352</u>
Nets assets - beginning of year	15,617,372	7,716,811	23,334,183	657,330
<b>Net assets - end of year</b>	<u>\$ 15,233,225</u>	<u>\$ 7,840,038</u>	<u>\$ 23,073,263</u>	<u>\$ 735,682</u>

*See notes to financial statements.*

**City of Fenton  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2005**

	<u>Business-type Activities-Enterprise Funds</u>			<b>Governmental Activities- Internal Service Funds</b>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
<b>Cash flows from operating activities:</b>				
Receipts from quasi-external transactions	\$ 1,670,440	\$ 1,395,246	\$ 3,065,686	\$ 413,749
Payments to suppliers	(1,179,769)	(1,129,931)	(2,309,700)	(190,341)
Payments to employees	(163,145)	(558,739)	(721,884)	(28,451)
	<hr/>			
Net cash provided by (used in) operating activities	327,526	(293,424)	34,102	194,957
	<hr/>			
<b>Cash flows from noncapital financing activities:</b>				
Receipts (payments) on loan to or from other fur	(1,536,364)	1,536,364	-	-
Transfers in	-	-	-	17,226
	<hr/>			
Net cash provided by noncapital financing activities	(1,536,364)	1,536,364	-	17,226
	<hr/>			
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(11,554)	(980,174)	(991,728)	(79,730)
Proceeds from the sale of capital assets	-	10,000	10,000	4,506
Principal payments on bonds and notes	(603,464)	(511,241)	(1,114,705)	(23,650)
Tap-in fees	305,060	133,070	438,130	-
Interest paid	(593,731)	(193,573)	(787,304)	-
	<hr/>			
Net cash used in capital and related financing activities	(903,689)	(1,541,918)	(2,445,607)	(98,874)
	<hr/>			
<b>Cash flows from investing activities:</b>				
(Purchase) sale of investments	80,479	(224,524)	(144,045)	191,402
Interest earned on operating funds	51,386	24,833	76,219	11,241
	<hr/>			
Net cash provided by (used in) investing activities	131,865	(199,691)	(67,826)	202,643
	<hr/>			
Net increase (decrease) in cash and cash equivalents	(1,980,662)	(498,669)	(2,479,331)	315,952
	<hr/>			
Cash and cash equivalents - beginning of year	2,622,234	1,389,908	4,012,142	379,485
	<hr/>			
<b>Cash and cash equivalents - end of year</b>	<b>\$ 641,572</b>	<b>\$ 891,239</b>	<b>\$ 1,532,811</b>	<b>\$ 695,437</b>
	<hr/> <hr/>			
(Includes \$891,239 of restricted cash and cash equivalents for Water Fund)				

(continued)

**City of Fenton  
Statement of Cash Flows  
Proprietary Funds (continued)  
Year Ended June 30, 2005**

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ (160,901)	\$ 199,257	\$ 38,356	\$ 45,305
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>				
Depreciation	495,343	184,798	680,141	131,945
(Increase) decrease in assets:				
Receivables	63,408	(351,169)	(287,761)	-
Due from other funds	(61,990)	(2,380)	(64,370)	(5,127)
Due from other governments	-	-	-	-
Due from component units	-	-	-	29
Inventory	-	4,984	4,984	-
Prepaid	129	4,980	5,109	-
Increase (decrease) in liabilities:				
Accounts payable	(6,528)	(343,340)	(349,868)	1,961
Accrued liabilities	4,929	14,109	19,038	20,844
Due to other funds	(6,864)	(4,663)	(11,527)	-
Total adjustments	488,427	(492,681)	(4,254)	149,652
Net cash provided by (used in) operating activities	\$ 327,526	\$ (293,424)	\$ 34,102	\$ 194,957

See notes to financial statements.

**City of Fenton  
Balance Sheet  
Fiduciary Funds  
June 30, 2005**

**Assets**

Cash and cash equivalents	\$ 17,378
Total assets	<u>\$ 17,378</u>

**Liabilities**

Liabilities:

Accounts payable	\$ 3,136
Due to other governments	7,022
Due to employees - union groups	<u>7,220</u>
Total liabilities	<u>\$ 17,378</u>

*See notes to financial statements.*

## **Notes to Financial Statements**

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**1. Summary of significant accounting policies**

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

**A. Reporting entity**

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

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

**Blended Component Unit** – The City of Fenton Building Authority is included as part of the City financial statements when the Authority has activity and balances to report in any given year. It is not included for fiscal year ending June 30, 2005 or 2004. The City appoints the governing authority, designates management and has significant influence over the operations of the Building Authority. The City also has accountability for fiscal matters of the Building Authority. A complete financial statement can be obtained from City of Fenton, Treasurer's Office, 301 South Leroy Street, Fenton, Michigan 48430.

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

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

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

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**1. Summary of significant accounting policies - (continued)**

**B. Government-wide and fund financial statements**

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

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

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

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

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

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

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

Agency funds have no measurement focus.

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**1. Summary of significant accounting policies - (continued)**

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

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

The government reports the following major governmental funds:

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

The Major and Local Street Funds 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.

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

Agency funds are reported as fiduciary funds.

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

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

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**1. Summary of significant accounting policies - (continued)**

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Budgetary data**

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

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

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

2. Public hearings are conducted to obtain taxpayer comments.
3. On or before the third Monday in May, by resolution, the budget is legally enacted on a departmental (activity) basis for all budgetary funds for the ensuing fiscal year in accordance with Public Act 621 of the State of Michigan.
4. The City Manager, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.

**City of Fenton, Michigan**  
**Notes to Financial Statements**  
**Year Ended June 30, 2005**

**1. Summary of significant accounting policies – (continued)**

**D. Budgetary data – (continued)**

6. Budget appropriations lapse at year end.
7. The original budget was amended and supplemental appropriations approved during the year, in compliance with the City charter and applicable State laws. The budget to actual expenditures in the financial statements represents the final budgeted expenditures as amended by the City.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no encumbrances at year end.

**E. Assets, liabilities, and net assets or equity**

1. Bank deposits and investments

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

2. Receivables and payables

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

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

3. Inventory and prepaid items

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

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

4. Restricted assets

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

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**1. Summary of significant accounting policies - (continued)**

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

**5. Capital assets**

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

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

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

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

**6. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

- Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**7. Fund equity**

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

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**1. Summary of significant accounting policies – (continued)**

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

**8. Compensated absences**

**a. Accumulated unpaid sick pay**

Sick pay- Substantially all City employees are paid for unused sick days upon termination of employment. Accumulated vested unpaid sick pay at June 30, 2005, is recorded in the financial statements of the City as follows:

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

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

**b. Accumulated unpaid vacation pay**

All employees may carry over from year to year a maximum of one-half of the unused vacation days earned in the current year. Upon involuntary termination of employment, no payment will be made to an employee for any unused accumulated vacation days. However, upon voluntary termination with notice, an employee may receive payment for any unused accumulated vacation days. At June 30, 2005, the unused vacation days are insignificant and, therefore, no liability has been recorded.

**9. Use of estimates**

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

**10. Comparative data**

Comparative total data for the prior year has not been presented in the accompanying financial statements. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

City of Fenton  
Notes to Financial Statements  
June 30, 2005

2. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$938,571 difference are as follows:

Installment purchase agreements	\$ 938,571
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ 938,571

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$550,278 difference are as follows:

Capital outlay	\$ 897,523
Depreciation expense	(347,245)
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 550,278

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$863,046 difference are as follows:

Debt issued or incurred	\$ 900,000
Principal repayments:	
General obligation debt	(36,954)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 863,046

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**3. Detail notes on all funds**

**A. Deposits and investments**

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

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

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

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$9,845,456 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the city evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**3. Detail notes on all funds – (continued)**

**B. Receivables**

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

Governmental activities:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$163,466	\$ -	\$ -	\$ -	\$163,466
Accounts	109,338	-	-	71,758	181,096
Special assessments	14,379	-	-	81,669	96,048
Interest	8,837	463	12	5,943	15,255
Intergovernmental	287,274	16,000	32,884	-	336,158
	<hr/>				
Gross and net receivables	<u>\$583,294</u>	<u>\$ 16,463</u>	<u>\$ 32,896</u>	<u>\$159,370</u>	<u>\$792,023</u>

No allowance was deemed necessary for the outstanding receivables.

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

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due	\$ 96,048	\$ -
Personal property taxes	15,030	-
Cemetery lot deposits	-	4,200

Business Type Activities:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:			
Accounts – all types	\$758,672	\$579,757	\$1,338,429
Interest	24,353	14,039	38,392
	<hr/>		
Gross and net receivable	<u>\$783,025</u>	<u>\$593,796</u>	<u>\$1,376,821</u>

No allowance for uncollectible was deemed necessary.

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**3. Detail notes on all funds – (continued)**

**C. Capital assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,605,104	\$ -	\$ -	\$ 1,605,104
Construction in progress - roads	1,200,424	880,717	(1,306,656)	774,485
<b>Total capital assets, not being depreciated</b>	<b>2,805,528</b>	<b>880,717</b>	<b>(1,306,656)</b>	<b>2,379,589</b>
Capital assets, being depreciated:				
Buildings	6,007,171	-	-	6,007,171
Building and land improvements	546,530	-	-	546,530
Machinery, vehicles, and equipment	2,642,675	234,285	(167,852)	2,709,108
Roads, lights and bridges	-	1,276,907	-	1,276,907
<b>Total capital assets being depreciated</b>	<b>9,196,376</b>	<b>1,511,192</b>	<b>(167,852)</b>	<b>10,539,716</b>
Less accumulated depreciation for:				
Buildings	908,238	145,868	-	1,054,106
Buildings and land improvements	253,481	26,987	-	280,468
Machinery, vehicles, and equipment	1,776,148	262,408	(165,328)	1,873,228
Roads, lights and bridges	-	43,926	-	43,926
<b>Total accumulated depreciation</b>	<b>2,937,867</b>	<b>479,189</b>	<b>(165,328)</b>	<b>3,251,728</b>
<b>Total capital assets, being depreciated, net</b>	<b>6,258,509</b>	<b>1,032,003</b>	<b>(2,524)</b>	<b>7,287,988</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 9,064,037</b>	<b>\$1,912,720</b>	<b>\$(1,309,180)</b>	<b>\$9,667,577</b>

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**3. Detail notes on all funds – (continued)**

**C. Capital assets – (continued)**

*Primary Government – (continued)*

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 190,930	\$ -	\$ -	\$ 190,930
Construction in progress	3,285,566	48,032	(3,285,566)	48,032
Total capital assets, not being depreciated	<u>3,476,496</u>	<u>48,032</u>	<u>(3,285,566)</u>	<u>238,962</u>
Capital assets, being depreciated:				
Building improvements	7,968,209	635,732	(56,809)	8,547,132
Sewer and water lines	33,062,851	3,576,226	(219,200)	36,419,877
Machinery and equipment	663,652	17,305	(20,473)	660,484
Total capital assets, being depreciated	<u>41,694,712</u>	<u>4,229,263</u>	<u>(296,482)</u>	<u>45,627,493</u>
Less accumulated depreciation for:				
Building improvements	17,280	-	(17,280)	-
Sewer and water lines	5,833,515	625,162	(185,367)	6,273,310
Machinery and equipment	433,871	54,979	(20,128)	468,722
Total accumulated depreciation	<u>6,284,666</u>	<u>680,141</u>	<u>(222,775)</u>	<u>6,742,032</u>
Total capital assets, being depreciated, net	<u>35,410,046</u>	<u>3,549,122</u>	<u>(73,707)</u>	<u>38,885,461</u>
Business-type activities capital assets, net	<u>\$38,886,542</u>	<u>\$3,597,154</u>	<u>\$(3,359,273)</u>	<u>\$39,124,423</u>

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

**Governmental activities:**

**Current:**

General government	\$ 93,171
Public service	-
Public safety	194,379
Public works	175,870
Parks and recreation	<u>15,769</u>

Total depreciation expense – governmental activities \$479,189

**Business-type activities:**

Water	\$184,798
Sewer	<u>495,343</u>

Total depreciation expense – business-type activities \$680,141

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**3. Detail notes on all funds – (continued)**

**C. Capital assets – (continued)**

Component units:

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

Construction commitments:

Construction in progress represents engineering costs on infrastructure for streets and bridges.

**D. Defined benefit pension plan**

Plan description:

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

Funding policy:

The City is required to contribute at an actuarially determined rate; the current rate ranges from 6.16% of annual covered payroll for the DPW employee group to 10.84% for the Police Dispatch 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.

