

CITY OF FENTON, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2010

**Prepared by:
Treasurer's Department**

**Cynthia A. Shane
City Treasurer**

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letters of Transmittal	i-vii
GFOA Certificate of Achievement	viii
List of City Officials	ix
Organizational Chart	x
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	
	xi-xii
MANAGEMENT'S DISCUSSION AND ANALYSIS	
	xiii-xx
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9-10
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	11
Component Unit Financial Statements	
Combining Statement of Net Assets - Component Units	12
Combining Statement of Activities - Component Units	13
Notes to Financial Statements	14-32
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	33
MAJOR STREET FUND	
Budgetary Comparison Schedule	34
Schedules of Funding Progress and Employer Contributions	35
Notes to Required Supplementary Information	36-37
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	38-41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	42-45
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Nonmajor Special Revenue Funds	46-50

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2010

TABLE OF CONTENTS - CONCLUDED

FINANCIAL SECTION - CONCLUDED

OTHER SUPPLEMENTARY INFORMATION - CONCLUDED	<u>PAGE</u>
Combining Statement of Net Assets - Internal Service Funds	51
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	52
Combining Statement of Cash Flows - Internal Service Funds	53
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	54
Statement of Changes in Assets and Liabilities - Agency Funds	55

COMPONENT UNIT FUNDS

Downtown Development Authority	
Combining Balance Sheet	56
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	58
Reconciliation of the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	59
Local Development Finance Authority	
Combining Balance Sheet	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	61

STATISTICAL SECTION (UNAUDITED)

MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION

Statistical Section	62
Financial Trend Information	
Net Assets by Component	63-64
Changes in Governmental Net Assets	65-66
Changes in Business-Type Net Assets	67-68
Fund Balances - Governmental Funds	69-70
Changes in Fund Balances - Governmental Funds	71-72
Revenue Capacity Information	
Taxable value and actual value of taxable property	73-74
Direct and overlapping property tax rates	75-76
Principal property tax payers	77
Property tax levies and collections	78
Debt Capacity Information	
Ratios of outstanding debt	79-80
Ratios of general bonded debt outstanding	81-82
Direct and overlapping governmental activities debt	83
Legal debt margin	84-85
Pledged-revenue coverage	86
Demographic and Economic Information	
Demographic and economic statistics	87
Principal employment industries	88
Operating Information	
Full-time equivalent government employees	89-90
Operating indicators	91-92
Capital asset statistics	93-94

INTRODUCTORY SECTION



City of Fenton

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

December 9, 2010

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, 2010 (FY 10). Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes, and has made its best efforts to insure, that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

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

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

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

The City of Fenton has ended the fiscal year in stable financial condition and because of economic conditions the commercial and industrial growth has weakened. We have recently seen some small signs of economic recovery. Creative Foam, Inc. located in the Industrial Park was recently awarded a MEGA Tax Credit by the Michigan Economic Development Corporation for their new work in the alternative energy field that will assist them in creating 63 new jobs at their Fenton facility. We are also working with another industry in the community to create more job opportunities in the community. The Downtown Development Authority has recently awarded the redevelopment of the Old Fire Hall to Michigan Brewing Company. They plan to renovate the building for reuse as a restaurant. It is hoped that this project will be a catalyst for the redevelopment of the downtown district.

Although there were no new homes built in the last fiscal year, there have been several completions of housing units that had been rough framed-in for the last couple of years. However, current population projections by Genesee County indicate that growth is still occurring and is expected to continue through 2035. There is a continued high level of interest for developing in Fenton as reflected by inquiries and actual plans submitted by developers. Some projects have stalled due to the tight credit market in the private sector. The problems in the national and state economy have continued to have a negative impact on the growth in our community. However, our location near several major metropolitan markets and as our relatively new position as the commercial hub for southern Genesee, northern Livingston, and western Oakland counties, quality education systems, abundant natural resources, and overall quality of life will continue to make Fenton a community in demand.

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

- Last year we partnered with Genesee County to implement a Neighborhood Stabilization Plan. The city has now purchased 5 homes for rehabilitation and resale.
- Eliminated the replacement of exercise equipment at the Fire Station.
- Implemented a reduction in force of 2 clerical employees through a layoff.
- The retirement of the City Clerk allowed the city to promote the Deputy Clerk and hire a part-time employee for the Deputy Clerk position.
- On January 1, 2010 the city began processing payroll internally. This was previously done by a vendor.

These changes alone reduced expenditures by approximately \$160,000.

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

- The SRF project is a \$2.1 million project is an upgrade of the city's sanitary sewer lift stations. The City of Fenton will receive, from the ARRA of 2009, principal forgiveness in the amount of \$804,000. Construction on this project began during fiscal year 2010.
- The Silver Parkway resurfacing project is a \$1.5 million project that consisted of the resurfacing of Silver Parkway. The City of Fenton will received \$1.285 million from the ARRA of 2009 for the project.

Construction of these projects began in FY 2010. The Silver Parkway resurfacing project has been completed.

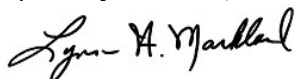
Wherever possible the City has made use of grant, matching, or low interest funds to help meet the needs of the community. Examples of such grants benefiting the City include road and water system improvements, sidewalk extensions, recreational paths, tree planting and planning studies. The City has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

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

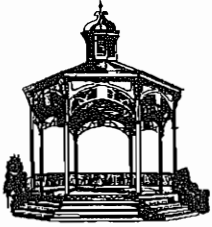
In closing, let me express my hope that you will find this document to be a useful tool in evaluating the City's financial health. Helping you and the public obtain a thorough understanding of the City's financial condition is important to us all. Should you have any questions, comments, concerns, or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

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

Respectfully submitted,



Lynn Markland
City Manager



City of Fenton

301 South Leroy Street · Fenton, Michigan 48430-2196 • (810) 629-2261 • FAX (810) 629-2004
December 9, 2010

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, 2010 is hereby submitted. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

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

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

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

REPORTING ENTITY

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

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

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

City of Fenton Building Authority:

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

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

Member Michigan Municipal League

Local Development Finance Authority:

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

Downtown Development Authority:

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

ECONOMIC CONDITION AND OUTLOOK

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

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

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

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

Fenton Area Public Schools is one of the finest school districts in the state, with three public elementary schools, a fifth- and sixth-grade, a new seventh- and eighth-grade building which was built in 2000, and a high school. Fenton Area Public Schools has become the first public school district in Michigan to offer the International Baccalaureate Programme district wide.

A small portion of the City is located in the Lake Fenton Community Schools geographic area. Lake Fenton Community Schools has built a new state-of-the-art high school. In addition, the City is the home to a private parochial school for parents who choose a religion-based education for their children.

The 2000 U.S. Census was 10,582, a population increase of 25% or 2,138 persons from 1990. The estimated population for 2009 is 12,000.

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. Two new restaurants opened this year; Jimmy John's and Luigi's. Medawar Jewelers opened a new store. Two new hotels are planning to build in Fenton, Fairfield Marriott with 80 rooms and Holiday Inn Express with 82 rooms. A multi-million dollar industrial park is located in the City. Many of these industrial businesses were auto related but are changing to other areas of manufacturing. Lear Seating closed their business in Fenton and a replacement is already in their building. The replacement is McDunnough, Inc., specializing in industrial material recycling.

MAJOR INITIATIVES

For the Year. A major concern, year after year, of the City is the maintenance and expansion of the general infrastructure (roads, bridges and sidewalks). The City received \$1.285 million in American Recovery and Reinvestment Act Funds this fiscal year for the Silver Parkway resurfacing project. The total project costs were \$1.5 million. Silver Parkway is one of the heaviest traveled roads in Genesee County.

The DDA (Downtown Development Authority) continued the facade improvement program, financially and professionally assisting business in improving the external portion to their buildings. Streetscape improvements were maintained and continued. A sign way finding project was in the planning stages to assist newcomers in finding their way around Fenton. Dan Burden, a world renowned expert in walkability and physical design, was invited to tour Fenton. He pointed out several issues related to the walkability of our downtown. The DDA contracted with New Moon Visions marketing firm. New Moon created the tagline “Get Closer” which encourages visitors to get closer to Fenton through lakes, businesses and family. New Moon will continue their marketing program into the next fiscal year.

Park and Recreation Master Plan was updated in 2010. Using the parks to help the City establish a “sense of place” was identified as a need for the community. Some of the goals and objectives were to expand access to and along natural waterways; kayak and canoe launches adjacent to Mill Pond Park; continuation of the Shiawassee River walkway. Bike trails connecting Linden and Fenton. The City needs to identify alternative sources of funding for projects and programs.

The City purchased a 2009 Spartan/Rosenbauer pumper tanker truck for the Fire Department. The truck has seating for six firefighters, a 1500 GPM pump, and carries 200 gallons of water.

The City funded the replacement of five of the seven existing sanitary pump stations through the Clean Water State Revolving Fund (SRF). The City borrowed \$2,010,000 at the interest rate of 2.5%. Forgiveness of \$804,000 of this principal amount was granted by the ARRA of 2009. Properly sized emergency generators were added to the other two pump stations.

Standard and Poors reviewed the City of Fenton credit rating this fiscal year. The credit rating was upgraded from an A+ to AA-. The Financial Management Assessment (FMA) score is “good”.

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

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

The Adelaide Street improvement and water main replacement project will be the major infrastructure project for the coming fiscal year. The project will be financed with Taxable - Recovery Zone Economic Development Bonds in the amount of \$2,690,000 at a true interest cost of 3.50501%. Under the ARRA Act of 2009, the City will receive federal subsidy receipts equal to 45% of interest costs.

The City has applied for a funding grant to resurface North Leroy Street.

Downtown Master Plan Focus

The DDA (Downtown Development Authority) board retained John Dzurman Architects to create the Downtown Master Plan and Design Guidelines. The purpose of this effort was to develop a comprehensive overview of the downtown area and a block-by-block plan for future development. The downtown plan includes recommended building locations, parking, streetscape improvements, signage, open spaces, and pedestrian and parking facilities based on future needs. Moreover, a detailed set of design guidelines was produced for each unique block area addressing the location of buildings, parking and signage.

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

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

Several Phase I projects are planned for the next fiscal year. The DDA is implementing a way finding signage project to direct people not familiar with the community to different areas of the City. The DDA chose the Michigan Brewing Company to renovate the old fire hall into a restaurant.

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

FINANCIAL INFORMATION

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

Budgeting Controls. After thorough evaluation of all proposals, the City council adopts an annual budget for the general fund, special revenue funds, and debt service funds. The budget is legally enacted on a departmental (activity) basis. Monthly budget reports are provided to department heads and it is their responsibility to see that expenditures are within the budgetary guidelines. An online inquiry system is also available to department heads in which they could review budget to actual figures on a daily basis. Quarterly budget reports are provided to council for their review.

Pension Plan. The City participates in the Michigan Municipal Employees Retirement System (MERS), which is an agent multiple-employer public employee retirement system (PERS). The City provides retirement benefits in accordance with labor contracts. 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, 2009, in funding 77 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.

Other Postemployment Benefits. The City also provides retiree healthcare benefits to qualifying full-time employees upon retirement, in accordance with a City resolution. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. The only current contributions being made are to pay the actual current premiums of the retirees.