Annual pension cost:

For the year ended June 30, 2005, the City's annual pension cost of \$279,492 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 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 4.16% 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, 2004, the date of the latest actuarial valuation was 30 years.

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**3. Detail notes on all funds – (continued)**

**D. Defined benefit pension plan – (continued)**

Annual pension cost: – (continued)

<b>Three-Year Trend Information</b>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$207,435	100%	\$ -
6/30/04	212,484	100	-
6/30/05	279,492	100	-

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Funded (Unfunded) (AAL) (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
12/31/02	\$6,009,998	\$7,152,276	\$(1,142,278)	84.0%	\$2,336,179	(49.0)%
12/31/03	6,341,437	7,922,005	(1,580,568)	80.0	2,518,863	(62.7)
12/31/04	6,673,317	8,414,951	(1,741,634)	80.0	2,655,110	(66.0)

**E. Other post employment benefits**

In addition to the pension benefits described in Note 3.D, the City provides post retirement health care benefits for covered employees who retire on or after age 55 with at least 10 years of service and for all other employees, in accordance with a City resolution to all employees who retire on or after age 62 with at least 10 years of service. Currently 25 retirees meet the eligibility requirements. The City pays 100% of the health insurance premiums for these retirees. Expenditures for the premiums are paid and recognized as they become due. During the year, expenditures of \$276,274 were recognized for retiree health insurance premiums.

Upcoming reporting change:

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending May 31, 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, 2005**

**3. Detail notes on all funds – (continued)**

**F. Leases**

Capital leases:

The City entered into a lease agreement as lessee for financing the purchase of a grader. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

Year Ending June 30	Amount
2006	\$ 23,650
2007	23,650
2008	23,650
2009	<u>23,650</u>
Total minimum lease payments	94,600
Less amount representing interest	<u>10,250</u>
Present value	<u>\$ 84,350</u>

**G. Long-term debt**

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2005:

	Beginning Balance	Addition	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
Installment purchase agreements	\$ 75,525	\$ 900,000	\$ (36,954)	\$ 938,571	\$ 145,787
Capital leases	-	108,000	(23,650)	84,350	19,643
Accrued compensation	198,695	144,000	(123,393)	219,302	123,000
Governmental activity long-term liabilities	<u>\$ 274,220</u>	<u>\$1,152,000</u>	<u>\$ (183,997)</u>	<u>\$ 1,242,223</u>	<u>\$ 288,430</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$11,162,245	\$ -	\$ (603,465)	\$10,558,781	\$ 676,257
Revenue bonds	10,333,759	-	(445,000)	9,888,759	455,000
Business-type activity long-term liabilities	<u>\$21,496,004</u>	<u>\$ -0-</u>	<u>\$(1,048,465)</u>	<u>\$20,447,540</u>	<u>\$1,131,257</u>
<b>Component unit activities:</b>					
Bonds payable:					
DDA	\$ 6,085,000	\$ -	\$ (295,000)	\$ 5,790,000	\$ 300,000
LFDA	875,000	-	(875,000)	-	-
Component unit activity long-term liabilities	<u>\$ 6,960,000</u>	<u>\$ -0-</u>	<u>\$(1,170,000)</u>	<u>\$ 5,790,000</u>	<u>\$ 300,000</u>

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**3. Detail notes on all funds – (continued)**

**G. Long-term debt – (continued)**

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

<u>Bonds and Notes Payable</u>	<u>Fund Servicing Debt</u>	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Annual Principal Payment Varies Between</u>	<u>Outstanding Balance June 30, 2005</u>
<b>Component unit activities:</b>					
<b>General obligation debt:</b>					
<b>1994 Downtown</b>					
Development Bonds	Capital Projects	May 1, 2009	5.150-6.850	65,000-75,000	\$ 280,000
<b>2002 General Obligation Limited</b>					
Tax Development Bonds	Capital Projects	April 1, 2021	4.2-4.5	235,000-465,000	<u>5,510,000</u>
<b>Total component unit long-term liabilities</b>					<u>5,790,000</u>
<b>Government activities:</b>					
<b>Installment purchase agreements:</b>					
<b>Pierce Dash Pumper</b>					
Fire Truck	Capital Projects	April 1, 2006	4.37	38,571	38,571
<b>Motorola Communications System</b>					
	General Fund	March 1, 2010		50,760-57,686	270,000
Magnum Fire Truck	Capital Projects	March 1, 2015		26,456-73,292	630,000
<b>Accrued compensation</b>					<u>219,302</u>
<b>Total governmental activity long-term liabilities</b>					<u>1,157,873</u>
<b>Business-type activities:</b>					
<b>Sewer Fund:</b>					
<b>Contracts with Genesee County:</b>					
<b>Sewage Disposal System</b>					
#3 Bonds	Sewer Fund	April 1, 2016	5.2-7.0	500,555-737,660	7,318,641
<b>Sewage Disposal System</b>					
#3 Series 1998 Bonds	Sewer Fund	March 1, 2019	4.859-5.000	136,184-470,219	3,240,140
<b>Water Fund:</b>					
<b>Michigan Municipal Bond Authority-Michigan Drinking Water Revolving Fund Bonds</b>					
	Water Fund	April 1, 2019	2.5	65,000-95,000	1,048,759
<b>Michigan Municipal Bond Authority-Michigan Drinking Water Revolving Fund Bonds</b>					
	Water Fund	April 1, 2023	2.5	395,000-600,000	<u>8,840,000</u>
<b>Total business-type activities</b>					<u>20,447,540</u>
<b>Total Long-term Debt</b>					<u>\$27,395,413</u>

**City of Fenton, Michigan**  
**Notes to Financial Statements**  
**Year Ended June 30, 2005**

**3. Detail notes on all funds – (continued)**

**G. Long-term debt – (continued)**

**General obligation debt: - (continued)**

Debt service requirements:

<u>Year Ended</u>	<u>Component Unit Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
6-30-06	\$ 559,566	\$ 300,000	\$ 259,566
6-30-07	550,438	305,000	245,438
6-30-08	545,912	315,000	230,912
6-30-09	550,898	335,000	215,898
6-30-10	489,710	290,000	199,710
Thereafter	5,464,200	4,245,000	1,219,200
	<u>\$ 8,160,724</u>	<u>\$ 5,790,000</u>	<u>\$2,370,724</u>

<u>Year Ended</u>	<u>Governmental Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
6-30-06	\$ 174,843	\$ 145,787	\$ 29,056
6-30-07	135,699	106,933	28,766
6-30-08	135,699	110,779	24,920
6-30-09	135,698	114,763	20,935
6-30-10	135,698	118,892	16,806
Thereafter	379,910	341,417	38,493
	<u>\$ 1,097,547</u>	<u>\$ 938,571</u>	<u>\$158,976</u>

<u>Year Ended</u>	<u>Business-Type Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
6-30-06	\$ 1,890,428	\$ 1,131,257	\$ 759,171
6-30-07	1,849,944	1,182,359	667,585
6-30-08	1,848,095	1,215,190	632,905
6-30-09	1,848,677	1,251,535	597,142
6-30-10	1,852,531	1,295,515	557,016
Thereafter	17,228,798	14,371,687	2,857,111
	<u>\$26,518,473</u>	<u>\$20,447,543</u>	<u>\$6,070,930</u>

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

The City of Fenton obtained a loan through The State Bank for the purchase of a fire truck. The fire truck is being purchased with the Capital Project Fund. The City's limited tax full faith, credit and resources are pledged for payment of the obligation.

**City of Fenton, Michigan**  
**Notes to Financial Statements**  
**Year Ended June 30, 2005**

**3. Detail notes on all funds – (continued)**

**G. Long-term debt – (continued)**

The Local Development Financing Authority of the City of Fenton in 1991 issued tax increment bonds supported by the limited tax full faith and credit pledge of the City of Fenton in the amount of \$1,525,000. The City's limited tax full faith, credit and resources, in addition to the tax increment revenues primarily pledged, shall be pledged secondarily as a first budget obligation for the prompt payment of the principal and interest on the bonds as the same become due. The related principal portion of the long-term bonds is included in the City of Fenton.

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

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

Act 279, Public Acts of State 1909, as amended, provides that net indebtedness of cities cannot exceed 10% of the assessed real and personal property in the City. As of June 30, 2005, the City of Fenton has incurred \$5,790,000 of indebtedness under Act 279 and \$43,751,626 of additional debt may be incurred. The City's other existing general long-term obligations and special assessment bonds are specifically exempted from consideration of the 10% limit computation.

**H. Risk management**

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

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

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**3. Detail notes on all funds – (continued)**

**I. Revenues and expenditures:**

Property taxes

Property taxes are levied based on assessed values of property located in the City. Assessed values are established annually and equalized by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2004 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$454,733,560	\$352,417,310
Personal property	40,682,700	40,682,700
Total	\$495,416,260	\$393,100,010

The City is permitted by charter to levy up to \$13.00 (13 mills) per \$1,000 of taxable value per the City Charter. It is also permitted to levy unlimited amounts for repayment of existing general long term debt obligations, except for Michigan Transportation Fund Act 51 Debt. The Act 51 debt is backed by future Act 51 funds and other General Funds of the City. For the year ended June 30, 2005, \$10.87 per \$1,000 were levied for general governmental services and is recorded in the general fund.

**J. Interfund receivables and payables, and transfers:**

The composition of interfund balances as of June 30, 2005 is as follows:

Due to/from other funds:

<u>Receivable</u> <u>Fund</u>	<u>Payable</u> <u>Fund</u>	<u>Amount</u>
General	Sewer	\$ 486
Major Street	Water	350
	General	40,000
Local Street	General	50,000
Budget Stabilization	General	299,524
Cemetery	General	83,444
Garbage collection	Water	2,200
Fire equipment	General	319,898
Equipment	Sewer	2,436
	Water	2,437
Sick pay	General	2,753
	Sewer	4,131
	Water	9,867
	Garbage	2,375
Sewer	Garbage	52,123
	Water	1,546,231
Water	Garbage	2,380
Total		\$2,420,635

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**3. Detail notes on all funds – (continued)**

**J. Interfund receivables and payables, and transfers: – (continued)**

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government – general fund	Component Unit - DDA	\$ 2,145

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

Transfer out:

Transfers in:

	<u>General Fund</u>	<u>Major Major Street Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Major street fund	\$ 45,000	\$ -	\$225,000	\$270,000
Local street fund	205,000	125,000	186,000	516,000
Nonmajor governmental funds	646,000	-	490	646,490
Internal service funds	17,226	-	-	17,226
Total transfers out	\$913,226	\$125,000	\$411,490	\$1,449,716

Transfers are for operating purposes.

The transfers from the General Fund to the Major and Local Street and Nonmajor Governmental Funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the Major Streets Fund represents the sharing of gas and weight tax revenues, in accordance with Act 51; the transfer from the Nonmajor Governmental Funds to Major and Local Streets Fund represents the movement of resources to finance those programs.

**4. Summary disclosure of significant contingencies and commitments**

Contingent liabilities:

Federal and state grants

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

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**5. Construction code revenues/expenditures**

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed revenues. The City chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended June 30, 2005 is as follows:

Beginning balance		\$(126,456)
Construction permit revenue	\$ 65,339	
Expenditures:		
Professional services	237,284	
Revenue over (under) expenditures		(171,945)
Ending balance		\$(298,401)

**6. 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, 2005, 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.

**7. Budget compliance**

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

	<u>Actual over Budget</u>
General Fund - Transfers out	\$ 40,226
Major Streets - Highways and streets	25,393
Local Streets - Highways and streets	44,792
Parks and Recreation - Recreational and cultural	22,855

**City of Fenton**  
**Notes to Financial Statements**  
**June 30, 2005**

**8. Restatement of net assets**

Governmental activities:

Certain capital assets were excluded from the net assets in the prior year and component unit debt was shown as the primary government debt. Details to correct the omissions are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net asset balance at June 30, 2004 as previously stated	\$3,401,427	\$23,334,183	\$26,735,610
Reverse component unit debt	6,960,000	-	6,960,000
Record adjustments to capital assets	1,605,104	-	1,605,104
Net asset balance at June 30, 2005, as restated	<u>\$11,966,531</u>	<u>\$23,334,183</u>	<u>\$35,300,714</u>

Component unit activities:

Certain component unit debt was shown as the primary government debt. Details to correct the omissions are as follows:

	<u>DDA</u>	<u>LFDA</u>	<u>Total</u>
Net asset balance at June 30, 2004 as previously stated	\$2,389,420	\$1,024,042	\$3,413,462
Record component unit debt	(6,085,000)	(875,000)	(6,960,000)
Net asset balance at June 30, 2005, as restated	<u>\$(3,695,580)</u>	<u>\$149,042</u>	<u>\$(3,546,538)</u>

**9. Fund balance reservations**

The General Fund's fund balance is reserved at June 30, 2005 as follows:

Reserved for prepaid items	\$ 51,313
Reserved for inventory	32,269
Reserved for Metro Act activities	6,851
Reserved for installment purchase capital outlay	<u>270,000</u>
	<u>\$360,433</u>

**Required Supplementary  
Information Section**

**City of Fenton**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		Actual	Variance- Under (Over)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 3,908,710	\$ 3,944,200	\$ 3,945,739	\$ 1,539
Licenses and permits	184,700	182,000	188,548	6,548
Intergovernmental revenue:				
State	940,400	902,503	898,721	(3,782)
Charges for services	255,350	261,730	189,330	(72,400)
Fines and forfeits	52,000	88,000	75,657	(12,343)
Interest	30,000	50,000	50,680	680
Refunds and reimbursements	1,000	1,300	5,497	4,197
Miscellaneous revenue	20,760	50,160	64,332	14,172
<b>Total revenues</b>	<b>5,392,920</b>	<b>5,479,893</b>	<b>5,418,504</b>	<b>(61,389)</b>
<b>Expenditures:</b>				
Current:				
Legislative and executive	213,950	202,650	180,249	22,401
General governmental:				
General services administration	1,310,080	1,206,441	1,187,861	18,580
Public safety:				
Police	1,837,860	2,018,630	1,853,571	165,059
Fire	680,620	756,600	579,005	177,595
Protective inspection	241,160	246,900	237,284	9,616
<b>Total public safety</b>	<b>2,759,640</b>	<b>3,022,130</b>	<b>2,669,860</b>	<b>352,270</b>
Public works:				
Public service	254,300	259,700	192,574	67,126
Community service	130,000	158,950	142,844	16,106
Capital outlay	49,995	49,995	49,995	-
<b>Total expenditures</b>	<b>4,717,965</b>	<b>4,899,866</b>	<b>4,423,383</b>	<b>476,483</b>
Revenues over expenditures	674,955	580,027	995,121	415,094
<b>Other financing sources (uses):</b>				
Transfers in	25,000	25,000	-	(25,000)
Transfers out	(672,000)	(873,000)	(913,226)	(40,226)
Issuance of debt	-	270,000	270,000	-
<b>Total other financing uses</b>	<b>(647,000)</b>	<b>(578,000)</b>	<b>(643,226)</b>	<b>(65,226)</b>
Net change in fund balance	27,955	2,027	351,895	349,868
Fund balance - beginning of year	832,426	832,426	1,192,859	360,433
<b>Fund balance - end of year</b>	<b>\$ 860,381</b>	<b>\$ 834,453</b>	<b>\$ 1,544,754</b>	<b>\$ 710,301</b>

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

**City of Fenton**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**Major Streets**  
**Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		Actual	Variance- Under (Over)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenue:				
State	\$ 532,700	\$ 532,700	\$ 514,329	\$ (18,371)
Interest	1,000	1,500	2,065	565
Miscellaneous revenue	-	-	-	-
Total revenues	<u>533,700</u>	<u>534,200</u>	<u>516,394</u>	<u>(17,806)</u>
<b>Expenditures:</b>				
Current:				
Public works:				
Highways and streets	502,715	698,630	724,023	(25,393)
Total expenditures	<u>502,715</u>	<u>698,630</u>	<u>724,023</u>	<u>(25,393)</u>
Revenues over (under) expenditures	<u>30,985</u>	<u>(164,430)</u>	<u>(207,629)</u>	<u>(43,199)</u>
<b>Other financing sources (uses):</b>				
Transfers in	95,000	295,000	270,000	(25,000)
Transfers out	(150,000)	(150,000)	(125,000)	25,000
Total other financing sources	<u>(55,000)</u>	<u>145,000</u>	<u>145,000</u>	<u>-</u>
Net change in fund balances	(24,015)	(19,430)	(62,629)	(43,199)
Fund balances - beginning of year	<u>107,222</u>	<u>107,222</u>	<u>107,222</u>	<u>-</u>
<b>Fund balances - end of year</b>	<u>\$ 83,207</u>	<u>\$ 87,792</u>	<u>\$ 44,593</u>	<u>\$ (43,199)</u>

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

**City of Fenton**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**Local Streets**  
**Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance- Under (Over)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenue:				
State	\$ 222,100	\$ 222,100	\$ 223,034	\$ 934
Interest	1,000	1,000	787	(213)
Total revenues	223,100	223,100	223,821	721
<b>Expenditures:</b>				
Current:				
Public works:				
Highways and streets	592,790	684,840	729,632	(44,792)
Total expenditures	592,790	684,840	729,632	(44,792)
Revenues under expenditures	(369,690)	(461,740)	(505,811)	(44,071)
<b>Other financing sources:</b>				
Transfers in	400,000	466,000	516,000	50,000
Total other financing sources	400,000	466,000	516,000	50,000
Net change in fund balances	30,310	4,260	10,189	5,929
Fund balances - beginning of year	1,392	1,392	1,392	-
<b>Fund balances - end of year</b>	\$ 31,702	\$ 5,652	\$ 11,581	\$ 5,929

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

**Combining Fund and Individual  
Financial Statements**

**Nonmajor Governmental Funds**

**City of Fenton  
Combining Balance Sheet  
Nonmajor Funds  
June 30, 2005**

	Special Revenue Funds	Debt Service Fund - Sewer	Capital Projects Funds	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 139,925	\$ -	\$ 113,472	\$ 253,397
Accounts receivable	71,758	-	-	71,758
Special assessment receivables	-	-	81,669	81,669
Accrued interest	1,164	-	2,182	3,346
Due from other funds	385,168	-	319,898	705,066
Inventory	2,616	-	-	2,616
Deposit	-	-	209,033	209,033
Restricted assets:				
Cash and cash equivalents:				
Capital asset purchase	-	-	630,000	630,000
Held by County	-	1,231	-	1,231
Total assets	<u>\$ 600,631</u>	<u>\$ 1,231</u>	<u>\$ 1,356,254</u>	<u>\$ 1,958,116</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 2,646	\$ -	\$ 219	\$ 2,865
Accrued liabilities	3,266	-	-	3,266
Deposits payable	4,294	-	-	4,294
Due to other funds	66,745	-	-	66,745
Deferred revenue	4,200	-	81,669	85,869
Total liabilities	<u>81,151</u>	<u>-</u>	<u>81,888</u>	<u>163,039</u>
<b>Fund balances:</b>				
Reserved for debt service	-	1,231	-	1,231
Reserved for future capital improvements	-	-	1,274,366	1,274,366
Reserved for budget stabilization	299,524	-	-	299,524
Reserved for parks and recreation	5,816	-	-	5,816
Reserved for cemetery	165,610	-	-	165,610
Reserved for garbage collection	6,779	-	-	6,779
Reserved for drug awareness and enforcement	41,751	-	-	41,751
Total fund balances	<u>519,480</u>	<u>1,231</u>	<u>1,274,366</u>	<u>1,795,077</u>
Total liabilities and fund balances	<u>\$ 600,631</u>	<u>\$ 1,231</u>	<u>\$ 1,356,254</u>	<u>\$ 1,958,116</u>

**City of Fenton**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Funds**  
**Year Ended June 30, 2005**

	Special Revenue Funds	Debt Service Fund - Sewer	Capital Projects Funds	Totals
<b>Revenues:</b>				
Special assessments	\$ -	\$ -	\$ 16,940	\$ 16,940
Charges for services	661,383	-	-	661,383
Interest	5,571	-	13,074	18,645
Refunds and reimbursements	-	-	17,490	17,490
Miscellaneous revenue	3,498	-	-	3,498
	<hr/>			
Total revenues	670,452	-	47,504	717,956
	<hr/>			
<b>Expenditures:</b>				
Current:				
Public safety	201,267	-	-	201,267
Public works:				
Garbage collection	462,817	-	-	462,817
Recreation and cultural	225,450	-	-	225,450
Cemetery	47,949	-	-	47,949
Capital outlay	-	-	12,208	12,208
Debt service:				
Principal payments	-	-	36,954	36,954
Interest and fiscal charges	-	-	3,305	3,305
	<hr/>			
Total expenditures	937,483	-	52,467	989,950
	<hr/>			
Revenues under expenditures	(267,031)	-	(4,963)	(271,994)
	<hr/>			
<b>Other financing sources (uses):</b>				
Transfers in	202,490	-	444,000	646,490
Transfers out	(490)	-	(411,000)	(411,490)
Issuance of debt	-	-	630,000	630,000
Sale of capital assets	-	-	8,600	8,600
	<hr/>			
Total other financing sources	202,000	-	671,600	873,600
	<hr/>			
Net change in fund balances	(65,031)	-	666,637	601,606
	<hr/>			
Fund balances - beginning of year	584,511	1,231	607,729	1,193,471
	<hr/>			
<b>Fund balances - end of year</b>	<b>\$ 519,480</b>	<b>\$ 1,231</b>	<b>\$ 1,274,366</b>	<b>\$ 1,795,077</b>
	<hr/>			

## Nonmajor Governmental Funds

### Special Revenue Funds

- Budget Stabilization Fund** – To account for those funds appropriated by the governing body of the municipality for budget stabilization purposes. Money in the budget stabilization fund may be appropriated by an ordinance or resolution for the following purposes: 1) to cover a general fund deficit; 2) to prevent a reduction in the level of public services or in the number of employees at any time in a fiscal year when budgeted revenue is not being collected in an amount sufficient to cover budgeted expenses; 3) to prevent a reduction in the level of public services or in the number of employees when, in preparing the budget for the next fiscal year, the estimated revenue does not appear sufficient to cover estimated expenses; and 4) to cover expenses arising because of a natural disaster.
- Parks and Recreation** – To account for the activity related to the operation of the City's parks and recreation programs which are funded through user charges and donations.
- Cemetery Fund** – To account for the operation of the City's cemetery which is financed primarily through charges for services.
- Community Development Fund** – To account for revenues earned and expenditures incurred by the City as a sub-grantee of the Community Development Block Grant Program. The program includes projects for street paving, sidewalk construction, waterline improvements, and other community services.
- Emergency 911 Fund** – To account for the monthly telephone surcharges assessed for emergency services that are received from Genesee County which are used to cover the costs related to the operation of the City's 911 system.
- Garbage Collection Fund** – To account for quarterly customer charges and charges for bags and tags which are to be used to pay contracted services for garbage collection.
- Narcotics Enforcement Fund** – To account for confiscated funds which are used by the Police Department to enhance local narcotics enforcement.
- D.A.R.E. Fund** – To account for the activity of the Drug Abuse Resistance Education Program. The City Police Department has set up the program to provide drug education to local elementary school students.