Cash Management. The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds is invested in demand deposits (savings and checking), certificates of deposit, and money markets. The average yield on maturing investments during the year was .50%, and the amount of interest received was \$46,390.

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

OTHER INFORMATION

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

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the *City of Fenton* for its comprehensive annual financial report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully,

A handwritten signature in black ink that reads "Cynthia A. Shane". The signature is written in a cursive style with a large initial 'C'.

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, 2009

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



President

Executive Director

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2010

LIST OF CITY OFFICIALS

CITY COUNCIL

Barbara Sue Osborn, Mayor

Timothy Faricy

Cheryl A. King

Dianne North

John Rauch

Bradley Jacob

Benjamin Smith

APPOINTED OFFICIALS

Lynn Markland, City Manager

Tonya Molloseau, City Assessor

Jennifer Naismith, City Clerk

Cynthia A. Shane, City Treasurer

Noel Brad Hissong, Building & Zoning Administrator

Robert Cairnduff, Fire Chief

Richard Aro, Police Chief

Leslie Bland, Director of Public Works

**City of Fenton, Michigan
Organizational Chart**

Citizens of the City of Fenton

**Mayor and
City Council**

City Attorney

Planning Commission

Library Board

Local Development Finance Authority

Compensation Commission

Building Authority

Cemetery Board

Museum Board

Board of Review

Zoning Board of Appeals

Beautification Commission

Downtown Development Authority

Park And Recreation Board

City Manager

Police
Chief

Fire
Chief

City
Clerk

Zoning
Administrator

Treasurer

Assessor

Public Works
Director

Support Staff

FINANCIAL SECTION

Principals

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



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fenton, Michigan, as of and for the year ended June 30, 2010, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

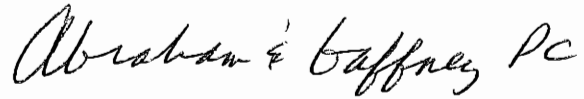
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fenton, Michigan, as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2010, on our consideration of the City of Fenton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information and postemployment benefit information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 9, 2010

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 i through vii 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 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund and Major Street Fund, all of which are considered to be major funds. Data for the other 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

Other Financial and Supplementary 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 supplementary information.

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

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

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

The City of Fenton as a Whole

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

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current & Other Assets	\$ 4.7	\$ 5.2	\$ 3.3	\$ 4.1	\$ 8.0	\$ 9.3
Capital Assets	<u>15.8</u>	<u>16.0</u>	<u>36.3</u>	<u>36.8</u>	<u>52.1</u>	<u>52.8</u>
Total Assets	<u>20.5</u>	<u>21.2</u>	<u>39.6</u>	<u>40.9</u>	<u>60.1</u>	<u>62.1</u>
Long-term liabilities	.7	.8	15.8	15.7	16.5	16.5
Other liabilities	<u>.8</u>	<u>1.0</u>	<u>.5</u>	<u>.5</u>	<u>1.3</u>	<u>1.5</u>
Total liabilities	<u>1.5</u>	<u>1.8</u>	<u>16.3</u>	<u>16.2</u>	<u>17.8</u>	<u>18.0</u>
Net assets:						
Invested in capital assets - Net of related debt	15.3	15.5	20.6	21.5	35.9	37.0
Restricted	.3	.3	.9	.9	1.2	1.2
Unrestricted (deficit)	<u>3.3</u>	<u>3.6</u>	<u>1.8</u>	<u>2.3</u>	<u>5.1</u>	<u>5.9</u>
Total net assets	<u>\$ 18.9</u>	<u>\$ 19.4</u>	<u>\$ 23.3</u>	<u>\$ 24.7</u>	<u>\$ 42.2</u>	<u>\$ 44.1</u>

The City's combined net assets increased 4.5 percent from a year ago, increasing from \$42.2 million to \$44.1 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately .5 million in net assets, or fourteen percent, during the fiscal year 2010. This increase is attributable to the purchase of capital assets and infrastructure. The business-type activities experienced an increase in net assets of approximately 1.4 million or six percent. This increase is attributable to water and sewer fee increases, which resulted in cash and accounts receivable increases. Construction of infrastructure accounted for the remainder of the increase. Unrestricted net assets for the governmental activities, which is the portion of net assets that is available to finance day-to-day operations and future growth, was \$3.6 million at June 30, 2010.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenue						
Program revenue:						
Charges for services	\$ 1.4	\$ 1.3	\$ 4.4	\$ 4.7	\$ 5.8	\$ 6.0
Operating grants and Contributions	1.1	.9	0.0	0.0	1.1	.9
Capital grants and Contributions	0.6	.0	0.0	1.0	0.6	1.0
General revenue:						
Property taxes	4.5	4.4	0.0	0.0	4.5	4.4
State-shared revenue	0.8	.7	0.0	0.0	0.8	.7
Unrestricted						
Miscellaneous	0.0	0.0	0.0	0.1	0.0	0.1
Investment earnings	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>
Total revenue	<u>8.5</u>	<u>7.3</u>	<u>4.5</u>	<u>5.8</u>	<u>13.0</u>	<u>13.1</u>
Program Expenses						
General government	1.0	1.1	0.0	0.0	1.0	1.1
Public safety	3.6	3.5	0.0	0.0	3.6	3.5
Public Works	1.1	1.7	0.0	0.0	1.1	1.7
Parks & Recreation	0.3	0.3	0.0	0.0	0.3	0.3
Community Service	0.1	0.1	0.0	0.0	0.1	0.1
Cemetery	0.1	0.1	0.0	0.0	0.1	0.1
Interest on long-term						
Debt	0.0	0.0	0.0	0.0	0.0	0.0
Water	0.0	0.0	2.4	2.3	2.4	2.3
Sewer	<u>0.0</u>	<u>0.0</u>	<u>2.1</u>	<u>2.1</u>	<u>2.1</u>	<u>2.1</u>
Total program expenses	<u>6.2</u>	<u>6.8</u>	<u>4.5</u>	<u>4.4</u>	<u>10.7</u>	<u>11.2</u>
Change in Net Assets	<u>\$ 2.3</u>	<u>\$.5</u>	<u>\$ 0.0</u>	<u>\$ 1.4</u>	<u>\$ 2.3</u>	<u>\$ 1.9</u>

Governmental Activities

The City's total governmental revenues decreased by approximately \$1.2 million due to an decrease in operating grants and contributions, state shared revenues, property taxes and investment earnings..

Expenses increased by approximately \$.6 million, or 10 percent, from last fiscal year.

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer Funds. The City provides water from wells located in the City. A new water treatment plant build in 2004 processes the water for all residents. The water usage rates were increased 14 percent in the third quarter of fiscal 2010, which was necessary to cover operating costs. Water capital charges were increased by 85% in the third quarter of fiscal 2010 in anticipation of issuing bonds of \$2.7 million for the Adelaide Street Water Improvement Project.

The City is a participant in a county-wide sanitary sewer construction program under Act 342 Michigan Compiled Laws. The City contracts with Genesee County Water and Waste Services for the operation of the plant. The City has pledged the full faith and credit of the City for the payment of the City's share of principal and interest payments. The assets and liabilities relating to those contracts have been recorded in the Sewer Fund. The City of Fenton, Fenton Township and City of Linden share a plant located in Fenton Township. The City's proportionate share of the operating costs of the plant is covered by our sewer rates. The sewer quarterly capital charge was increased by 14 percent in the third quarter of fiscal 2010. The Sewer Fund issued bonds of two million for the replacement of existing sewer lift stations. A portion of this principal (\$804,000) was forgiven through the American Recovery and Reinvestment Act of 2009. The forgiven portion of the principal is classified as a capital grant on the changes of net assets table. The combination of water and sewer quarterly capital charges and tap fees for new construction are used to pay the debt payments for these enterprise funds. As the economy slows, the tap fees are decreasing making an increase in the capital charge necessary. During fiscal 2010, \$521,220 in operating income was incurred in the Sewer Fund and \$354,180 in operating income was incurred in the Water Fund.

The City's Funds

Our analysis of the City's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51 major and local road revenue sharing.

The City's major funds for 2010 include the General Fund and the Major Street Fund.

The General Fund pays for most of the City's governmental services. The most significant of these are police and fire services, which incurred expenditures of approximately \$3 million in 2010. The general operating millage levied by the City supports these two services. FY 2010, revenues decreased in the General Fund by \$405,853, mainly due to the decreases in taxable values and property taxes. The City made a great effort to reduce spending, expenditures decreased by \$376,139. This reduction was mainly personnel and overtime reductions. Fund Balance in the General Fund increased by \$86,155.

Fund Balance of the Major Street Fund increased by \$4. Expenditures declined due to a reduction in personnel and benefits.

General Fund Budgetary Highlights

Over the course of the year, City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. At year end, actual General Fund revenues were over budget by \$62,208. The State reduced the City's revenue sharing payments during the fiscal year but the actual revenue was \$13,000 more than anticipated. Many tax appeal reductions are being granted by the State Tax Tribunal, property tax revenue was \$66,400 less than the previous year. Expenditures were \$300,648 under budget. Overall personnel cuts and overtime reductions in public safety were the major reasons for the positive budget variance.

Capital Assets and Debt Administration

At the end of fiscal 2010, the City had \$53.0 million invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets and water and sewer lines. The value of the infrastructure assets, net of depreciation, contained in this report is \$8.2 million and \$7.9 million for fiscal 2010 and 2009, respectively. The increase in infrastructure assets every year is due to continuous capital improvement program in which the city improves streets every year.

	Governmental Activities	Business- Type Activities	Component Unit Activities	Total
Land	\$ 1,605,104	\$ 190,930	\$ 345,000	\$ 2,141,034
Construction in progress	3,608,635	2,007,983	-	5,616,618
Buildings, net	4,213,279	-	107,730	4,321,009
Building and land improvements, net	141,829	7,976,380	-	8,118,209
Machinery, vehicles, and equipment, net	1,841,148	29,841	20,440	1,891,429
Roads, lights, and bridges, net	4,608,640	-	-	4,608,640
Sewer and water lines, net	-	26,616,928	-	26,616,928
Capital assets, net	<u>\$ 16,018,635</u>	<u>\$ 36,822,062</u>	<u>\$ 473,170</u>	<u>\$ 53,313,867</u>

Standard and Poors reviewed the City of Fenton credit rating this fiscal year. The rating was upgraded from an A+ to AA-. The Financial Management Assessment (FMA) score is "good". The Sewer Fund issued revenue bonds in this 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>2009</u>	<u>2010</u>
Net direct bonded debt	\$ 460,309	\$ 541,386
Ratio of debt to assessed valuation	.0010	.0012
Debt per capita	\$ 43	\$ 51

Additional information on the City of Fenton's capital assets and long term debt can be found in note E on pages 23-25 and note F on pages 25-28, respectively, of this report.