**City of Fenton  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2005**

	<b>Budget Stabilization</b>	<b>Parks and Recreation</b>	<b>Cemetery</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 15,384	\$ 83,007
Accounts receivable	-	-	3,050
Accrued interest	-	80	867
Due from other funds	299,524	-	83,444
Inventory	-	-	-
<b>Total assets</b>	<b>\$ 299,524</b>	<b>\$ 15,464</b>	<b>\$ 170,368</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 2,449	\$ 197
Accrued liabilities	-	3,266	-
Deposits payable	-	3,933	361
Due to other funds	-	-	-
Deferred revenue	-	-	4,200
<b>Total liabilities</b>	<b>-</b>	<b>9,648</b>	<b>4,758</b>
<b>Fund balances:</b>			
Reserved for budget stabilization	299,524	-	-
Reserved for parks and recreation	-	5,816	-
Reserved for cemetery	-	-	165,610
Reserved for garbage collection	-	-	-
Reserved for drug awareness and enforcement	-	-	-
<b>Total fund balances</b>	<b>299,524</b>	<b>5,816</b>	<b>165,610</b>
<b>Total liabilities and fund balances</b>	<b>\$ 299,524</b>	<b>\$ 15,464</b>	<b>\$ 170,368</b>

Community Development	Emergency 911	Garbage Collection	Narcotics Enforcement	D.A.R.E.	Total
\$ -	\$ -	\$ -	\$ 17,455	\$ 24,079	\$ 139,925
-	-	68,708	-	-	71,758
-	-	-	91	126	1,164
-	-	2,200	-	-	385,168
-	-	2,616	-	-	2,616
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -0-	\$ -0-	\$ 73,524	\$ 17,546	\$ 24,205	\$ 600,631

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,646
-	-	-	-	-	3,266
-	-	-	-	-	4,294
-	-	66,745	-	-	66,745
-	-	-	-	-	4,200

-	-	66,745	-	-	81,151
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-	-	-	-	-	299,524
-	-	-	-	-	5,816
-	-	-	-	-	165,610
-	-	6,779	-	-	6,779
-	-	-	17,546	24,205	41,751

-	-	6,779	17,546	24,205	519,480
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\$ -0-	\$ -0-	\$ 73,524	\$ 17,546	\$ 24,205	\$ 600,631
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**City of Fenton**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2005**

	<b>Budget Stabilization</b>	<b>Parks and Recreation</b>	<b>Cemetery</b>
<b>Revenues:</b>			
Charges for services	\$ -	\$ 26,737	\$ 15,545
Interest	-	1,078	3,754
Miscellaneous revenue	-	500	378
	<hr/>		
Total revenues	-	28,315	19,677
<hr/>			
<b>Expenditures:</b>			
Current:			
Public safety	-	-	-
Public works:			
Garbage collection	-	-	-
Recreation and cultural	-	225,450	-
Cemetery	-	-	47,949
	<hr/>		
Total expenditures	-	225,450	47,949
	<hr/>		
Revenues over (under) expenditures	-	(197,135)	(28,272)
<hr/>			
<b>Other financing sources (uses):</b>			
Transfers in	-	172,000	30,490
Transfers out	-	-	(490)
	<hr/>		
Total other financing sources	-	172,000	30,000
	<hr/>		
Net change in fund balances	-	(25,135)	1,728
	<hr/>		
Fund balances - beginning of year	299,524	30,951	163,882
	<hr/>		
<b>Fund balances - end of year</b>	<b>\$ 299,524</b>	<b>\$ 5,816</b>	<b>\$ 165,610</b>
	<hr/> <hr/>		

Community Development	Emergency 911	Garbage Collection	Narcotics Enforcement	D.A.R.E.	Total
\$ -	\$ 199,754	\$ 419,347	\$ -	\$ -	\$ 661,383
-	-	-	390	349	5,571
-	-	-	1,887	733	3,498
-	199,754	419,347	2,277	1,082	670,452
-	199,754	-	217	1,296	201,267
-	-	462,817	-	-	462,817
-	-	-	-	-	225,450
-	-	-	-	-	47,949
-	199,754	462,817	217	1,296	937,483
-	-	(43,470)	2,060	(214)	(267,031)
-	-	-	-	-	202,490
-	-	-	-	-	(490)
-	-	-	-	-	202,000
-	-	(43,470)	2,060	(214)	(65,031)
-	-	50,249	15,486	24,419	584,511
\$ - 0 -	\$ - 0 -	\$ 6,779	\$ 17,546	\$ 24,205	\$ 519,480

**City of Fenton**  
**Combining Schedules of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2005**

	<u>Budget Stabilization</u>			
	<u>Budgeted Amounts</u>			<b>Variance- Under (Over)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest	-	-	-	-
Miscellaneous revenue	-	-	-	-
	<hr/>			
Total revenues	-	-	-	-
	<hr/>			
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Public works:				
Garbage collection	-	-	-	-
Recreation and cultural	-	-	-	-
Cemetery	-	-	-	-
	<hr/>			
Total expenditures	-	-	-	-
	<hr/>			
Revenues over (under) expenditures	-	-	-	-
	<hr/>			
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>			
Total other financing sources	-	-	-	-
	<hr/>			
Net change in fund balances	-	-	-	-
	<hr/>			
Fund balances - beginning of year	299,524	299,524	299,524	-
	<hr/>			
<b>Fund balances - end of year</b>	<b>\$ 299,524</b>	<b>\$ 299,524</b>	<b>\$ 299,524</b>	<b>\$ - 0 -</b>
	<hr/> <hr/>			

Parks and Recreation				Cemetery			
Budgeted Amounts		Actual	Variance-Under (Over)	Budgeted Amounts		Actual	Variance-Under (Over)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27,000	24,000	26,737	2,737	31,300	17,525	15,545	(1,980)
500	1,000	1,078	78	200	400	3,754	3,354
1,400	500	500	-	-	-	378	378
28,900	25,500	28,315	2,815	31,500	17,925	19,677	1,752
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
194,595	202,595	225,450	(22,855)	-	-	-	-
-	-	-	-	60,520	54,520	47,949	6,571
194,595	202,595	225,450	(22,855)	60,520	54,520	47,949	6,571
(165,695)	(177,095)	(197,135)	(20,040)	(29,020)	(36,595)	(28,272)	8,323
171,000	172,000	172,000	-	30,000	30,000	30,490	490
-	-	-	-	(2,060)	(1,000)	(490)	510
171,000	172,000	172,000	-	27,940	29,000	30,000	1,000
5,305	(5,095)	(25,135)	(20,040)	(1,080)	(7,595)	1,728	9,323
30,951	30,951	30,951	-	163,882	163,882	163,882	-
\$ 36,256	\$ 25,856	\$ 5,816	\$ (20,040)	\$ 162,802	\$ 156,287	\$ 165,610	\$ 9,323

(continued)

**City of Fenton**  
**Combining Schedules of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual (continued)**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2005**

	<u>Community Block Grant Fund</u>			
	<u>Budgeted Amounts</u>			<b>Variance- Under (Over)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental revenue:				
Federal	\$ 83,500	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest	-	-	-	-
Miscellaneous revenue	-	-	-	-
	<hr/>			
Total revenues	83,500	-	-	-
	<hr/>			
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Public works:				
Garbage collection	-	-	-	-
Recreation and cultural	83,500	-	-	-
Cemetery	-	-	-	-
	<hr/>			
Total expenditures	83,500	-	-	-
	<hr/>			
Revenues over (under) expenditures	-	-	-	-
	<hr/>			
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>			
Total other financing sources	-	-	-	-
	<hr/>			
Net change in fund balances	-	-	-	-
	<hr/>			
Fund balances - beginning of year	-	-	-	-
	<hr/>			
<b>Fund balances - end of year</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
	<hr/> <hr/>			

Emergency 911				Garbage Collection Fund			
Budgeted Amounts		Actual	Variance- Under (Over)	Budgeted Amounts		Actual	Variance- Under (Over)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
203,000	203,000	199,754	(3,246)	474,320	434,000	419,347	(14,653)
-	-	-	-	500	-	-	-
-	-	-	-	-	-	-	-
203,000	203,000	199,754	(3,246)	474,820	434,000	419,347	(14,653)
203,000	203,000	199,754	3,246	-	-	-	-
-	-	-	-	475,250	471,250	462,817	8,433
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
203,000	203,000	199,754	3,246	475,250	471,250	462,817	8,433
-	-	-	-	(430)	(37,250)	(43,470)	(6,220)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(430)	(37,250)	(43,470)	(6,220)
-	-	-	-	50,249	50,249	50,249	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 49,819	\$ 12,999	\$ 6,779	\$ (6,220)

(continued)

**City of Fenton**  
**Combining Schedules of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual (continued)**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2005**

	<u>Narcotics Enforcement</u>			
	<u>Budgeted Amounts</u>			<b>Variance- Under (Over)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest	200	200	390	190
Miscellaneous revenue	-	632	1,887	1,255
	<hr/>			
Total revenues	200	832	2,277	1,445
	<hr/>			
<b>Expenditures:</b>				
Current:				
Public safety	1,500	1,500	217	1,283
Public works:				
Garbage collection	-	-	-	-
Recreation and cultural	-	-	-	-
Cemetery	-	-	-	-
	<hr/>			
Total expenditures	1,500	1,500	217	1,283
	<hr/>			
Revenues over (under) expenditures	(1,300)	(668)	2,060	2,728
	<hr/>			
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>			
Total other financing sources	-	-	-	-
	<hr/>			
Net change in fund balances	(1,300)	(668)	2,060	2,728
	<hr/>			
Fund balances - beginning of year	15,486	15,486	15,486	-
	<hr/>			
<b>Fund balances - end of year</b>	<b>\$ 14,186</b>	<b>\$ 14,818</b>	<b>\$ 17,546</b>	<b>\$ 2,728</b>
	<hr/> <hr/>			

D.A.R.E.				Totals			
Budgeted Amounts			Variance- Under (Over)	Budgeted Amounts			Variance- Under (Over)
Original	Final	Actual		Original	Final	Actual	
\$ -	\$ -	\$ -	\$ -	\$ 83,500	\$ -	\$ -	\$ -
-	-	-	-	735,620	678,525	661,383	(17,142)
350	350	349	(1)	1,750	1,950	5,571	3,621
1,200	600	733	133	2,600	1,732	3,498	1,766
1,550	950	1,082	132	823,470	682,207	670,452	(11,755)
7,000	7,000	1,296	5,704	211,500	211,500	201,267	10,233
-	-	-	-	475,250	471,250	462,817	8,433
-	-	-	-	278,095	202,595	225,450	(22,855)
-	-	-	-	60,520	54,520	47,949	6,571
7,000	7,000	1,296	5,704	1,025,365	939,865	937,483	2,382
(5,450)	(6,050)	(214)	5,836	(201,895)	(257,658)	(267,031)	(9,373)
-	-	-	-	201,000	202,000	202,490	490
-	-	-	-	(2,060)	(1,000)	(490)	510
-	-	-	-	198,940	201,000	202,000	1,000
(5,450)	(6,050)	(214)	5,836	(2,955)	(56,658)	(65,031)	(8,373)
24,419	24,419	24,419	-	584,511	584,511	584,511	-
\$ 18,969	\$ 18,369	\$ 24,205	\$ 5,836	\$ 581,556	\$ 527,853	\$ 519,480	\$ (8,373)

## **Capital Project Funds**

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

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

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

2002 General Obligation Limited Tax Development Bonds – To account for the bond proceeds from the issuance of the 2002 General Obligation Tax Development Bonds.

**City of Fenton  
Combining Balance Sheet  
Nonmajor Capital Project Funds  
June 30, 2005**

	Fire Equipment	C.I.P. Fund	Working Capital Fund
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 1,839	\$ 111,633
Special assessments receivable:			
Current	-	-	13,283
Long-term	-	-	68,386
Accrued interest	1,662	10	510
Due from other funds	319,898	-	-
Deposit	209,033	-	-
Restricted cash and cash equivalents	630,000	-	-
Total assets	\$ 1,160,593	\$ 1,849	\$ 193,812
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 219	\$ -	\$ -
Deferred revenue	-	-	81,669
Total liabilities	219	-	81,669
 <b>Fund balances:</b>			
Reserved for future capital improvements	1,160,374	1,849	112,143
Total liabilities and fund balances	\$ 1,160,593	\$ 1,849	\$ 193,812

Total

\$ 113,472

13,283

68,386

2,182

319,898

209,033

630,000

\$ 1,356,254

\$ 219

81,669

81,888

1,274,366

\$ 1,356,254

**City of Fenton**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**Year Ended June 30, 2005**

	<b>Fire Equipment</b>	<b>C.I.P. Fund</b>	<b>Working Capital Fund</b>
<b>Revenues:</b>			
Special assessments	\$ -	\$ -	\$ 16,940
Refunds and reimbursements	17,490	-	-
Miscellaneous	-	-	-
Interest	9,316	1,501	2,257
Total revenues	<u>26,806</u>	<u>1,501</u>	<u>19,197</u>
<b>Expenditures:</b>			
Capital outlay	12,208	-	-
Debt service:			
Principal retirement	36,954	-	-
Interest and fiscal charges	3,305	-	-
Total expenditures	<u>52,467</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(25,661)</u>	<u>1,501</u>	<u>19,197</u>
<b>Other financing sources (uses)</b>			
Transfers in	170,000	274,000	-
Transfers out	-	(411,000)	-
Issuance of debt	630,000	-	-
Sale of capital assets	8,600	-	-
Total other financing sources (uses)	<u>808,600</u>	<u>(137,000)</u>	<u>-</u>
Net change in fund balances	782,939	(135,499)	19,197
Fund balances - beginning of year	<u>377,435</u>	<u>137,348</u>	<u>92,946</u>
<b>Fund balances - end of year</b>	<u>\$ 1,160,374</u>	<u>\$ 1,849</u>	<u>\$ 112,143</u>