Economic Factors and Next Year's Budgets and Rates

The City levied an operating millage of 11 mills from 1989 to 2001. The city charter's operating millage is 13 mills. During these years the Headlee Amendment authorized millage was higher than 11 mills but the City Council chose not to levy the full authorized millage. In the past nine years the Headlee Amendment has rolled the City's operating millage below 11 mills. For 2009 and 2010 the City has levied 10.63 mills. In March 1994, Proposal A was enacted, which limits the growth on existing property to the rate of inflation. The inflation rate allowed for fiscal 2010 under Proposal A was only 4.4 percent. Property taxes make up 76 percent of our General Fund budget revenue and Proposal A and the Headlee Amendment limit the growth of this revenue. Fortunately the city is still experiencing new commercial development. Most of this tax revenue growth is captured by the DDA but the DDA has completed many projects which benefit the City as a whole plus shared a portion of their revenue with the General Fund this fiscal year. Residential growth in the city is at a stand still. State-shared revenue payments decreased 11 percent for fiscal 2010 and are likely to decrease again due to the State's structural deficit problems.

The General Fund budget for 2011 is structured so that revenues exceed expenditures by \$62,688. The City makes an effort to operate with relative low personnel costs and an efficient labor force. Medical insurance costs continue to increase at about 15% a year. Each year the city tackles a major road infrastructure project, this year Silver Parkway was resurfaced. The City prepares a Five Year Financial Plan for the General Fund, foreseeing the possible financial condition for more than just one year.

Contacting the City's Management

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

BASIC FINANCIAL STATEMENTS

City of Fenton

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash	\$ 2,704,434	\$ 882,439	\$ 3,586,873	\$ 2,884,779
Cash - restricted	-	675,508	675,508	-
Investments	882,085	-	882,085	969,809
Investments - restricted	-	218,827	218,827	-
Receivables	799,291	1,978,876	2,778,167	700
Due from other governmental units	495,005	250,000	745,005	91,948
Internal balances	(88,780)	88,780	-0-	-
Inventories	45,545	35,870	81,415	-
Prepays	194,778	-	194,778	-
Assets held for resale	124,759	-	124,759	-
Total current assets	5,157,117	4,130,300	9,287,417	3,947,236
Noncurrent assets				
Capital assets not being depreciated	5,213,739	2,198,913	7,412,652	345,000
Capital assets, net of accumulated depreciation	10,804,896	34,623,149	45,428,045	128,170
Total noncurrent assets	16,018,635	36,822,062	52,840,697	473,170
TOTAL ASSETS	21,175,752	40,952,362	62,128,114	4,420,406
LIABILITIES				
Current liabilities				
Accounts payable	216,031	402,779	618,810	156,180
Accrued wages	83,422	7,762	91,184	1,037
Deposits payable	172,094	-	172,094	-
Due to other governmental units	118,073	344	118,417	426,427
Unearned revenue	51,326	-	51,326	-
Accrued interest payable	8,662	129,516	138,178	46,847
Current portion of compensated absences	44,914	28,004	72,918	-
Current portion of long-term debt	89,372	1,387,806	1,477,178	305,000
Total current liabilities	783,894	1,956,211	2,740,105	935,491
Noncurrent liabilities				
Meter deposits	-	2,204	2,204	-
Noncurrent portion of compensated absences	179,657	112,019	291,676	-
Noncurrent portion of long-term debt	452,045	13,941,647	14,393,692	3,940,000
Net post-employment benefit obligation	326,499	201,890	528,389	-
Total noncurrent liabilities	958,201	14,257,760	15,215,961	3,940,000
TOTAL LIABILITIES	1,742,095	16,213,971	17,956,066	4,875,491
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	15,477,218	21,492,609	36,969,827	473,170
Restricted for:				
Highways and streets	129,399	-	129,399	-
Garbage collection	2,963	-	2,963	-
Public safety	45,035	-	45,035	-
Capital projects	139,886	-	139,886	-
Bond reserve	-	894,335	894,335	-
Unrestricted	3,639,156	2,351,447	5,990,603	(928,255)
TOTAL NET ASSETS (DEFICIT)	\$ 19,433,657	\$ 24,738,391	\$ 44,172,048	\$ (455,085)

See accompanying notes to financial statements.

City of Fenton

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,106,229	\$ 172,299	\$ 10,258	\$ -	\$ (923,672)	\$ -	\$ (923,672)	\$ -
Public safety	3,522,764	533,197	14,823	-	(2,974,744)	-	(2,974,744)	-
Public works	1,836,728	511,425	696,386	41,482	(587,435)	-	(587,435)	-
Community and economic developmen	46,800	-	132,126	-	85,326	-	85,326	-
Recreation and culture	270,807	34,062	-	-	(236,745)	-	(236,745)	-
Interest and fees on long-term debt	19,866	-	-	-	(19,866)	-	(19,866)	-
Total governmental activities	6,803,194	1,250,983	853,593	41,482	(4,657,136)	-0-	(4,657,136)	-0-
Business-type activities								
Sewer	2,114,313	2,257,131	-	1,054,000	-	1,196,818	1,196,818	-
Water	2,302,524	2,415,330	-	-	-	112,806	112,806	-
Total business-type activities	4,416,837	4,672,461	-0-	1,054,000	-0-	1,309,624	1,309,624	-0-
Total primary government	<u>\$ 11,220,031</u>	<u>\$ 5,923,444</u>	<u>\$ 853,593</u>	<u>\$ 1,095,482</u>	(4,657,136)	1,309,624	(3,347,512)	-0-
Component units								
Downtown development authority	\$ 853,634	\$ -	\$ -	\$ -	-	-	-0-	(853,634)
Local development finance authority	365,237	-	-	-	-	-	-0-	(365,237)
Total component units	<u>\$ 1,218,871</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(1,218,871)
General revenues								
Property taxes					4,339,222	-	4,339,222	1,703,963
State shared revenue					721,565	-	721,565	-
Investment earnings					17,360	10,042	27,402	17,931
Gain on disposal of capital assets					33,300	-	33,300	-
Miscellaneous					46,672	94,065	140,737	200
Total general revenues					5,158,119	104,107	5,262,226	1,722,094
Change in net assets					500,983	1,413,731	1,914,714	503,223
Net assets (deficit), beginning of the year					18,932,674	23,324,660	42,257,334	(958,308)
Net assets (deficit), end of the year					<u>\$ 19,433,657</u>	<u>\$ 24,738,391</u>	<u>\$ 44,172,048</u>	<u>\$ (455,085)</u>

City of Fenton
Governmental Funds
BALANCE SHEET

June 30, 2010

	General	Major Street	Nonmajor Governmental Funds	Total
ASSETS				
Cash	\$ 625,334	\$ 10,331	\$ 1,514,230	\$ 2,149,895
Investments	882,085	-	-	882,085
Receivables				
Accounts	207,341	-	111,050	318,391
Interest	2,100	-	1,234	3,334
Taxes	394,155	-	-	394,155
Special assessments	14,498	-	50,519	65,017
Due from other funds	149,993	-	6,033	156,026
Due from other governmental units	307,420	89,110	98,475	495,005
Inventories	38,645	-	6,900	45,545
Prepays	194,778	-	-	194,778
Assets held for resale	-	-	124,759	124,759
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,816,349</u>	<u>\$ 99,441</u>	<u>\$ 1,913,200</u>	<u>\$ 4,828,990</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 141,252	\$ 15,814	\$ 28,266	\$ 185,332
Accrued wages	77,210	2,495	3,717	83,422
Deposits payable	172,094	-	-	172,094
Due to other funds	275,942	-	182,042	457,984
Due to other governmental units	118,073	-	-	118,073
Deferred revenue	437,905	-	58,095	496,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,222,476	18,309	272,120	1,512,905
FUND BALANCES				
Reserved for:				
Inventories	38,645	-	6,900	45,545
Prepays	194,778	-	-	194,778
Assets held for resale	-	-	124,759	124,759
Unreserved				
Undesignated, reported in:				
General fund	1,360,450	-	-	1,360,450
Special revenue funds	-	81,132	618,161	699,293
Capital projects funds	-	-	891,260	891,260
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	1,593,873	81,132	1,641,080	3,316,085
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,816,349</u>	<u>\$ 99,441</u>	<u>\$ 1,913,200</u>	<u>\$ 4,828,990</u>

See accompanying notes to financial statements.

City of Fenton

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

June 30, 2010

Total fund balances - governmental funds \$ 3,316,085

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

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

The cost of capital assets is	\$ 20,277,349	
Accumulated depreciation is	<u>(4,622,962)</u>	
Capital assets, net		15,654,387

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

Net assets of governmental activities accounted for in Internal Service Funds		895,089
--	--	---------

Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds.		444,674
--	--	---------

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

Bonds, loans, and leases payable	(541,417)	
Accrued interest payable	(8,662)	
Net post-employment benefit obligation	<u>(326,499)</u>	
		<u>(876,578)</u>

Net assets of governmental activities \$ 19,433,657

City of Fenton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2010

	General	Major Street	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 4,393,964	\$ -	\$ -	\$ 4,393,964
Licenses and permits	184,494	-	-	184,494
Intergovernmental	744,491	528,939	341,055	1,614,485
Charges for services	267,112	-	651,251	918,363
Fines and forfeits	60,189	-	-	60,189
Interest and rents	72,149	428	15,334	87,911
Other	42,295	-	46,585	88,880
TOTAL REVENUES	5,764,694	529,367	1,054,225	7,348,286
EXPENDITURES				
Current				
General government	920,763	-	62,672	983,435
Public safety	2,797,687	-	211,573	3,009,260
Public works	214,407	757,863	848,548	1,820,818
Community and economic development	33,360	-	7,367	40,727
Recreation and culture	55,806	-	175,914	231,720
Other	280,825	-	-	280,825
Debt service	59,716	-	75,982	135,698
Capital outlay	-	-	377,966	377,966
TOTAL EXPENDITURES	4,362,564	757,863	1,760,022	6,880,449
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,402,130	(228,496)	(705,797)	467,837
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	200,000	200,000
Transfers in	-	278,500	1,365,975	1,644,475
Transfers out	(1,315,975)	(50,000)	(278,500)	(1,644,475)
TOTAL OTHER FINANCING SOURCES (USES)	(1,315,975)	228,500	1,287,475	200,000
NET CHANGE IN FUND BALANCES	86,155	4	581,678	667,837
Fund balances, beginning of year	1,507,718	81,128	1,059,402	2,648,248
Fund balances, end of year	<u>\$ 1,593,873</u>	<u>\$ 81,132</u>	<u>\$ 1,641,080</u>	<u>\$ 3,316,085</u>

See accompanying notes to financial statements.

City of Fenton

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

Year Ended June 30, 2010

Net change in fund balances - total governmental funds **\$ 667,837**

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

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

Capital outlay	\$ 945,271	
Depreciation expense	<u>(586,218)</u>	
Excess of capital outlay over depreciation expense and net effect of disposal of capital assets		359,053

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

Decrease in Net Assets of Internal Service Funds		(71,131)
--	--	----------

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

Loan principal retirement	118,892	
Loan proceeds	<u>(200,000)</u>	
		(81,108)

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

(Increase) in accrued interest payable	(3,060)	
(Decrease) in deferred revenue	(44,109)	
(Increase) in net post-employment benefit obligation	<u>(326,499)</u>	
		<u>(373,668)</u>

Change in net assets of governmental activities **\$ 500,983**

City of Fenton

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2010

	Business-type Activities		Total	Governmental
	Sewer	Water		Activities
	Fund	Fund		Internal Service
ASSETS				
Current assets				
Cash	\$ 882,439	-	\$ 882,439	\$ 554,539
Cash - restricted	-	675,508	675,508	-
Investments - restricted	-	218,827	218,827	-
Accounts receivable	1,009,269	969,607	1,978,876	17,795
Interest receivable	-	-	-	599
Due from other funds	498,568	13,148	511,716	237,880
Due from other governmental units	250,000	-	250,000	-
Inventories	-	35,870	35,870	-
Total current assets	2,640,276	1,912,960	4,553,236	810,813
Noncurrent assets				
Capital assets not being depreciated	1,899,758	299,155	2,198,913	-
Capital assets, net of accumulated depreciation	20,563,783	14,059,366	34,623,149	364,248
Total noncurrent assets	22,463,541	14,358,521	36,822,062	364,248
TOTAL ASSETS	25,103,817	16,271,481	41,375,298	1,175,061
LIABILITIES				
Current liabilities				
Accounts payable	364,399	38,380	402,779	30,699
Accrued wages	1,283	6,479	7,762	-
Accrued interest payable	79,975	49,541	129,516	-
Due to other funds	53,930	369,006	422,936	24,702
Due to other governmental units	-	344	344	-
Current portion of compensated absences	10,063	17,941	28,004	44,914
Current portion of long-term debt	872,806	515,000	1,387,806	-
Total current liabilities	1,382,456	996,691	2,379,147	100,315
Noncurrent liabilities				
Meter deposits	-	2,204	2,204	-
Noncurrent portion of compensated absences	40,254	71,765	112,019	179,657
Noncurrent portion of long-term debt	6,967,888	6,973,759	13,941,647	-
Other post-employment benefit obligation	46,590	155,300	201,890	-
Total noncurrent liabilities	7,054,732	7,203,028	14,257,760	179,657
TOTAL LIABILITIES	8,437,188	8,199,719	16,636,907	279,972
NET ASSETS				
Invested in capital assets, net of related debt	14,622,847	6,869,762	21,492,609	364,248
Restricted for bond reserve	-	894,335	894,335	-
Unrestricted	2,043,782	307,665	2,351,447	530,841
TOTAL NET ASSETS	\$ 16,666,629	\$ 8,071,762	\$ 24,738,391	\$ 895,089

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

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

Year Ended June 30, 2010

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
OPERATING REVENUES				
Charges for services	\$ 2,257,131	\$ 2,415,330	\$ 4,672,461	\$ 254,753
Other	49,379	44,686	94,065	265
TOTAL OPERATING REVENUES	2,306,510	2,460,016	4,766,526	255,018
OPERATING EXPENSES				
Personnel services	281,397	969,836	1,251,233	34,540
Professional services	840,912	15,528	856,440	-
Operating supplies	14,978	418,838	433,816	23,422
Fuel and utilities	22,651	126,732	149,383	58,152
Repairs and maintenance	-	76,689	76,689	44,381
Equipment and building rent	49,244	31,642	80,886	17,844
Insurance	22,600	24,000	46,600	12,800
Depreciation	552,867	441,404	994,271	149,384
Other	641	1,167	1,808	159
TOTAL OPERATING EXPENSES	1,785,290	2,105,836	3,891,126	340,682
OPERATING INCOME (LOSS)	521,220	354,180	875,400	(85,664)
NONOPERATING REVENUES (EXPENSES)				
Interest earned	5,550	4,492	10,042	2,037
Gain on sale of assets	-	-	-0-	12,496
Interest expense and fees	(329,023)	(196,688)	(525,711)	-
TOTAL NONOPERATING (EXPENSES)	(323,473)	(192,196)	(515,669)	14,533
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	197,747	161,984	359,731	(71,131)
CAPITAL CONTRIBUTIONS				
Local sources	250,000	-	250,000	-
Federal sources	804,000	-	804,000	-
TOTAL CAPITAL CONTRIBUTIONS	1,054,000	-0-	1,054,000	-0-
CHANGE IN NET ASSETS	1,251,747	161,984	1,413,731	(71,131)
Net assets, beginning of year	15,414,882	7,909,778	23,324,660	966,220
Net assets, end of year	<u>\$ 16,666,629</u>	<u>\$ 8,071,762</u>	<u>\$ 24,738,391</u>	<u>\$ 895,089</u>

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 2,002,228	\$ 2,520,734	\$ 4,522,962	\$ -
Cash receipts from interfund services provided	-	-	-0-	242,418
Cash payments for interfund services used	-	-	-0-	(214,866)
Cash paid to suppliers	(811,944)	(945,676)	(1,757,620)	(153,208)
Cash paid to employees	(233,508)	(809,811)	(1,043,319)	(28,785)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	956,776	765,247	1,722,023	(154,441)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(1,438,847)	(61,707)	(1,500,554)	(20,440)
Proceeds from sale of assets	-	-	-0-	15,145
Interest expense and fees	(332,248)	(199,844)	(532,092)	-
Capital contributions	1,054,000	-	1,054,000	-
Payments on borrowings	(798,218)	(505,000)	(1,303,218)	-
Proceeds from bond issuance	937,351	-	937,351	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(577,962)	(766,551)	(1,344,513)	(5,295)
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity of investments	-	668,312	668,312	234,492
Interest earned	5,550	8,500	14,050	2,549
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,550	676,812	682,362	237,041
NET INCREASE IN CASH	384,364	675,508	1,059,872	77,305
Cash, beginning of year	498,075	-	498,075	477,234
Cash, end of year	<u>\$ 882,439</u>	<u>\$ 675,508</u>	<u>\$ 1,557,947</u>	<u>\$ 554,539</u>

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended June 30, 2010

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Activities Internal Service
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 521,220	\$ 354,180	\$ 875,400	\$ (85,664)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	552,867	441,404	994,271	149,384
(Increase) in accounts receivable	(145,178)	(203,563)	(348,741)	(17,795)
Decrease (increase) in due from other funds	90,896	213,331	304,227	(231,306)
Decrease (increase) in due from other governmental units	(250,000)	50,950	(199,050)	-
(Increase) in inventories	-	(5,098)	(5,098)	-
Increase (decrease) in accounts payable	116,633	(25,560)	91,073	16,455
Increase in accrued wages	193	1,414	1,607	-
Increase in due to other governmental units	-	344	344	-
Increase (decrease) in compensated absences	1,106	3,311	4,417	(7,150)
Increase in other post-employment benefits obligation	46,590	155,300	201,890	-
Increase (decrease) in due to other funds	22,449	(220,766)	(198,317)	21,635
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 956,776</u>	<u>\$ 765,247</u>	<u>\$ 1,722,023</u>	<u>\$ (154,441)</u>

See accompanying notes to financial statements.

City of Fenton

Fiduciary Funds

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 96,360</u>
LIABILITIES	
Due to other governmental units	\$ 39,364
Due to union groups	7,078
Due to individuals and agencies	<u> 49,918</u>
	<u>\$ 96,360</u>

City of Fenton

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2010

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash	\$ 2,414,990	\$ 469,789	\$ 2,884,779
Investments	234,809	735,000	969,809
Interest receivable	-	700	700
Due from other governmental units	91,948	-	91,948
Total current assets	2,741,747	1,205,489	3,947,236
Noncurrent assets			
Capital assets not being depreciated	345,000	-	345,000
Capital assets, net of accumulated depreciation	128,170	-	128,170
Total noncurrent assets	473,170	-0-	473,170
TOTAL ASSETS	3,214,917	1,205,489	4,420,406
LIABILITIES			
Current liabilities			
Accounts payable	151,934	4,246	156,180
Accrued wages	803	234	1,037
Due to other governmental units	162,742	263,685	426,427
Accrued interest payable	46,847	-	46,847
Current portion of long-term debt	305,000	-	305,000
Total current assets	667,326	268,165	935,491
Noncurrent liabilities			
Noncurrent portion of long-term debt	3,940,000	-	3,940,000
TOTAL LIABILITIES	4,607,326	268,165	4,875,491
NET ASSETS (DEFICIT)			
Invested in capital assets	473,170	-	473,170
Unrestricted	(1,865,579)	937,324	(928,255)
TOTAL NET ASSETS (DEFICIT)	\$ (1,392,409)	\$ 937,324	\$ (455,085)

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Net (Expense) Revenues and Changes in Net Assets		
		Downtown Development Authority	Local Development Finance Authority	Total
Governmental activities:				
Downtown Development Authority				
Community and economic development	\$ 853,634	\$ (853,634)	\$ -	\$ (853,634)
Local Development Finance Authority				
Community and economic development	365,237	-	(365,237)	(365,237)
TOTAL COMPONENT UNITS	\$ 1,218,871	(853,634)	(365,237)	(1,218,871)
General revenues				
Property taxes		1,470,475	233,488	1,703,963
Investment earnings		12,607	5,324	17,931
Miscellaneous		200	-	200
Total general revenues		1,483,282	238,812	1,722,094
CHANGE IN NET ASSETS		629,648	(126,425)	503,223
Net assets (deficit), beginning of year		(2,022,057)	1,063,749	(958,308)
Net assets (deficit), end of year		\$ (1,392,409)	\$ 937,324	\$ (455,085)

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

1. Reporting Entity

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

2. Blended Component Unit

The City of Fenton's Building Authority is governed by a board appointed by the City of Fenton's governing body. Although it is legally separate from the City of Fenton, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City of Fenton's public buildings. The Building Authority had no activity in 2009 or 2010.

3. Discretely Presented Component Units

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

Downtown Development Authority - A majority of the members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Local Development Finance Authority - A majority of the members of the governing board of the Local Development Finance Authority are appointed by the City Council. The budgets and expenditures are approved by the City. The City also has the ability to significantly influence operations of the Local Development Finance Authority.

Brownfield Redevelopment Authority - A majority of the members of the governing board of the Brownfield Redevelopment Authority are appointed by the City Council. The budgets and expenditures are approved by the City. The City also has the ability to significantly influence operations of the Brownfield Redevelopment Authority. As of June 30, 2010, there has not been any activity thus far in the component unit. Information for the Brownfield Redevelopment Authority can be obtained at the City of Fenton, Treasurer's Office, 301 South Leroy Street, Fenton, Michigan 48430.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction.

The City reports the following major enterprise funds:

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus

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

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

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

6. Basis of Accounting

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

7. Budgets and Budgetary Accounting

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - concluded

- a. Prior to the third Monday in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. On or before the third Monday in May, by resolution, the budget is legally enacted on a departmental (activity) basis for all budgetary funds for the ensuing fiscal year in accordance with Public Act 621 of the State of Michigan.
- d. The City Manager, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the City Council.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was amended and supplemental appropriations approved during the year, in accordance with the City charter and applicable State laws. The budget to actual expenditures in the financial statements represents the final budgeted expenditures as amended by the City.
- h. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no encumbrances at year end.

8. Cash and Investments

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

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

Restricted cash and investments in the business-type activities consist of certain amounts held in the City's Water Fund which are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "bond redemption" account is used to report resources set aside to make up potential future deficiencies.