**Total**

\$	16,940
	17,490
	-
	13,074
	<hr/>
	47,504
	<hr/>
	12,208
	36,954
	3,305
	<hr/>
	52,467
	<hr/>
	(4,963)
	<hr/>
	444,000
	(411,000)
	630,000
	8,600
	<hr/>
	671,600
	<hr/>
	666,637
	607,729
	<hr/>
\$	<u><u>1,274,366</u></u>

## **Internal Service Funds**

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

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

**City of Fenton  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2005**

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 495,437	\$ 200,000	\$ 695,437
Investments	-	176	176
Accrued interest	2,597	-	2,597
Due from other funds	4,873	19,126	23,999
	<hr/>		
Total current assets	502,907	219,302	722,209
Noncurrent assets:			
Capital assets:			
Machinery and equipment	1,381,515	-	1,381,515
Less accumulated depreciation	(1,045,891)	-	(1,045,891)
	<hr/>		
Total capital assets (net of accumulated depreciation)	335,624	-	335,624
	<hr/>		
Total assets	838,531	219,302	1,057,833
<hr/>			
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	18,247	-	18,247
Accrued liabilities	252	-	252
Compensated absences	-	219,302	219,302
Capital leases payable - current	19,643	-	19,643
	<hr/>		
Total current liabilities	38,142	219,302	257,444
Noncurrent liabilities:			
Capital leases payable	64,707	-	64,707
	<hr/>		
Total liabilities	102,849	219,302	322,151
<hr/>			
<b>Net Assets</b>			
Invested in capital assets	251,274	-	251,274
Unrestricted	484,408	-	484,408
	<hr/>		
Total net assets	\$ 735,682	\$ - 0 -	\$ 735,682
	<hr/>		

**City of Fenton**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**Year Ended June 30, 2005**

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for service	\$ 404,211	\$ -	\$ 404,211
Other income	2,628	-	2,628
	<hr/>		
Total operating revenue	406,839	-	406,839
	<hr/>		
<b>Operating expenses:</b>			
Wages and salaries	16,680	20,607	37,287
Supplies	12,313	-	12,313
Gas and oil	35,905	-	35,905
Heat, power, and lights	33,352	-	33,352
Accrued interest	93,711	-	93,711
Equipment rent	1,503	-	1,503
Depreciation	131,945	-	131,945
Insurance	14,813	-	14,813
Miscellaneous	705	-	705
	<hr/>		
Total operating expenses	340,927	20,607	361,534
	<hr/>		
Operating income (loss)	65,912	(20,607)	45,305
	<hr/>		
<b>Nonoperating revenues:</b>			
Interest on investments	10,457	3,381	13,838
Gain on sale of fixed assets	1,983	-	1,983
	<hr/>		
Total non-operating revenues	12,440	3,381	15,821
	<hr/>		
Income (loss) before transfers	78,352	(17,226)	61,126
	<hr/>		
Transfers in	-	17,226	17,226
	<hr/>		
Change in net assets	78,352	-	78,352
	<hr/>		
Net assets - beginning of year	657,330	-	657,330
	<hr/>		
Net assets - end of year	\$ 735,682	\$ - 0 -	\$ 735,682
	<hr/>		

**City of Fenton**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2005**

	Equipment	Sick Pay	Total
<b>Cash flows from operating activities:</b>			
Receipts from quasi-external transactions	\$ 413,749	\$ -	\$ 413,749
Payments to suppliers	(190,341)	-	(190,341)
Payments to employees	(16,442)	(12,009)	(28,451)
Net cash provided in (used in) operating activities	206,966	(12,009)	194,957
<b>Cash flows from noncapital financing activities:</b>			
Transfers in	-	17,226	17,226
Net cash provided by noncapital financing activities	-	17,226	17,226
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from sale of capital assets	4,506	-	4,506
Acquisition of capital assets	(79,730)	-	(79,730)
Principal paid on capital lease	(23,650)	-	(23,650)
Net cash used in capital and related financing activities	(98,874)	-	(98,874)
<b>Cash flows from investing activities:</b>			
Purchase of investments	-	191,402	191,402
Interest earned	7,860	3,381	11,241
Net cash provided by investing activities	7,860	194,783	202,643
Net increase in cash and cash equivalents	115,952	200,000	315,952
Cash and cash equivalents - beginning of year	379,485	-	379,485
<b>Cash and cash equivalents - end of year</b>	<b>\$ 495,437</b>	<b>\$ 200,000</b>	<b>\$ 695,437</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 65,912	\$ (20,607)	\$ 45,305
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	131,945	-	131,945
(Increase) decrease in assets:			
Due from other funds	6,910	(12,037)	(5,127)
Due from component units	-	29	29
Increase (decrease) in liabilities:			
Accounts payable	1,961	-	1,961
Accrued liabilities	238	20,606	20,844
Total adjustments	141,054	8,598	149,652
Net cash provided in (used in) operating activities	\$ 206,966	\$ (12,009)	\$ 194,957

**Non-cash transactions:**

Equipment fund purchased equipment during the year of total cost \$108,000 through a capital lease.

## **Fiduciary Funds**

### **Agency Funds**

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

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

**City of Fenton  
Combining Balance Sheet  
Fiduciary Funds  
June 30, 2005**

	<b>Agency Funds</b>		
	<b>Tax Collection</b>	<b>Employees Union</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 10,158	\$ 7,220	\$ 17,378
Total assets	\$ 10,158	\$ 7,220	\$ 17,378
 <b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 3,136	\$ -	\$ 3,136
Due to other governments	7,022	-	7,022
Due to employees - union groups	-	7,220	7,220
Total liabilities	\$ 10,158	\$ 7,220	\$ 17,378

**City of Fenton**  
**Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2005**

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b><u>Tax Collection Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 38,957	\$ 18,725,354	\$ 18,754,153	\$ 10,158
Investments	1,041	3	1,044	-
Total assets	<u>\$ 39,998</u>	<u>\$ 18,725,357</u>	<u>\$ 18,755,197</u>	<u>\$ 10,158</u>
<b>Liabilities</b>				
Accounts payable	\$ 10,562	\$ 174,539	\$ 181,965	\$ 3,136
Due to other governments	29,436	18,550,818	18,573,232	7,022
Total liabilities	<u>\$ 39,998</u>	<u>\$ 18,725,357</u>	<u>\$ 18,755,197</u>	<u>\$ 10,158</u>
<b><u>Employees' Union</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 6,901	\$ 319	\$ - 0 -	\$ 7,220
<b>Liabilities</b>				
Due to employees - union groups	\$ 6,901	\$ 319	\$ - 0 -	\$ 7,220
<b><u>Total All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 45,858	\$ 18,725,673	\$ 18,754,153	\$ 17,378
Investments	1,041	3	1,044	-
Total assets	<u>\$ 46,899</u>	<u>\$ 18,725,676</u>	<u>\$ 18,755,197</u>	<u>\$ 17,378</u>
<b>Liabilities</b>				
Accounts payable	\$ 10,562	\$ 174,539	\$ 181,965	\$ 3,136
Due to other governments	29,436	18,550,818	18,573,232	7,022
Due to employees-union groups	6,901	319	-	7,220
Total liabilities	<u>\$ 46,899</u>	<u>\$ 18,725,676</u>	<u>\$ 18,755,197</u>	<u>\$ 17,378</u>

## **Other Financial Information**

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

**City of Fenton**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Source<sup>1</sup>**  
**June 30, 2005**

Governmental funds capital assets:

Land	\$ 1,605,104
Buildings	6,007,171
Improvements - other than buildings	546,530
Vehicles	775,077
Office equipment	84,926
Machinery and other equipment	467,590
Infrastructure	1,276,907
Construction in progress	774,485
	<u>774,485</u>
Total governmental funds capital assets	\$ 11,537,790

Investments in governmental funds capital assets by source:

General fund	\$ 9,566,398
Special revenue funds	1,971,392
	<u>1,971,392</u>
Total governmental funds capital assets	\$ 11,537,790

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

**City of Fenton**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity<sup>1</sup>**  
**June 30, 2005**

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>
General government:			
City hall and grounds	\$ 568,677	\$ 16,000	\$ 316,405
Other city property	3,891,893	1,327,307	2,421,638
Total general government	<u>4,460,570</u>	<u>1,343,307</u>	<u>2,738,043</u>
Public safety:			
Police	716,664	112,894	348,315
Fire	3,715,026	15,000	2,774,939
Total public safety	<u>4,431,690</u>	<u>127,894</u>	<u>3,123,254</u>
Public works:			
Streets	2,051,392	-	-
Culture and recreation	<u>594,138</u>	<u>133,903</u>	<u>145,874</u>
Total governmental funds capital assets	<u>\$ 11,537,790</u>	<u>\$ 1,605,104</u>	<u>\$ 6,007,171</u>

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

Improvements other than Buildings	Vehicles	Office Equipment	Infrastructure	Construction in progress	Machinery and Equipment
\$ 176,061	\$ -	\$ 60,211	\$ -	\$ -	\$ -
96,118	-	17,788	-	-	29,042
272,179	-	77,999	-	-	29,042
6,420	-	6,927	-	-	242,108
14,900	775,077	-	-	-	135,110
21,320	775,077	6,927	-	-	377,218
-	-	-	1,276,907	774,485	-
253,031	-	-	-	-	61,330
\$ 546,530	\$ 775,077	\$ 84,926	\$ 1,276,907	\$ 774,485	\$ 467,590

**City of Fenton**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity<sup>1</sup>**  
**Year Ended June 30, 2005**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2005</u>
<b>General government:</b>				
City hall and grounds	\$ 577,577	\$ 11,500	\$ 20,400	\$ 568,677
Other city property	3,891,893	-	-	3,891,893
<b>Total general government</b>	<b>4,469,470</b>	<b>11,500</b>	<b>20,400</b>	<b>4,460,570</b>
<b>Public safety:</b>				
Police	700,739	15,925	-	716,664
Fire	3,803,274	19,130	107,378	3,715,026
Building department	-	-	-	-
<b>Total public safety</b>	<b>4,504,013</b>	<b>35,055</b>	<b>107,378</b>	<b>4,431,690</b>
<b>Public works:</b>				
Streets	1,200,424	880,717	29,749	2,051,392
<b>Culture and recreation</b>	<b>594,138</b>	<b>-</b>	<b>-</b>	<b>594,138</b>
<b>Total governmental funds         capital assets</b>	<b>\$ 10,768,045</b>	<b>\$ 927,272</b>	<b>\$ 157,527</b>	<b>\$ 11,537,790</b>

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

**Long Term Debt Schedules  
Governmental Funds and  
Business Type Funds**

**City of Fenton  
Annual Debt Service Requirement  
on Long-Term Debt  
June 30, 2005**

**Fiscal Year  
Ended June 30**

2006	2,624,839
2007	2,536,082
2008	2,529,707
2009	2,535,274
2010	2,477,940
2011	2,417,973
2012	2,427,863
2013	2,424,861
2014	2,420,555
2015	2,425,789
2016	2,331,698
2017	1,740,452
2018	1,721,908
2019	1,712,878
2020	1,119,500
2021	1,099,800
2022	614,625
2023	615,000

\$ 35,776,744

Principal	\$ 27,176,114
Interest	<u>8,600,630</u>

\$ 35,776,744

**City of Fenton  
Governmental  
Schedule of Debt Service Requirements  
Pierce Dash Pumper Fire Truck  
June 30, 2005**

<u>Fiscal Year Ended June 30</u>	<u>Interest September 1</u>	<u>Principal September 1</u>	<u>Total Requirements</u>
2006	\$ 1,687	\$ 38,571	\$ 40,258
	<u>\$ 1,687</u>	<u>\$ 38,571</u>	<u>\$ 40,258</u>

**City of Fenton**  
**Governmental**  
**Schedule of Debt Service Requirements**  
**Motorola Communications System**  
**June 30, 2005**

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>September 1</u>	<u>Principal</u> <u>September 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 7,973	\$ 50,760	\$ 58,733
2007	7,717	52,000	59,717
2008	5,887	53,830	59,717
2009	3,992	55,724	59,716
2010	2,030	57,686	59,716
	<u>\$ 27,599</u>	<u>\$ 270,000</u>	<u>\$ 297,599</u>