9. Receivables

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

10. Property Tax

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Property Tax - concluded

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

The City is permitted by charter to levy taxes up to 13.0 mills (\$13 per \$1,000 of assessed valuation) for general governmental services. For the year ended June 30, 2010, the City levied 10.6226 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2009 levy for property within the City was \$456,841,113.

11. Inventories

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

12. Prepays

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

13. Assets Held for Resale

Assets held for resale consist of properties that the City acquired with the express intent of resale after providing the properties with suitable economic development. Assets held for resale are valued at cost for the government funds and are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

14. Capital Assets

Capital assets, which include land, construction in progress, buildings, building and land improvements, machinery, vehicles, and equipment, infrastructure assets (e.g., roads, lights, and bridges), and sewer and water lines and are reported in the applicable governmental or business-type activities and component units columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capital Assets - concluded

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

15. Compensated Absences

a. Accumulated unpaid sick pay

Substantially all City employees are paid for unused sick days upon termination of employment. Accumulated vested unpaid sick pay at June 30, 2010, is recorded in the financial statements of the City as follows:

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

Proprietary fund type - Accrued as a liability and expensed as incurred.

b. Accumulated unpaid vacation pay

All employees may carry over from year to year a maximum of one-half of the unused vacation days earned in the current year. Upon involuntary termination of employment, no payment will be made to an employee for any unused accumulated vacation days. However, upon voluntary termination with notice, an employee may receive payment for any unused accumulated vacation days. At June 30, 2010, the unused vacation days are insignificant and, therefore, no liability has been recorded.

16. Long-Term Obligations

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

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

17. Deferred and Unearned Revenue

Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide financial statements report unearned revenue for amounts received but not yet earned.

18. Interfund Transactions

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

18. Interfund Transactions - concluded

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

19. Reserved Fund Balance

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

20. Restricted Net Assets

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

21. Comparative Data

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

NOTE B: CASH AND INVESTMENTS

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

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured up to \$250,000 for interest-bearing savings deposits in an insured bank and up to \$250,000 for interest-bearing demand deposits at participating FDIC-insured institutions. FDIC insurance coverage through its Transaction Account Guarantee (TAG) Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent through June 30, 2010 and 0.25 percent after July 1, 2010) NOW accounts. This program is scheduled to end December 31, 2010, unless extended by the FDIC. Furthermore, if specific deposits are regulated by statute or bond indenture, these deposits are to be separately insured up to \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will have unlimited coverage at all FDIC-insured institutions.

Deposits

As of June 30, 2010, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 4,260,073	\$ 4,813,170
Certificates of deposit	<u>1,100,912</u>	<u>1,102,408</u>
Total primary government	5,360,985	5,915,578
FIDUCIARY FUNDS		
Checking and savings	96,360	107,173
COMPONENT UNITS		
Checking and savings	2,884,779	2,897,883
Certificates of deposit	<u>969,809</u>	<u>969,458</u>
Total component units	<u>3,854,588</u>	<u>3,867,341</u>
TOTAL REPORTING ENTITY	<u>\$ 9,311,933</u>	<u>\$ 9,890,092</u>

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The City has not adopted a policy that indicates how the City will minimize credit risk if/when the City has investments that are subject to this type of risk. As of June 30, 2010, the City did not have any investments that would be subject to rating.

Interest rate risk

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

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH AND INVESTMENTS - CONCLUDED

Concentration of credit risk

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

Custodial credit risk

The City has not adopted a policy that indicates how the City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer. The City's cash and investments are exposed to the custodial credit risk. Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2010, the City accounts were insured by the FDIC for \$1,554,483 and the amount of \$8,335,609 was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

The following summarizes the categorization of these amounts as of June 30, 2010:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash	\$ 3,586,873	\$ 2,884,779	\$ 96,360	\$ 6,568,012
Cash - restricted	675,508	-	-	675,508
Investments	882,085	969,809	-	1,851,894
Investments - restricted	<u>218,827</u>	<u>-</u>	<u>-</u>	<u>218,827</u>
	<u>\$ 5,363,293</u>	<u>\$ 3,854,588</u>	<u>\$ 96,360</u>	<u>\$ 9,314,241</u>

The primary government cash caption on the financial statements includes \$2,308 in imprest cash.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2010, are as follows:

Due to General Fund from:	
Sewer Fund	\$ 46,239
Water Fund	5,383
Nonmajor governmental funds	73,669
Internal service funds	<u>24,702</u>
	<u>\$ 149,993</u>
Due to Sewer Fund from:	
General Fund	\$ 29,298
Water Fund	360,897
Nonmajor governmental funds	<u>108,373</u>
	<u>\$ 498,568</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONCLUDED

Due to Water Fund from:	
General Fund	<u>\$ 13,148</u>
Due to nonmajor governmental funds from:	
General Fund	<u>\$ 6,033</u>
Due to internal service funds from:	
General Fund	\$ 227,463
Sewer Fund	7,691
Water Fund	<u>2,726</u>
	<u>\$ 237,880</u>
Due to component unit funds from:	
Component Unit Funds (DDA)	\$ 153,439
Component Unit Funds (LDFA)	<u>10,915</u>
	<u>\$ 164,354</u>

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

NOTE D: INTERFUND TRANSFERS

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

Transfers to Major Street Fund from:	
Nonmajor governmental funds	<u>\$ 278,500</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,315,975
Major Street Fund	<u>50,000</u>
	<u>\$ 1,365,975</u>
Transfers to component unit funds from:	
Component Unit Funds (DDA)	\$ 616,013
Component Unit Funds (LDFA)	<u>347,572</u>
	<u>\$ 963,585</u>

The transfers from the nonmajor governmental funds to the Major Street Fund were to fund capital improvements. The transfers from the General Fund and the Major Street Fund to the nonmajor governmental funds and between component unit funds were to fund current year operations.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

Primary Government

	<u>Balance July 1, 2009</u>	<u>Additions/ Reclassification</u>	<u>Deletions/ Reclassification</u>	<u>Balance June 30, 2010</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,605,104	\$ -	\$ -	\$ 1,605,104
Construction in progress - roads	<u>4,150,359</u>	<u>544,660</u>	<u>(1,086,384)</u>	<u>3,608,635</u>
Total capital assets not being depreciated	5,755,463	544,660	(1,086,384)	5,213,739
Capital assets, being depreciated				
Buildings	\$ 6,007,171	\$ -	\$ -	\$ 6,007,171
Building and land improvements	552,838	-	-	552,838
Machinery, vehicles, and equipment	4,353,310	421,051	(31,794)	4,742,567
Roads, lights, and bridges	<u>4,269,020</u>	<u>1,086,384</u>	<u>-</u>	<u>5,355,404</u>
Total capital assets being depreciated	15,182,339	1,507,435	(31,794)	16,657,980
Less accumulated depreciation for:				
Buildings	(1,648,025)	(145,867)	-	(1,793,892)
Building and land improvements	(384,177)	(26,832)	-	(411,009)
Machinery, vehicles, and equipment	(2,596,649)	(333,915)	29,145	(2,901,419)
Roads, lights, and bridges	<u>(517,776)</u>	<u>(228,988)</u>	<u>-</u>	<u>(746,764)</u>
Total accumulated depreciation	<u>(5,146,627)</u>	<u>(735,602)</u>	<u>29,145</u>	<u>(5,853,084)</u>
Total capital assets being depreciated, net	<u>10,035,712</u>	<u>771,833</u>	<u>(2,649)</u>	<u>10,804,896</u>
Net capital assets	<u>\$15,791,175</u>	<u>\$ 1,316,493</u>	<u>\$(1,089,033)</u>	<u>\$16,018,635</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 86,084
Public safety	256,351
Public works	378,372
Recreation and culture	<u>14,795</u>
Total depreciation expense	<u>\$ 735,602</u>

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 190,930	\$ -	\$ -	\$ 190,930
Construction in progress	<u>507,429</u>	<u>1,500,554</u>	<u>-</u>	<u>2,007,983</u>
Total capital assets not being depreciated	698,359	1,500,554	-0-	2,198,913

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE E: CAPITAL ASSETS - CONCLUDED

Primary Government - concluded

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
Business-type activities - concluded				
Capital assets, being depreciated				
Building improvements	8,859,988	-	-	8,859,988
Sewer and water lines	36,423,353	-	-	36,423,353
Machinery and equipment	<u>625,484</u>	<u>-</u>	<u>-</u>	<u>625,484</u>
Total capital assets being depreciated	45,908,825	-0-	-0-	45,908,825
Less accumulated depreciation for:				
Building improvements	\$(662,112)	\$(221,496)	\$ -	\$(883,608)
Sewer and water lines	(9,055,008)	(751,417)	-	(9,806,425)
Machinery and equipment	<u>(574,285)</u>	<u>(21,358)</u>	<u>-</u>	<u>(595,643)</u>
Total accumulated depreciation	<u>(10,291,405)</u>	<u>(994,271)</u>	<u>-0-</u>	<u>(11,285,676)</u>
Total capital assets being depreciated, net	<u>35,617,420</u>	<u>(994,271)</u>	<u>-0-</u>	<u>34,623,149</u>
Net capital assets	<u>\$ 36,315,779</u>	<u>\$ 506,283</u>	<u>\$ -0-</u>	<u>\$ 36,822,062</u>

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

Sewer	\$ 552,867
Water	<u>441,404</u>
Total depreciation expense	<u>\$ 994,271</u>

Component Unit

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
Downtown Development Authority				
Capital assets, not being depreciated				
Land	\$ 345,000	\$ -	\$ -	\$ 345,000
Capital assets, being depreciated				
Buildings	116,992	-	-	116,992
Equipment	<u>-</u>	<u>20,440</u>	<u>-</u>	<u>20,440</u>
Total capital assets being depreciated	116,992	20,440	-0-	137,432
Less accumulated depreciation for:				
Buildings	<u>(3,412)</u>	<u>(5,850)</u>	<u>-</u>	<u>(9,262)</u>
Total capital assets being depreciated, net	<u>113,580</u>	<u>14,590</u>	<u>-0-</u>	<u>128,170</u>
Net capital assets	<u>\$ 458,580</u>	<u>\$ 14,590</u>	<u>\$ -0-</u>	<u>\$ 473,170</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2010.

Primary Government

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Amounts Due Within One Year
Governmental Activities					
Installment purchase agreements	\$ 460,309	\$ 200,000	\$(118,892)	\$ 541,417	\$ 89,372
Compensated absences	<u>231,721</u>	<u>60,088</u>	<u>(67,238)</u>	<u>224,571</u>	<u>44,914</u>
Total	692,030	260,088	(186,130)	765,988	134,286
Business-type Activities					
2005 Sewage Refunding Bonds	4,931,784	-	(692,874)	4,238,910	706,046
2007 Sewage Disposal Bonds	2,769,777	-	(105,344)	2,664,433	120,760
1999 Michigan Municipal Bond Authority	793,759	-	(70,000)	723,759	70,000
2002 Michigan Municipal Bond Authority	7,200,000	-	(435,000)	6,765,000	445,000
2009 Michigan Municipal Bond Authority	-	937,351	-	937,351	46,000
Compensated absences	<u>135,606</u>	<u>18,757</u>	<u>(14,340)</u>	<u>140,023</u>	<u>28,004</u>
Total	<u>15,830,926</u>	<u>956,108</u>	<u>(1,317,558)</u>	<u>15,469,476</u>	<u>1,415,810</u>
TOTAL PRIMARY GOVERNMENT	<u>\$16,522,956</u>	<u>\$ 1,216,196</u>	<u>\$(1,503,688)</u>	<u>\$16,235,464</u>	<u>\$ 1,550,096</u>

Component Unit

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Amounts Due Within One Year
Component Unit (DDA)					
2002 General Obligation Bonds	<u>\$ 4,535,000</u>	<u>\$ -</u>	<u>\$(290,000)</u>	<u>\$ 4,245,000</u>	<u>\$ 305,000</u>

Primary Government

Installment Purchase Agreements

\$630,000 Installment Purchase Agreement on Magnum fire truck dated March 1, 2005, due in annual installments of \$75,982, including interest through March 1, 2015, with interest of 3.67 percent. \$ 341,417

\$200,000 Installment Purchase Agreement on Central State fire apparatus dated November 13, 2009, due in annual installments of \$32,648, including interest through November 1, 2016, with interest of 3.48 percent. 200,000

\$ 541,417

General Obligation Bonds

\$6,818,086 2005 Sewerage Refunding Bonds dated February 1, 2005, due in annual installments ranging from \$698,143 to \$713,950 through April 1, 2016, with interest ranging from 4.25 to 5.00 percent, payable semi-annually. \$ 4,238,910

\$2,885,399 2007 Sewerage Disposal Bonds dated November 16, 2007, due in annual installments ranging from \$120,760 to \$470,194 through April 1, 2019, with interest of 4.00 percent, payable semi-annually. 2,664,433

\$ 6,903,343

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - concluded

Revenue Bonds

\$1,413,759 Michigan Municipal Bond Authority Series 1999 dated April 1, 1999, due in annual installments ranging from \$70,000 to \$98,759 through April 1, 2019, with an interest rate of 2.5 percent, payable semi-annually.	\$ 723,759
\$9,600,000 Michigan Municipal Bond Authority Series 2002 dated December 19, 2002, due in annual installments ranging from \$445,000 to \$600,000 through April 1, 2023, with an interest rate of 2.5 percent, payable semi-annually.	6,765,000
\$1,206,000 Michigan Municipal Bond Authority Series 2009 (only \$937,351 drawn to date), dated September 21, 2009, due in annual installments ranging from \$46,000 to \$75,000 through April 1, 2030, with an interest rate of 2.50 percent, payable semi-annually.	<u>937,351</u>
	<u>\$ 8,426,110</u>

Compensated Absences

In accordance with the City's personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused sick pay under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$224,571 for governmental activities and \$140,023 for business-type activities for sick pay at June 30, 2010. Of these amounts, \$44,914 and \$28,004 have been recorded as current liabilities, and \$179,657 and \$112,019 have been recorded as noncurrent liabilities, respectively.

Water and Sewer Obligations

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

Future Revenues Pledged for Debt Payments

The City has pledged substantially all revenue of the water fund, net of operating expense, to repay the above water revenue bonds. Proceeds from the bonds provided financing for the construction of the Water Treatment Plant. The bonds are payable solely from the net revenues of the water system. The remaining principal and interest to be paid on the bonds is \$8,831,355. During the current year, net revenues of the system were \$803,231 compared to the annual debt requirements of \$702,219.

Component Unit (DDA)

\$6,200,000 2001 General Obligation Limited Tax Development Bonds dated September 1, 2001, due in annual installments ranging from \$305,000 to \$465,000 through April 1, 2021, with an interest ranging from 4.25 to 4.50 percent, payable semi-annually.	<u>\$ 4,245,000</u>
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City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE F: LONG-TERM DEBT - CONCLUDED

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

Primary Government

Year Ending June 30, _	Installment Purchase Agreements		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 89,372	\$ 19,258	\$ 826,806	\$ 304,336	\$ 515,000	\$ 187,219
2012	92,370	16,259	860,338	269,499	535,000	174,344
2013	95,710	12,920	896,374	233,307	545,000	160,969
2014	99,170	9,460	934,785	192,097	555,000	153,344
2015	102,756	5,874	978,269	149,391	575,000	133,469
2016-2020	62,039	3,257	2,406,771	215,379	3,008,759	444,751
2021-2023	-	-	-	-	1,755,000	88,500
	<u>\$ 541,417</u>	<u>\$ 67,028</u>	<u>\$ 6,903,343</u>	<u>\$ 1,364,009</u>	<u>\$ 7,488,759</u>	<u>\$ 1,342,596</u>

The \$937,351 related to the 2009 Michigan Municipal Bond Authority is not included in the above schedule because the bonds have not been fully drawn down and as a result the maturity schedule was not finalized as of June 30, 2010.

Component Unit (DDA)

Year Ending June 30, _	General Obligation Limited Tax Development Bonds	
	Principal	Interest
2011	\$ 305,000	\$ 187,385
2012	320,000	174,423
2013	335,000	160,822
2014	350,000	146,585
2015	365,000	131,710
2016-2020	2,105,000	397,350
2021	<u>465,000</u>	<u>20,925</u>
	<u>\$ 4,245,000</u>	<u>\$ 1,219,200</u>

NOTE G: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefit claims and participates 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, 2010

NOTE H: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate ranges from 3.29% of annual covered payroll for the administrative staff group to 17.75% for the Police Local 214 group. Employees are required to contribute 0% - 1% to the plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost of \$357,828 for the plan was equal to the City's required and actual contribution. The required contribution was determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year for merit and longevity, and an asset valuation method that smoothes fair value of assets over 5 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, the date of the latest actuarial valuation was thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Actuarial value of assets	\$ 8,320,117	\$ 8,775,967	\$ 9,045,646
Actuarial accrued liability (AAL) (entry age)	10,564,003	11,724,216	11,706,640
Unfunded AAL	2,243,886	2,948,249	2,660,994
Funded ratio	79 %	75 %	77 %
Covered payroll	2,910,583	2,949,617	2,827,934
UAAL as a percentage of covered payroll	77 %	100 %	94 %

	Year Ended June 30,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost	\$ 362,716	\$ 352,196	\$ 357,828
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The City provides post-employment health care benefits in accordance with a City resolution to covered employees who retire on or after age 55 with at least 10 years of service and Police Local 214 for employees who retire on or after age 50 with at least 10 years of service. The City pays 100% of the health insurance premiums for these retirees. Expenditures for the premiums are paid and recognized as they become due. For the year ended June 30, 2010, the City paid \$243,510 for post-employment health benefits. The plan does not issue separate stand-alone financial statements.

The following are the Governmental Accounting Standards Board Statement #45 (GASB Statement 45) required disclosures that have been implemented prospectively by the City.

Membership in the plan at December 31, 2007 (latest actuarial report) is as follows:

Retires and Beneficiaries receiving benefits	30
Active plan members	<u>51</u>
	<u>81</u>

Funded Status and Funding Progress

The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

For the year ended June 30, 2010, the City has determined an estimated cost of providing retiree post-employment benefits through an actuarial valuation as of December 31, 2007. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

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

Annual required contribution (ARC)	\$ 771,899
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	771,899
Contributions made	<u>243,510</u>
Increase in net OPEB obligation	528,389
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 528,389</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONCLUDED

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the years ended June 30, 2010 is as follows:

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 771,899	31.5%	\$ 528,389

The current funded status of the plan as of December 31, 2007, the most recent valuation date, is as follows:

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	11,271,344
Unfunded AAL (UAAL)	11,271,344
Funded ratio	0 %

The actuarial valuation for the year ended December 31, 2007, which was used to compute the annual required contribution for the years ended June 30, 2010 and 2011, was the first year that an actuarial valuation was done, so no information is available for years prior to 2007. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE J: BUILDING AND ZONING FINANCIAL INFORMATION

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed revenues. The City chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended June 30, 2010 is as follows:

REVENUES	
Building permits	\$ 19,278
Zoning permits	<u>7,310</u>
TOTAL REVENUES	26,588
EXPENDITURES	
Salaries and fringes	115,225
Supplies and other	13,031
Professional services	<u>34,834</u>
TOTAL EXPENDITURES	<u>163,090</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(136,502)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(960,717)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$(1,097,219)</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE K: CONTINGENT LIABILITIES

Various taxpayers have commenced litigation regarding property valuation issues with the City. Due to the inconclusive nature of many of the actions, it is not reasonably possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the City's potential liability, if any. Those actions for which a reasonable estimate can be determined of the City's potential liability and that would not be covered by insurance and reserves, if any, are considered by City Management and Legal Counsel to be immaterial.

NOTE L: GASB PRONOUNCEMENTS

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

The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fenton

BUDGETARY COMPARISON SCHEDULES

Fund Descriptions

GENERAL FUND

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

MAJOR STREET FUND

The Major Street Fund is used to account for proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction.

City of Fenton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 4,377,400	\$ 4,360,250	\$ 4,393,964	\$ 33,714
Licenses and permits	188,000	168,150	184,494	16,344
Intergovernmental	868,100	718,661	744,491	25,830
Charges for services	285,250	286,000	267,112	(18,888)
Fines and forfeits	100,000	60,000	60,189	189
Interest and rents	109,100	73,350	72,149	(1,201)
Other	12,700	36,075	42,295	6,220
TOTAL REVENUES	5,940,550	5,702,486	5,764,694	62,208
EXPENDITURES				
Current				
General government	1,004,870	917,242	920,763	(3,521)
Public safety				
Police department	2,246,886	2,188,634	2,049,667	138,967
Fire department	662,302	644,003	584,930	59,073
Building inspection	183,900	166,200	163,090	3,110
Total public safety	3,093,088	2,998,837	2,797,687	201,150
Public works	219,185	209,151	214,407	(5,256)
Community and economic development	62,900	49,150	33,360	15,790
Recreation and culture	90,750	58,073	55,806	2,267
Other	317,500	308,835	280,825	28,010
Debt service	108,735	59,716	59,716	-0-
TOTAL EXPENDITURES	4,897,028	4,601,004	4,362,564	238,440
EXCESS OF REVENUES OVER EXPENDITURES	1,043,522	1,101,482	1,402,130	300,648
OTHER FINANCING (USES)				
Transfers out	(1,020,095)	(1,066,245)	(1,315,975)	(249,730)
NET CHANGE IN FUND BALANCE	23,427	35,237	86,155	50,918
Fund balance, beginning of year	1,507,718	1,507,718	1,507,718	-0-
Fund balance, end of year	\$ 1,531,145	\$ 1,542,955	\$ 1,593,873	\$ 50,918