**City of Fenton**  
**Governmental**  
**Schedule of Debt Service Requirements**  
**Magnum Firetruck**  
**June 30, 2005**

<b>Fiscal Year Ended June 30</b>	<b>Interest September 1</b>	<b>Principal September 1</b>	<b>Total Requirements</b>
2006	\$ 19,396	\$ 56,456	\$ 75,852
2007	21,049	54,933	75,982
2008	19,033	56,949	75,982
2009	16,943	59,039	75,982
2010	14,776	61,206	75,982
2011	12,530	63,452	75,982
2012	10,201	65,781	75,982
2013	7,787	68,195	75,982
2014	5,285	70,697	75,982
2015	2,690	73,292	75,982
	<b>\$ 129,690</b>	<b>\$ 630,000</b>	<b>\$ 759,690</b>

**City of Fenton**  
**Component Unit DDA**  
**Schedule of 1994 Downtown Development Bonds**  
**June 30, 2005**

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>November 1</u>	<u>Interest</u> <u>May 1</u>	<u>Principal</u> <u>May 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 9,388	\$ 9,388	\$ 65,000	\$ 83,776
2007	7,259	7,259	70,000	84,518
2008	4,931	4,931	70,000	79,862
2009	2,569	2,569	75,000	80,138
	<u>\$ 24,147</u>	<u>\$ 24,147</u>	<u>\$ 280,000</u>	<u>\$ 328,294</u>

**City of Fenton**  
**Component Unit DDA**  
**Schedule of 2002 General Obligation Limited Tax Development Bonds**  
**June 30, 2005**

<u>Fiscal Year Ended June 30</u>	<u>Interest October 1</u>	<u>Interest April 1</u>	<u>Principal April 1</u>	<u>Total Requirements</u>
2006	\$ 120,395	\$ 120,395	\$ 235,000	\$ 475,790
2007	115,460	115,460	235,000	465,920
2008	110,525	110,525	245,000	466,050
2009	105,380	105,380	260,000	470,760
2010	99,855	99,855	290,000	489,710
2011	93,693	93,692	305,000	492,385
2012	87,211	87,212	320,000	494,423
2013	80,411	80,412	335,000	495,823
2014	73,293	73,292	350,000	496,585
2015	65,855	65,855	365,000	496,710
2016	57,825	57,825	385,000	500,650
2017	49,163	49,162	400,000	498,325
2018	40,163	40,162	420,000	500,325
2019	30,712	30,712	440,000	501,424
2020	20,813	20,812	460,000	501,625
2021	10,463	10,462	465,000	485,925
	<u>\$ 1,161,217</u>	<u>\$ 1,161,213</u>	<u>\$ 5,510,000</u>	<u>\$ 7,832,430</u>

**City of Fenton**  
**Enterprise Fund - Sewer**  
**Schedule of 1997 Sewage Disposal System No. 3 Bonds**  
**June 30, 2005**

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>October 1</u>	<u>Interest</u> <u>April 1</u>	<u>Principal</u> <u>April 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 176,556	\$ 176,555	\$ 540,073	\$ 893,184
2007	139,684	139,685	545,342	824,711
2008	132,186	132,186	637,549	901,921
2009	122,623	122,623	663,894	909,140
2010	111,005	111,004	692,874	914,883
2011	98,880	98,879	706,046	903,805
2012	83,876	83,876	711,315	879,067
2013	68,761	68,760	713,950	851,471
2014	51,804	51,804	708,681	812,289
2015	34,973	34,973	700,777	770,723
2016	17,454	17,453	698,143	733,050
	<u>\$ 1,037,802</u>	<u>\$ 1,037,798</u>	<u>\$ 7,318,644</u>	<u>\$ 9,394,244</u>

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

**City of Fenton**  
**Enterprise Fund - Sewer**  
**Schedule of Sewage Disposal System No. 3 Series 1998 Bonds**  
**June 30, 2005**

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>September 1</u>	<u>Interest</u> <u>March 1</u>	<u>Principal</u> <u>March 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 79,421	\$ 79,421	\$ 136,184	\$ 295,026
2007	76,186	76,186	167,017	319,389
2008	72,220	72,220	97,641	242,081
2009	69,901	69,901	97,641	237,443
2010	67,582	67,582	97,641	232,805
2011	65,262	65,262	113,058	243,582
2012	62,578	62,578	143,892	269,048
2013	59,160	59,160	177,296	295,616
2014	54,905	54,905	223,546	333,356
2015	49,484	49,484	274,937	373,905
2016	42,782	42,782	308,340	393,904
2017	35,074	35,074	462,510	532,658
2018	23,511	23,510	470,219	517,240
2019	11,754	11,754	470,218	493,726
	<u>\$ 769,820</u>	<u>\$ 769,819</u>	<u>\$ 3,240,140</u>	<u>\$ 4,779,779</u>

Contract with Genesee County  
Date of issue: June 8, 1998

**City of Fenton**  
**Enterprise Fund - Water**  
**Schedule of Michigan Municipal Bond Authority -**  
**Michigan Drinking Water Revolving Fund Bonds**  
**June 30, 2005**

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>October 1</u>	<u>Interest</u> <u>April 1</u>	<u>Principal</u> <u>April 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 13,110	\$ 13,110	\$ 60,000	\$ 86,220
2007	12,360	12,360	65,000	89,720
2008	11,547	11,547	65,000	88,094
2009	10,735	10,735	65,000	86,470
2010	9,922	9,922	70,000	89,844
2011	9,047	9,047	70,000	88,094
2012	8,172	8,171	75,000	91,343
2013	7,235	7,234	75,000	89,469
2014	6,297	6,296	75,000	87,593
2015	5,360	5,359	80,000	90,719
2016	4,360	4,359	80,000	88,719
2017	3,360	3,359	85,000	91,719
2018	2,297	2,296	85,000	89,593
2019	1,235	1,234	98,759	101,228
	<u>\$ 105,037</u>	<u>\$ 105,029</u>	<u>\$ 1,048,759</u>	<u>\$ 1,258,825</u>

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

**City of Fenton  
Enterprise Fund - Water  
Schedule of Michigan Municipal Bond Authority -  
Michigan Drinking Water Revolving Fund Bonds  
June 30, 2005**

<u>Fiscal Year Ended June 30</u>	<u>Interest October 1</u>	<u>Interest April 1</u>	<u>Principal April 1</u>	<u>Total Requirements</u>
2006	\$ 110,500	\$ 110,500	\$ 395,000	\$ 616,000
2007	105,563	105,562	405,000	616,125
2008	100,500	100,500	415,000	616,000
2009	95,312	95,313	425,000	615,625
2010	90,000	90,000	435,000	615,000
2011	84,563	84,562	445,000	614,125
2012	79,000	79,000	460,000	618,000
2013	73,250	73,250	470,000	616,500
2014	67,375	67,375	480,000	614,750
2015	61,375	61,375	495,000	617,750
2016	55,187	55,188	505,000	615,375
2017	48,875	48,875	520,000	617,750
2018	42,375	42,375	530,000	614,750
2019	35,750	35,750	545,000	616,500
2020	28,938	28,937	560,000	617,875
2021	21,937	21,938	570,000	613,875
2022	14,813	14,812	585,000	614,625
2023	7,500	7,500	600,000	615,000
	<u>\$ 1,122,813</u>	<u>\$ 1,122,812</u>	<u>\$ 8,840,000</u>	<u>\$ 11,085,625</u>

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

## **Component Unit Combining Statements**

**City of Fenton**  
**Governmental Funds Balance Sheet/Statement of Net Assets**  
**Component Unit DDA**  
**June 30, 2005**

<b>Assets</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Totals</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
Cash and cash equivalents	\$ 2,036,742	\$ 89,930	\$2,126,672	\$ -	\$ 2,126,672
Accounts receivable	11,700	-	11,700	-	11,700
Due from other funds	-	60,000	60,000	(60,000)	-
Capital assets not depreciated	-	-	-	295,000	295,000
<b>Total assets</b>	<b>\$ 2,048,442</b>	<b>\$ 149,930</b>	<b>\$2,198,372</b>	<b>235,000</b>	<b>2,433,372</b>
 <b>Liabilities</b>					
Accounts payable	\$ -	\$ 92,633	\$ 92,633	-	92,633
Accrued liabilities	-	665	665	-	665
Due to other funds	60,000	-	60,000	(60,000)	-
Noncurrent liabilities:					
Current portion of debt	-	-	-	300,000	300,000
Long term portion of debt	-	-	-	5,490,000	5,490,000
<b>Total liabilities</b>	<b>60,000</b>	<b>93,298</b>	<b>153,298</b>	<b>5,730,000</b>	<b>5,883,298</b>
 <b>Fund Balances/Net Assets</b>					
<b>Fund balances:</b>					
<b>Unreserved:</b>					
Special revenue fund	1,988,442	-	1,988,442	(1,988,442)	-
Capital projects fund	-	56,632	56,632	(56,632)	-
<b>Total fund balances</b>	<b>1,988,442</b>	<b>56,632</b>	<b>2,045,074</b>	<b>(2,045,074)</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,048,442</b>	<b>\$ 149,930</b>	<b>\$2,198,372</b>		
 <b>Net assets:</b>					
Invested in capital assets				295,000	295,000
Unrestricted				(3,744,926)	(3,744,926)
<b>Total net assets</b>				<b>\$ (3,449,926)</b>	<b>\$ (3,449,926)</b>
 <b>Explanation of adjustments:</b>					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				\$ 295,000	
Long-term liabilities, including bonds payable, are not due an payable in the current period and therefore are not reported in the funds.				(5,790,000)	
				<b>\$ (5,495,000)</b>	

**City of Fenton**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances/Statement of Activities**  
**Component Unit DDA**  
**Year Ended June 30, 2005**

	Special Revenue Fund	Capital Fund - Sewer	Totals	Adjusments	Statement of Activities
<b>Revenues:</b>					
Taxes	\$ 987,438	\$ -	\$ 987,438	\$ -	\$ 987,438
Interest	49,895	2,572	52,467	-	52,467
Total revenues	<u>1,037,333</u>	<u>2,572</u>	<u>1,039,905</u>	<u>-</u>	<u>1,039,905</u>
<b>Expenditures/expenses:</b>					
<b>Current:</b>					
General government	-	177,195	177,195	-	177,195
Capital outlay	-	343,075	343,075	-	343,075
<b>Debt service:</b>					
Principal payments	295,000	-	295,000	(295,000)	-
Interest and fiscal charges	273,981	-	273,981	-	273,981
Total expenditures/ expenses	<u>568,981</u>	<u>520,270</u>	<u>1,089,251</u>	<u>(295,000)</u>	<u>794,251</u>
Revenues under (over) expenditures	<u>468,352</u>	<u>(517,698)</u>	<u>(49,346)</u>	<u>295,000</u>	<u>245,654</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	394,241	394,241	(394,241)	-
Transfers out	(394,241)	-	(394,241)	394,241	-
Total other financing sources (uses)	<u>(394,241)</u>	<u>394,241</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under (over) expenditures and transfers out	74,111	(123,457)	(49,346)	49,346	-
Change in net assets	-	-	-	<u>245,654</u>	245,654
Fund balances/net assets - beginning of year	<u>1,914,331</u>	<u>180,089</u>	<u>2,094,420</u>		<u>(3,695,580)</u>
Fund balances/net assets - end of year	<u>\$ 1,988,442</u>	<u>\$ 56,632</u>	<u>\$ 2,045,074</u>		<u>\$ (3,449,926)</u>

**Explanation of adjustments:**

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

\$ 295,000

**City of Fenton**  
**Governmental Funds Balance Sheet/Statement of Net Assets**  
**Component Unit LDFA**  
**June 30, 2005**

	Special Revenue Fund	Capital Projects Fund	Totals	Adjustments	Statement of Net Assets
<b>Assets</b>					
Cash and cash equivalents	\$ 581,235	\$ 52,478	\$ 633,713	\$ -	\$ 633,713
Accounts receivable	1,080	-	1,080	-	1,080
Due from other funds	-	35,000	35,000	(35,000)	-
Total assets	<u>\$ 582,315</u>	<u>\$ 87,478</u>	<u>\$ 669,793</u>	<u>(35,000)</u>	<u>634,793</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 75,418	\$ 75,418	-	75,418
Accrued liabilities	-	246	246	-	246
Due to other funds	35,000	-	35,000	(35,000)	-
Due to primary government	-	2,145	2,145	-	2,145
Total liabilities	<u>35,000</u>	<u>77,809</u>	<u>112,809</u>	<u>(35,000)</u>	<u>77,809</u>
<b>Fund Balances/Net Assets</b>					
Fund balances:					
Unreserved:					
Special revenue fund	547,315	-	547,315	(547,315)	-
Capital projects fund	-	9,669	9,669	(9,669)	-
Total fund balances	<u>547,315</u>	<u>9,669</u>	<u>556,984</u>	<u>(556,984)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 582,315</u>	<u>\$ 87,478</u>	<u>\$ 669,793</u>		
Net assets:					
Unrestricted				556,984	556,984
Total net assets				<u>\$ 556,984</u>	<u>\$ 556,984</u>

**City of Fenton**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances/Statement of Activities**  
**Component Unit LDFAs**  
**Year Ended June 30, 2005**

	Special Revenue Fund	Capital Fund - Sewer	Totals	Adjusments	Statement of Activities
<b>Revenues:</b>					
Taxes	\$ 561,582	\$ -	\$ 561,582	\$ -	\$ 561,582
Interest	29,242	-	29,242	-	29,242
Total revenues	590,824	-	590,824	-	590,824
<b>Expenditures/expenses:</b>					
<b>Current:</b>					
General government	-	9,080	9,080	-	9,080
Capital outlay	-	117,572	117,572	-	117,572
<b>Debt service:</b>					
Principal payments	875,000	-	875,000	(875,000)	-
Interest and fiscal charges	56,230	-	56,230	-	56,230
Total expenditures/ expenses	931,230	126,652	1,057,882	(875,000)	182,882
Revenues under (over) expenditures	(340,406)	(126,652)	(467,058)	875,000	407,942
<b>Other financing sources (uses):</b>					
Transfers in	-	127,000	127,000	(127,000)	-
Transfers out	(127,000)	-	(127,000)	127,000	-
Total other financing sources (uses)	(127,000)	127,000	-	-	-
Revenues and other financing sources under (over) expenditures and transfers out	(467,406)	348	(467,058)	467,058	-
Change in net assets	-	-	-	407,942	407,942
Fund balances - beginning of year	1,014,721	9,321	1,024,042		149,042
<b>Fund balances - end of year</b>	<b>\$ 547,315</b>	<b>\$ 9,669</b>	<b>\$ 556,984</b>		<b>\$ 556,984</b>

**Explanation of adjustments:**

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

\$ 875,000

## **Statistical Section**

**City of Fenton, Michigan**  
**General Governmental Expenditures By Function <sup>(1)</sup> - Unaudited**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Legislative and Executive</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Recreation and Cultural</u>
1996	\$ 79,820	\$ 773,344	\$1,342,828	\$1,524,246	\$120,305
1997	85,843	915,532	1,302,153	1,237,978	281,583
1998	107,743	971,861	1,648,956	1,499,286	154,928
1999	119,817	1,370,550	1,667,005	2,242,031	189,967
2000	136,428	2,031,287	1,921,844	1,613,052	196,792
2001	94,977	1,446,025	2,183,186	2,246,069	299,346
2002	101,242	1,602,382	1,895,435	1,619,268	326,765
2003	165,196	1,114,972	2,594,115	2,163,482	266,667
2004	168,023	1,110,618	2,686,839	1,771,524	196,359
2005	180,249	1,187,861	2,871,127	2,109,046	225,450

**NOTE:**

(1) Includes General, Special Revenue, Debt Service Funds, and Capital Projects.

(2) Includes cemetery and community service functions.

<u>Other<sup>(2)</sup></u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$144,641	\$ -	\$388,806	\$4,373,990
157,784	-	289,737	4,270,610
115,230	-	224,258	4,722,262
183,952	-	204,276	5,977,598
243,025	-	201,240	6,343,668
180,881	-	168,035	6,618,519
183,306	-	94,247	5,822,645
177,293	31,570	93,014	6,606,309
186,713	700,109	774,909	7,595,094
190,793	62,203	40,259	6,866,988

**City of Fenton, Michigan**  
**General Governmental Revenues by Source <sup>(1)</sup> – Unaudited**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Special Assessments</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>
1996	\$2,257,547	\$ 23,121	\$155,998	\$1,456,986	\$560,477
1997	2,304,901	16,686	193,355	1,481,959	596,982
1998	2,372,044	10,504	121,678	1,496,512	707,626
1999	2,548,531	8,095	151,112	1,516,568	738,598
2000	2,537,026	6,190	175,728	1,846,859	781,073
2001	2,680,851	1,476	201,462	1,890,045	757,617
2002	2,992,277	37,404	189,527	1,798,813	807,434
2003	3,331,320	31,234	207,890	1,745,502	853,325
2004	3,471,199	21,592	199,950	1,643,819	890,454
2005	3,945,739	16,940	188,548	1,636,084	850,713

**NOTE:**

- (1) Includes General, Special Revenue, Debt Service Funds, and Capital Projects.
- (2) Includes refunds and reimbursements.

<u>Fines and Forfeits</u>	<u>Interest</u>	<u>Miscellaneous</u> <sup>(2)</sup>	<u>Total</u>
\$ 41,280	\$109,702	\$ 28,973	\$4,634,084
47,955	139,470	28,482	4,809,790
48,262	140,065	275,494	5,172,185
48,378	155,254	84,571	5,251,107
29,844	165,733	114,149	5,656,602
32,016	123,442	163,663	5,850,572
48,652	60,945	101,277	6,036,329
52,113	41,026	137,620	6,400,030
87,889	57,980	120,172	6,493,055
75,657	72,177	90,817	6,876,675

**City of Fenton, Michigan**  
**Property Tax Levies and Collections – Unaudited**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
1996	\$2,248,066	\$2,122,472	94.4%	\$124,093	\$2,246,565
1997	2,390,960	2,274,471	95.1	113,792	2,388,263
1998	2,533,005	2,409,675	95.1	114,731	2,524,406
1999	2,804,107	2,655,840	94.7	139,519	2,795,359
2000	2,895,094	2,740,034	94.6	139,102	2,879,136
2001	3,197,129	3,039,444	95.1	154,587	3,194,031
2002	3,467,617	3,252,501	93.8	199,781	3,452,282
2003	3,886,769	3,651,783	94.0	211,537	3,863,320
2004	4,023,151	3,827,520	95.1	195,631	4,023,151
2005	4,272,500	4,104,165	96.1	168,335	4,272,500

**NOTE:**

(1) Real property taxes which become delinquent are paid in full by the Genesee County Delinquent Tax Revolving Fund. As a result, percent of collections for real property taxes is 100 percent.

<u>Percent of Total Tax Collections to Tax Levy <sup>(1)</sup></u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
99.9%	\$ 1,501	0.07%
99.9	2,427	0.10
99.7	8,599	0.30
99.7	8,748	0.30
99.4	15,958	0.60
99.9	3,197	0.10
99.6	15,335	0.44
99.4	23,449	0.60
99.8	9,455	0.20
99.8	9,615	0.20

**City of Fenton, Michigan**  
**Assessed and Taxable Value of Taxable Property – Unaudited**  
**Last Ten Fiscal Years**

Fiscal Year	Real/Qualified Real Property		Personal Property		Total	
	Assessed Value <sup>(1)</sup>	Taxable Value <sup>(2)</sup>	Assessed Value	Taxable Value	Assessed Value	Taxable Value
1996	\$174,177,050	\$171,809,115	\$19,093,550	\$19,093,550	\$193,270,600	\$190,902,665
1997	193,514,780	186,399,410	21,437,450	21,437,450	214,952,230	207,836,860
1998	211,219,775	199,089,306	24,080,550	24,080,550	235,300,325	223,169,856
1999	237,452,800	216,610,250	31,095,100	31,095,100	268,547,900	247,705,350
2000	255,165,300	229,218,760	32,583,290	32,583,290	287,748,590	261,802,050
2001	280,930,100	252,740,030	37,361,000	37,361,000	318,291,100	290,101,030
2002	374,537,000	281,305,320	36,154,000	36,154,000	410,691,000	317,459,320
2003	403,871,880	316,473,480	37,544,000	37,544,000	441,415,880	354,017,480
2004	444,706,000	332,504,010	37,467,400	37,467,400	482,173,400	369,971,410
2005	454,733,560 <sup>(3)</sup>	352,417,310	40,682,700	40,682,700	495,416,260	393,100,010

**NOTE:**

(1) Assessed value represents 50% of market value.

(2) In fiscal year 1996, Taxable Value replaced State Equalized Value as the basis on which property taxes are levied.

(3) Beginning in fiscal year 2005, Real and Qualified Values are assessed.

Table 5

**City of Fenton, Michigan**  
**Property Tax Rates – Direct and Overlapping Governments**  
**(Per \$1,000 of Taxable Valuation) – Unaudited**  
**Last Ten Fiscal Years**

<u>Municipality</u>	<u>Type of Levy</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>
City of Fenton	Operating	10.87	10.87	10.98	11.00	11.00
	Debt	0.00	0.00	0.00	0.00	0.00
Genesee County	Operating	5.52	5.52	5.51	5.57	5.57
	Parks	0.49	0.49	0.49	0.49	0.49
	Paramedic	0.49	0.49	0.49	0.49	0.49
	Library	0.76	0.76	0.77	0.77	0.77
	Airport	0.49	0.49	0.49	0.49	0.49
	MTA	0.40	0.40	0.40	0.40	0.40
State of Michigan	SET (non-homestead)	6.00	5.00	6.00	6.00	6.00
Fenton Schools	Operating	0.00	0.00	0.00	0.00	0.00
	Operating (non-homestead)	18.00	17.54	17.79	17.79	17.79
	Debt	7.60	7.59	7.61	7.64	7.63
Genesee Intermediate	Operating	3.54	3.52	3.57	3.58	3.60
Mott Community College	Operating	1.99	1.98	2.00	2.02	1.37
	Debt	0.69	0.74	0.82	0.85	0.50
Southern Lakes Regional Metropolitan Parks and Recreation	Operating	0.39	0.40	0.40	0.40	0.00
<b>Total</b>		<u>57.23</u>	<u>55.79</u>	<u>57.32</u>	<u>57.49</u>	<u>56.10</u>

<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
11.00	11.00	11.00	11.00	11.00
0.00	0.32	0.35	0.57	0.80
5.58	5.59	5.59	5.59	5.59
0.49	0.49	0.49	0.49	0.49
0.49	0.49	0.49	0.49	0.49
0.79	0.79	0.79	0.69	0.69
0.49	0.49	0.49	0.49	0.49
0.40	0.40	0.40	0.40	0.00
6.00	6.00	6.00	6.00	6.00
0.00	1.00	0.00	0.00	0.00
18.00	17.98	17.98	18.00	18.00
7.65	6.65	3.30	3.30	3.30
3.60	3.60	3.60	3.60	3.60
1.37	1.37	1.37	1.37	1.37
0.50	0.50	0.50	0.50	0.50
0.00	0.00	0.00	0.00	0.00
<u>56.36</u>	<u>56.67</u>	<u>52.35</u>	<u>52.49</u>	<u>52.32</u>

Table 6

**City of Fenton, Michigan  
Special Assessments Billings and Collections – Unaudited  
Last Ten Fiscal Years**

<u>Tax Roll Year</u>	<u>Current Assessments Billed <sup>(1)</sup></u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Assessments <sup>(2)</sup></u>
1996	\$ 20,456	\$ 20,456	100%	\$109,814
1997	11,379	11,379	100	80,967
1998	10,271	10,271	100	67,110
1999	20,642	18,709	91	54,247
2000	6,313	4,573	72	168,764
2001	3,656	1,211	33	165,108
2002	16,647	12,761	77	128,068
2003	10,163	9,197	90	104,460
2004	10,182	9,076	89	108,107
2005	16,349	15,878	97	79,980

NOTES:

(1) Special assessments are billed annually (June 1) and become delinquent after one year. Delinquent special assessments are levied as part of the taxpayer's annual property tax billing. Billings which become delinquent (i.e., real property taxes including special assessments) are paid in full by the Genesee County Delinquent Tax Revolving Fund. As a result, after a two year period, all special assessment levies are 100% collected.

(2) Includes current and deferred portions.