City of Fenton

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 479,950	\$ 469,600	\$ 458,771	\$ (10,829)
Other	73,940	72,008	70,168	(1,840)
Interest	10,000	100	428	328
	<u>563,890</u>	<u>541,708</u>	<u>529,367</u>	<u>(12,341)</u>
EXPENDITURES				
Current				
Public works	960,465	670,220	757,863	(87,643)
	<u>960,465</u>	<u>670,220</u>	<u>757,863</u>	<u>(87,643)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(396,575)	(128,512)	(228,496)	(99,984)
OTHER FINANCING SOURCES (USES)				
Transfers in	496,000	200,000	278,500	78,500
Transfers out	(100,000)	(50,000)	(50,000)	-0-
	<u>396,000</u>	<u>150,000</u>	<u>228,500</u>	<u>78,500</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>396,000</u>	<u>150,000</u>	<u>228,500</u>	<u>78,500</u>
NET CHANGE IN FUND BALANCE	(575)	21,488	4	(21,484)
Fund balance, beginning of year	81,128	81,128	81,128	-0-
Fund balance, end of year	<u>\$ 80,553</u>	<u>\$ 102,616</u>	<u>\$ 81,132</u>	<u>\$ (21,484)</u>

City of Fenton

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

June 30, 2010

Other Post-employment Benefit Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Underfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>
12/31/2007	\$ -0-	\$ 11,271,344	\$ 11,271,344	0.0%

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 771,899	31.5%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

NOTE A: POST-EMPLOYMENT BENEFITS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, healthcare cost trends and other factors. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the plan by the employer in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Other Post-employment Benefit Plan

Actuarial valuation:	
Frequency	Triennial
Latest date	December 31, 2007
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on an open basis
Remaining amortization period	30 year period
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.5%
Includes inflation at:	4.0%
Healthcare cost trend rates	4.5% - 11.0%

NOTE B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

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

City of Fenton

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

NOTE B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONCLUDED

During the year ended June 30, 2010, the City incurred expenditures in the General Fund and five (5) Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
Current			
General government	\$ 917,242	\$ 920,763	\$ 3,521
Public works	209,151	214,407	5,256
Other Financing Uses			
Transfers out	1,066,245	1,315,975	249,730
Major Street Fund	720,220	807,863	87,643
Parks and Recreation Fund	170,600	175,914	5,314
Garbage Collection Fund	443,000	452,575	9,575
D.A.R.E. Fund	600	923	323
Emergency 911 Fund	206,225	210,027	3,802

OTHER SUPPLEMENTARY INFORMATION

City of Fenton

NONMAJOR GOVERNMENTAL FUNDS

Fund Descriptions

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

Neighborhood Stabilization Fund - To account for the activity of stabilizing communities that have suffered from foreclosures and abandonment.

CAPITAL PROJECTS FUNDS

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

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

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

City of Fenton

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2010

	Special		
	Local Street	Budget Stabilization	Parks and Recreation
ASSETS			
Cash	\$ 20,931	\$ 299,524	\$ 43,466
Accounts receivable	-	-	-
Interest receivable	24	-	47
Special assessments receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units	28,445	-	-
Inventories	-	-	-
Assets held for resale	-	-	-
TOTAL ASSETS	<u>\$ 49,400</u>	<u>\$ 299,524</u>	<u>\$ 43,513</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 81	\$ -	\$ 15,663
Accrued wages	1,052	-	2,665
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	1,133	-0-	18,328
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Assets held for resale	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	48,267	299,524	25,185
Capital project funds	-	-	-
TOTAL FUND BALANCES	<u>48,267</u>	<u>299,524</u>	<u>25,185</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 49,400</u>	<u>\$ 299,524</u>	<u>\$ 43,513</u>

Revenue Funds

Cemetery	Garbage Collection	Narcotics Enforcement	D.A.R.E	Emergency 911	Neighborhood Stabilization
\$ 209,251	\$ -	\$ 19,407	\$ 25,579	\$ 1	\$ 2,000
10,447	100,603	-	-	-	-
225	-	21	28	-	-
-	-	-	-	-	-
-	6,033	-	-	-	-
-	-	-	-	-	70,030
-	6,900	-	-	-	-
-	-	-	-	-	124,759
<u>\$ 219,923</u>	<u>\$ 113,536</u>	<u>\$ 19,428</u>	<u>\$ 25,607</u>	<u>\$ 1</u>	<u>\$ 196,789</u>
\$ 8,261	\$ -	\$ -	\$ -	\$ -	\$ 561
-	-	-	-	-	-
-	110,573	-	-	-	71,469
7,576	-	-	-	-	-
<u>15,837</u>	<u>110,573</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>72,030</u>
-	6,900	-	-	-	-
-	-	-	-	-	124,759
204,086	(3,937)	19,428	25,607	1	-
-	-	-	-	-	-
<u>204,086</u>	<u>2,963</u>	<u>19,428</u>	<u>25,607</u>	<u>1</u>	<u>124,759</u>
<u>\$ 219,923</u>	<u>\$ 113,536</u>	<u>\$ 19,428</u>	<u>\$ 25,607</u>	<u>\$ 1</u>	<u>\$ 196,789</u>

City of Fenton

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2010

	Capital Projects Funds		
	Fire Equipment	C.I.P. Fund	Working Capital Fund
ASSETS			
Cash	\$ 151,707	\$ 602,629	\$ 139,735
Accounts receivable	-	-	-
Interest receivable	-	738	151
Special assessments receivable	-	-	50,519
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Inventories	-	-	-
Assets held for resale	-	-	-
TOTAL ASSETS	<u>\$ 151,707</u>	<u>\$ 603,367</u>	<u>\$ 190,405</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,700	\$ -	\$ -
Accrued wages	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	50,519
TOTAL LIABILITIES	3,700	-0-	50,519
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Assets held for resale	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	-	-	-
Capital project funds	148,007	603,367	139,886
TOTAL FUND BALANCES	<u>148,007</u>	<u>603,367</u>	<u>139,886</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 151,707</u>	<u>\$ 603,367</u>	<u>\$ 190,405</u>

Total

\$ 1,514,230
111,050
1,234
50,519
6,033
98,475
6,900
124,759

\$ 1,913,200

\$ 28,266
3,717
182,042
58,095

272,120

6,900
124,759

618,161
891,260

1,641,080

\$ 1,913,200

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2010

	Special		
	Local Street	Budget Stabilization	Parks and Recreation
REVENUES			
Intergovernmental	\$ 208,929	\$ -	\$ -
Charges for services	-	-	27,957
Interest and rents	239	-	6,295
Other	-	-	-
TOTAL REVENUES	209,168	-0-	34,252
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	395,973	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	175,914
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	395,973	-0-	175,914
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(186,805)	-0-	(141,662)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Transfers in	221,250	-	145,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	221,250	-0-	145,000
NET CHANGE IN FUND BALANCES	34,445	-0-	3,338
Fund balances, beginning of year	13,822	299,524	21,847
Fund balances, end of year	<u>\$ 48,267</u>	<u>\$ 299,524</u>	<u>\$ 25,185</u>

Revenue Funds

Cemetery	Garbage Collection	Narcotics Enforcement	D.A.R.E	Emergency 911	Neighborhood Stabilization
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,126
19,467	453,025	-	-	150,802	-
974	-	68	132	-	-
-	-	2,069	128	-	-
20,441	453,025	2,137	260	150,802	132,126
62,672	-	-	-	-	-
-	-	623	923	210,027	-
-	452,575	-	-	-	-
-	-	-	-	-	7,367
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
62,672	452,575	623	923	210,027	7,367
(42,231)	450	1,514	(663)	(59,225)	124,759
-	-	-	-	-	-
35,500	-	-	-	59,225	-
-	-	-	-	-	-
35,500	-0-	-0-	-0-	59,225	-0-
(6,731)	450	1,514	(663)	-0-	124,759
210,817	2,513	17,914	26,270	1	-
\$ 204,086	\$ 2,963	\$ 19,428	\$ 25,607	\$ 1	\$ 124,759

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2010

	Capital Projects Funds		
	Fire Equipment	C.I.P. Fund	Working Capital Fund
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Interest and rents	-	1,077	6,549
Other	34,861	-	9,527
TOTAL REVENUES	34,861	1,077	16,076
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Debt service			
Principal retirement	61,206	-	-
Interest and fiscal charges	14,776	-	-
Capital outlay	377,966	-	-
TOTAL EXPENDITURES	453,948	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(419,087)	1,077	16,076
OTHER FINANCING SOURCES (USES)			
Loan proceeds	200,000	-	-
Transfers in	100,000	805,000	-
Transfers out	-	(278,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	300,000	526,500	-0-
NET CHANGE IN FUND BALANCES	(119,087)	527,577	16,076
Fund balances, beginning of year	267,094	75,790	123,810
Fund balances, end of year	<u>\$ 148,007</u>	<u>\$ 603,367</u>	<u>\$ 139,886</u>

Total

\$	341,055
	651,251
	15,334
	<u>46,585</u>

1,054,225

62,672
211,573
848,548
7,367
175,914

61,206
14,776
377,966

1,760,022

(705,797)

200,000
1,365,975
(278,500)