**City of Fenton, Michigan**  
**Ratio of Net General Bonded Debt to Taxable**  
**Value and Net Bonded Debt Per Capita – Unaudited**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u>	<u>Taxable Valuation (In Thousands) <sup>(4)</sup></u>	<u>Gross Bonded and Contract Debt (In Thousands) <sup>(2)</sup></u>	<u>Debt Service Funds Available (In Thousands) <sup>(3)</sup></u>
1996	9,363	\$190,903	\$ 3,090	\$ 839
1997	9,363	207,836	11,996	252
1998	9,705 <sup>(1)</sup>	223,170	11,742	234
1999	9,705	247,705	16,631	830
2000	9,705	261,802	16,100	1,614
2001	10,582 <sup>(5)</sup>	290,101	15,572	183
2002	10,582	317,459	21,519	87
2003	10,582	354,017	29,985	2,392
2004	10,582	369,971	28,598	2,930
2005	10,582	393,100	27,118	2,537

NOTE:

- (1) U.S. Bureau of Census population estimates.
- (2) Includes all long-term general obligation bonded debt, but does not include special assessment debt.
- (3) Debt Service Funds available excludes fund balance related to special assessment Debt Service funds. Includes Local Development Finance Authority and Downtown Development Authority Debt.
- (4) In fiscal year 1996, Taxable Value replaced State Equalized Value as the basis on which property taxes are levied.
- (5) Actual 2000 census.

<u>Debt Payable From Enterprise Revenue (In Thousands)</u>	<u>Net Bonded Debt (In Thousands)</u>	<u>Ratio of Net Bonded Debt to Taxable Value</u>	<u>Net Debt Per Capita</u>
\$ -	\$ 2,284	1.20%	\$ 244
9,192	2,552	1.23	273
9,192	2,316	1.03	239
14,341	2,290	0.92	236
14,092	2,008	0.77	207
13,830	1,742	0.60	165
13,613	7,819	2.46	739
22,529	5,064	1.43	479
21,562	4,106	1.11	388
20,448	4,133	1.05	391

Table 8

**City of Fenton, Michigan**  
**Computation of Legal Debt Margin – Unaudited**  
**June 30, 2005**

	<u>Issue Date</u>	<u>Amount Outstanding</u>	
<b>Direct debt</b>			
Authority Bonds			
DDA, LT	05/01/95	\$ 280,000	
DDA, LT	10/22/01	<u>5,510,000</u>	\$ 5,790,000
Share of County Issued Bonds			
Sewer	09/11/96	7,318,641	
Sewer	06/08/98	<u>3,240,140</u>	10,558,781
Michigan Municipal Bond Authority –			
Michigan Drinking Water Bonds	04/01/99	1,048,759	
Michigan Drinking Water Bonds	12/19/02	<u>8,840,000</u>	9,888,759
Note Payable - Fire Truck			
- Motorola Communications System			38,571
- Magnum Fire Truck			270,000
			<u>630,000</u>
Total direct debt			27,176,111
Less: Self-supported Bonds			<u>21,386,111</u>
Net direct debt			<u>\$ 5,790,000</u>
<b>Legal debt margin</b>			
Assessed Valuation		<u>\$495,416,260</u>	
Debt limit – 10% of Assessed Valuation			\$49,541,626
Amount of direct debt		\$ 27,176,111	
Less: Self-supported Bonds		<u>21,386,111</u>	
Total subject to debt limit			<u>5,790,000</u>
Additional debt which could be legally incurred			<u>\$43,751,626</u>

**City of Fenton, Michigan**  
**Computation of Direct and Overlapping Debt – Unaudited**  
**June 30, 2005**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Fenton</u>	<u>Amount Applicable to City of Fenton</u>
Direct:			
City of Fenton	<u>\$ 5,790,000</u>	100.0%	<u>\$ 5,790,000</u>
Overlapping:			
Mott Community College	62,161,037	3.53	2,194,285
Genesee County	134,149,430	3.69	4,950,114
Fenton School District	33,530,059	48.55	16,278,844
Lake Fenton School District	48,427,696	5.36	2,595,724
Genesee ISD	<u>2,012,647</u>	3.53	<u>71,046</u>
Total overlapping	<u>280,280,869</u>		<u>26,090,013</u>
Total	<u>\$286,070,869</u>		<u>\$31,880,013</u>

NOTE: The obligations represent bonded debt where a full faith and credit pledge of the governmental unit is made as security for payment of the associated principal and interest on the bonds.

**City of Fenton, Michigan**  
**Revenue Bond Coverage Water Bonds - Unaudited**  
**Last Ten Fiscal Years**

Fiscal Year	Direct Gross Revenue	Direct Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirement			
				Principal	Interest	Total	Coverage
1996	\$ 844,644	\$606,924	\$237,720	\$ -	\$ -	\$ -	0.00%
1997	900,468	678,173	222,295	-	-	-	0.00
1998	958,761	751,389	207,372	-	-	-	0.00
1999	971,932	799,977	171,955	-	-	-	0.00
2000	992,774	774,629	218,145	-	-	-	0.00
2001	1,044,631	625,834	418,797	60,000	33,029	93,029	4.50
2002	1,088,103	746,622	341,481	60,000	32,460	92,460	3.69
2003	1,269,420	826,590	442,830	60,000	30,960	90,960	4.87
2004	1,443,342	841,022	602,320	65,000	29,460	94,460	6.38
2005	1,748,795	1,364,740	384,055	60,000	26,219	86,219	4.45

## NOTE:

The method to record tap-in fees received by the City has been changed for the year ended June 30, 1996. Tap-in fees in the Water and Sewer Funds to the extent they are in excess of cost are now recorded as non-operating revenues.

**City of Fenton, Michigan**  
**Ratio of Annual Debt Service Expenditures for General**  
**Bonded Debt to Total General Expenditures - Unaudited**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u> <sup>(1)</sup>	<u>Total General Expenditures</u> <sup>(2)</sup>	<u>Ratio of Debt Service to Total General Expenditures</u>
1996	\$298,786	\$ 75,824	\$374,610	\$4,373,990	8.6%
1997	221,046	55,187	276,233	4,270,610	6.5
1998	169,282	42,239	211,521	4,722,262	4.5
1999	160,128	32,358	192,486	5,977,598	3.2
2000	167,477	22,534	190,011	6,343,668	2.0
2001	146,324	11,050	157,374	6,618,519	2.4
2002	83,097	11,150	94,247	5,822,645	1.6
2003	50,598	2,158	52,756	6,534,481	0.8
2004	420,405	354,504	774,909	7,595,094	10.2
2005	36,954	3,305	40,259	6,866,988	0.1

## Notes:

- (1) Does not include general bonded debt issued for proprietary funds, component units, or special assessment debt.
- (2) Includes General, Special Revenue, and Debt Service Funds.

**City of Fenton, Michigan  
Demographic Statistics – Unaudited  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population<sup>(1)</sup></u>	<u>Per Capita Income<sup>(1)</sup></u>	<u>Median Age<sup>(1)</sup></u>	<u>Education Level in Years of Formal Schooling<sup>(1)</sup></u>	<u>Enrollment<sup>(2)</sup></u>	<u>Unemployment Percentage Rate<sup>(3)</sup></u>
1996	9,363	\$ 12,079	33.9	12.2	3,203	3.5%
1997	9,363	12,079	33.9	12.2	3,350	3.2
1998	9,705 <sup>(5)</sup>	12,079	33.9	12.2	3,376	3.8
1999	9,705	12,079	33.9	12.2	3,344	3.3
2000	10,582 <sup>(6)</sup>	22,435	34.0	12.2	3,453	2.8
2001	10,582	22,435	34.0	12.2	3,530	5.1
2002	10,582	22,435	34.0	12.2	3,565	5.2
2003	10,582	22,435	34.0	12.2	3,626	5.4
2004	10,582	22,435	34.0	12.2	3,756	4.7
2005	10,582	22,435	34.0	12.2	3,615	4.9

**SOURCES:**

- (1) U.S. Census and Federal Revenue Sharing Entitlement Population estimates.
- (2) Superintendent of Fenton Schools 4<sup>th</sup> Friday enrollment count.
- (3) Michigan Employment Security Commission, Genesee County.
- (4) 1994 estimated from U. S. Census.
- (5) 1998 estimated from U. S. Census.
- (6) Actual 2000 Census.

**City of Fenton, Michigan**  
**Property Value, Construction, and Bank Deposits - Unaudited**  
**Last Ten Fiscal Years**

Assessment Date <u>June 30</u>	<u>Commercial Construction<sup>(1)</sup></u>		<u>Residential Construction<sup>(1)</sup></u>	
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>
1996	253 <sup>(3)</sup>	\$21,533,609	47	\$ 4,300,134
1997	87 <sup>(3)</sup>	17,513,982	232 <sup>(4)</sup>	13,281,182
1998	69 <sup>(3)</sup>	10,296,422	22	1,922,807
1999	82 <sup>(3)</sup>	9,905,085	82	6,391,000
2000	17 <sup>(3)</sup>	13,023,780	127	10,126,540
2001	20 <sup>(3)</sup>	17,272,071	94	9,180,418
2002	20 <sup>(3)</sup>	14,628,070	63	8,947,421
2003	8	3,690,700	52	7,375,058
2004	5	2,834,345	80	10,745,550
2005	7	3,928,491	58	7,501,573

**SOURCES:**

- (1) Source: City of Fenton – Building permit records. Includes new construction only.
- (2) Estimated actual or market value which is approximately two times the assessed value.
- (3) Includes apartment buildings on a per unit basis.
- (4) Includes mobile homes.

Property Value <sup>(2)</sup>

<u>Commercial</u>	<u>Residential</u>	<u>Industrial and Utility</u>
\$113,267,200	\$249,605,400	\$22,236,900
122,039,922	274,378,490	27,496,700
138,527,420	363,774,000	32,628,200
150,691,600	323,857,200	36,484,400
165,003,820	350,302,040	40,079,200
251,163,200	447,857,200	50,053,600
283,091,800	472,390,000	52,495,600
314,911,160	520,383,400	54,961,720
332,085,400	522,097,320	54,950,200
395,775,400	573,630,636	64,987,400

**City of Fenton, Michigan  
Principal Taxpayers – Unaudited  
June 30, 2005**

<u>Taxpayers</u>	<u>Product/ Service</u>	<u>Taxable Value</u>
Georgetown	Apartments	\$ 8,247,460
Consumers Energy	Utility	7,770,210
Century Tool	Tool maker	6,580,500
Silver Lake Hills	Apartments	6,095,600
Regency Realty	Realty	5,160,400
Home Depot	Retail	4,842,660
Owens Investment	Retail	4,758,140
K-Mart Corporation	Retail	4,415,320
Creative Foam	Automotive supplier	4,384,050
Ring Screw Works	Wholesale/mfg.	4,214,380
Farmer Jack	Groceries	3,356,550
D.W. Detroit	Wholesale distributor	3,268,340
Silver Pointe	Strip Mall	3,090,120
VG's Supermarket	Groceries	2,140,160
The State Bank	Banking	<u>2,099,170</u>
 Total		 <u>\$70,423,060</u>

**City of Fenton, Michigan**  
**Miscellaneous Statistics – Unaudited**  
**June 30, 2005**

<b>Date of Incorporation:</b>	January 24, 1964
Form of Government	Council – Manager
<b>Fire Protection:</b>	
Number of stations	1
Number of firemen and officers	1 full-time, 32 part-time
<b>Police Protection:</b>	
Number of stations	1
Number of policemen and officers	2 part-time and 15 full-time sworn officers
<b>Education (Source – Superintendent of Schools – Public Schools Only):</b>	
Attendance centers	6
Number of classrooms	171
Number of teachers	200
Number of students	3,615
<b>Recreation and Culture:</b>	
Number of parks	9
Number of libraries	1 County
Number of volumes	Annual circulation – 100,002, Fixed capacity 55,000
<b>Employees (Full-Time):</b>	
Classified service	46
<b>Municipal Water Department:</b>	
Number of consumers	4,214
Average daily consumption	1,510,000 gallons per day
Miles of water mains	40 miles
<b>Sewers:</b>	
Sanitary sewers	40 miles
Storm sewer (maintained by City)	90
<b>Building Permits Issued:</b>	
New construction	85
Additions, repairs and other	<u>203</u>
	<u><u>288</u></u>
<b>Area:</b>	7 sq. miles
Miles of streets:	
City major streets	15.22 miles
City local streets	31.60 miles
State trunk lines	8.08 miles