1,287,475

581,678

1,059,402

\$ 1,641,080

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Local Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 175,160	\$ 171,328	\$ 167,447	\$ (3,881)
Other	38,200	38,200	41,482	3,282
Interest	500	100	239	139
	<u>213,860</u>	<u>209,628</u>	<u>209,168</u>	<u>(460)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	484,880	423,752	395,973	27,779
	<u>484,880</u>	<u>423,752</u>	<u>395,973</u>	<u>27,779</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES				
	(271,020)	(214,124)	(186,805)	27,319
OTHER FINANCING SOURCES				
Transfers in	271,250	221,250	221,250	-0-
	<u>271,250</u>	<u>221,250</u>	<u>221,250</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE				
	230	7,126	34,445	27,319
Fund balance, beginning of year	13,822	13,822	13,822	-0-
	<u>13,822</u>	<u>13,822</u>	<u>13,822</u>	<u>-0-</u>
Fund balance, end of year	\$ 14,052	\$ 20,948	\$ 48,267	\$ 27,319
	<u>\$ 14,052</u>	<u>\$ 20,948</u>	<u>\$ 48,267</u>	<u>\$ 27,319</u>
<u>Budget Stabilization Fund</u>				
REVENUES				
	\$ -	\$ -	\$ -	\$ -0-
EXPENDITURES				
	-	-	-	-0-
NET CHANGE IN FUND BALANCE				
	-0-	-0-	-0-	-0-
Fund balance, beginning of year	299,524	299,524	299,524	-0-
	<u>299,524</u>	<u>299,524</u>	<u>299,524</u>	<u>-0-</u>
Fund balance, end of year	\$ 299,524	\$ 299,524	\$ 299,524	\$ -0-
	<u>\$ 299,524</u>	<u>\$ 299,524</u>	<u>\$ 299,524</u>	<u>\$ -0-</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Parks and Recreation Fund</u>				
REVENUES				
Charges for services	\$ 20,000	\$ 20,000	\$ 27,957	\$ 7,957
Interest and rents	5,500	5,000	6,295	1,295
Other	500	-	-	-0-
TOTAL REVENUES	26,000	25,000	34,252	9,252
EXPENDITURES				
Current				
Recreation and culture	251,350	170,600	175,914	(5,314)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(225,350)	(145,600)	(141,662)	3,938
OTHER FINANCING SOURCES				
Transfer in	220,850	145,000	145,000	-0-
NET CHANGE IN FUND BALANCE	(4,500)	(600)	3,338	3,938
Fund balance, beginning of year	21,847	21,847	21,847	-0-
Fund balance, end of year	<u>\$ 17,347</u>	<u>\$ 21,247</u>	<u>\$ 25,185</u>	<u>\$ 3,938</u>
<u>Cemetery Fund</u>				
REVENUES				
Charges for services	\$ 19,100	\$ 19,100	\$ 19,467	\$ 367
Interest	500	500	974	474
TOTAL REVENUES	19,600	19,600	20,441	841
EXPENDITURES				
Current				
General government	55,150	62,675	62,672	3
EXCESS OF REVENUES (UNDER) EXPENDITURES	(35,550)	(43,075)	(42,231)	844
OTHER FINANCING SOURCES				
Transfers in	34,500	34,500	35,500	1,000
NET CHANGE IN FUND BALANCE	(1,050)	(8,575)	(6,731)	1,844
Fund balance, beginning of year	210,817	210,817	210,817	-0-
Fund balance, end of year	<u>\$ 209,767</u>	<u>\$ 202,242</u>	<u>\$ 204,086</u>	<u>\$ 1,844</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Garbage Collection Fund</u>				
REVENUES				
Charges for services	\$ 490,000	\$ 445,000	\$ 453,025	\$ 8,025
EXPENDITURES				
Current				
Public works	<u>475,200</u>	<u>443,000</u>	<u>452,575</u>	<u>(9,575)</u>
NET CHANGE IN FUND BALANCE	14,800	2,000	450	(1,550)
Fund balance, beginning of year	<u>2,513</u>	<u>2,513</u>	<u>2,513</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 17,313</u></u>	<u><u>\$ 4,513</u></u>	<u><u>\$ 2,963</u></u>	<u><u>\$ (1,550)</u></u>
<u>Narcotics Enforcement Fund</u>				
REVENUES				
Interest	\$ 200	\$ -	\$ 68	\$ 68
Other	<u>1,000</u>	<u>1,869</u>	<u>2,069</u>	<u>200</u>
TOTAL REVENUES	1,200	1,869	2,137	268
EXPENDITURES				
Current				
Public safety	<u>1,000</u>	<u>1,000</u>	<u>623</u>	<u>377</u>
NET CHANGE IN FUND BALANCE	200	869	1,514	645
Fund balance, beginning of year	<u>17,914</u>	<u>17,914</u>	<u>17,914</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 18,114</u></u>	<u><u>\$ 18,783</u></u>	<u><u>\$ 19,428</u></u>	<u><u>\$ 645</u></u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>D.A.R.E. Fund</u>				
REVENUES				
Interest	\$ 300	\$ 50	\$ 132	\$ 82
Other	200	80	128	48
TOTAL REVENUES	500	130	260	130
EXPENDITURES				
Current				
Public safety	1,500	600	923	(323)
NET CHANGE IN FUND BALANCE	(1,000)	(470)	(663)	(193)
Fund balance, beginning of year	26,270	26,270	26,270	-0-
Fund balance, end of year	<u>\$ 25,270</u>	<u>\$ 25,800</u>	<u>\$ 25,607</u>	<u>\$ (193)</u>
<u>Emergency 911 Fund</u>				
REVENUES				
Charges for services	\$ 140,000	\$ 147,000	\$ 150,802	\$ 3,802
EXPENDITURES				
Current				
Public safety	199,225	206,225	210,027	(3,802)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(59,225)	(59,225)	(59,225)	-0-
OTHER FINANCING SOURCES				
Transfers in	59,225	59,225	59,225	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	1	1	1	-0-
Fund balance, end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -0-</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Neighborhood Stabilization Fund</u>				
REVENUES				
Intergovernmental	\$ -	\$ 134,500	\$ 132,126	\$ (2,374)
EXPENDITURES				
Current				
Community and economic development	-	134,500	7,367	127,133
NET CHANGE IN FUND BALANCE	-0-	-0-	124,759	124,759
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 124,759</u>	<u>\$ 124,759</u>

City of Fenton

INTERNAL SERVICE FUNDS

Fund Descriptions

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

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

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2010

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 554,363	\$ 176	\$ 554,539
Accounts receivable	17,795	-	17,795
Interest receivable	599	-	599
Due from other funds	<u>10,417</u>	<u>227,463</u>	<u>237,880</u>
Total current assets	583,174	227,639	810,813
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>364,248</u>	-	<u>364,248</u>
TOTAL ASSETS	947,422	227,639	1,175,061
LIABILITIES			
Current liabilities			
Accounts payable	30,699	-	30,699
Due to other funds	21,635	3,067	24,702
Current portion of compensated absences	<u>-</u>	<u>44,914</u>	<u>44,914</u>
Total current liabilities	52,334	47,981	100,315
Noncurrent liabilities			
Noncurrent portion of compensated absences	<u>-</u>	<u>179,657</u>	<u>179,657</u>
TOTAL LIABILITIES	52,334	227,638	279,972
NET ASSETS			
Invested in capital assets	364,248	-	364,248
Unrestricted	<u>530,840</u>	<u>1</u>	<u>530,841</u>
TOTAL NET ASSETS	<u>\$ 895,088</u>	<u>\$ 1</u>	<u>\$ 895,089</u>

City of Fenton

Internal Service Funds

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

Year Ended June 30, 2010

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 242,156	\$ 12,597	\$ 254,753
Other	265	-	265
TOTAL OPERATING REVENUES	242,421	12,597	255,018
OPERATING EXPENSES			
Personnel services	21,635	12,905	34,540
Operating supplies	23,422	-	23,422
Fuel and utilities	58,152	-	58,152
Repairs and maintenance	44,381	-	44,381
Equipment rent	17,844	-	17,844
Insurance	12,800	-	12,800
Depreciation	149,384	-	149,384
Other	159	-	159
TOTAL OPERATING EXPENSES	327,777	12,905	340,682
OPERATING (LOSS)	(85,356)	(308)	(85,664)
NONOPERATING REVENUES			
Interest earned	1,728	309	2,037
Gain on sale of assets	12,496	-	12,496
TOTAL NONOPERATING REVENUES	14,224	309	14,533
CHANGE IN NET ASSETS	(71,132)	1	(71,131)
Net assets, beginning of year	966,220	-	966,220
Net assets, end of year	<u>\$ 895,088</u>	<u>\$ 1</u>	<u>\$ 895,089</u>

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

	Equipment	Sick Pay	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from interfund services provided	\$ 242,418	\$ -	\$ 242,418
Cash payments for interfund services used	-	(214,866)	(214,866)
Cash paid to suppliers	(140,303)	(12,905)	(153,208)
Cash paid to employees	(21,635)	(7,150)	(28,785)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	80,480	(234,921)	(154,441)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(20,440)	-	(20,440)
Proceeds from sale of assets	15,145	-	15,145
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(5,295)	-0-	(5,295)
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of investments	-	234,492	234,492
Interest earned	2,120	429	2,549
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,120	234,921	237,041
NET INCREASE IN CASH	77,305	-0-	77,305
Cash, beginning of year	477,058	176	477,234
Cash, end of year	<u>\$ 554,363</u>	<u>\$ 176</u>	<u>\$ 554,539</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities			
Operating (loss)	\$ (85,356)	\$ (308)	\$ (85,664)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	149,384	-	149,384
(Increase) in accounts receivable	(17,795)	-	(17,795)
(Increase) in due from other funds	(3,843)	(227,463)	(231,306)
Increase in accounts payable	16,455	-	16,455
(Decrease) in compensated absences	-	(7,150)	(7,150)
Increase in due to other funds	21,635	-	21,635
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 80,480</u>	<u>\$ (234,921)</u>	<u>\$ (154,441)</u>

City of Fenton

AGENCY FUNDS

Fund Descriptions

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

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

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

City of Fenton

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2010

	<u>Tax Collection</u>	<u>Employees Union</u>	<u>Payroll</u>	<u>Total</u>
ASSETS				
Cash	<u>\$ 39,364</u>	<u>\$ 7,078</u>	<u>\$ 49,918</u>	<u>\$ 96,360</u>
LIABILITIES				
Due to other governmental units	\$ 39,364	\$ -	\$ -	\$ 39,364
Due to union groups	-	7,078	-	7,078
Due to individuals and agencies	-	-	49,918	49,918
	<u>\$ 39,364</u>	<u>\$ 7,078</u>	<u>\$ 49,918</u>	<u>\$ 96,360</u>

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Tax Collection Fund</u>				
ASSETS				
Cash	<u>\$ 43,935</u>	<u>\$ 25,795,674</u>	<u>\$ 25,800,245</u>	<u>\$ 39,364</u>
LIABILITIES				
Due to other governmental units	<u>\$ 43,935</u>	<u>\$ 25,795,674</u>	<u>\$ 25,800,245</u>	<u>\$ 39,364</u>
<u>Employees Union Fund</u>				
ASSETS				
Cash	<u>\$ 8,372</u>	<u>\$ 432</u>	<u>\$ 1,726</u>	<u>\$ 7,078</u>
LIABILITIES				
Due to union groups	<u>\$ 8,372</u>	<u>\$ 432</u>	<u>\$ 1,726</u>	<u>\$ 7,078</u>
<u>Payroll Fund</u>				
ASSETS				
Cash	<u>\$ 1,270</u>	<u>\$ 4,288,914</u>	<u>\$ 4,240,266</u>	<u>\$ 49,918</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 1,270</u>	<u>\$ 4,288,914</u>	<u>\$ 4,240,266</u>	<u>\$ 49,918</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash	<u>\$ 53,577</u>	<u>\$ 30,085,020</u>	<u>\$ 30,042,237</u>	<u>\$ 96,360</u>
LIABILITIES				
Due to other governmental units	\$ 43,935	\$ 25,795,674	\$ 25,800,245	\$ 39,364
Due to union groups	8,372	432	1,726	7,078
Due to individuals and agencies	<u>1,270</u>	<u>4,288,914</u>	<u>4,240,266</u>	<u>49,918</u>
	<u>\$ 53,577</u>	<u>\$ 30,085,020</u>	<u>\$ 30,042,237</u>	<u>\$ 96,360</u>

COMPONENT UNIT FUNDS

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2010

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 2,265,705	\$ 149,285	\$ 2,414,990
Investments	234,809	-	234,809
Due from other funds	-	153,439	153,439
Due from other governmental units	85,000	6,948	91,948
TOTAL ASSETS	<u>\$ 2,585,514</u>	<u>\$ 309,672</u>	<u>\$ 2,895,186</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 151,934	\$ 151,934
Accrued wages	-	803	803
Due to other funds	153,439	-	153,439
Due to other governmental units	5,807	156,935	162,742
TOTAL LIABILITIES	159,246	309,672	468,918
FUND BALANCES			
Unreserved, reported in:			
Special revenue fund	<u>2,426,268</u>	<u>-</u>	<u>2,426,268</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,585,514</u>	<u>\$ 309,672</u>	<u>\$ 2,895,186</u>

City of Fenton

Component Unit Funds

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

June 30, 2010

Total fund balances - governmental funds **\$ 2,426,268**

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

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

The cost of capital assets is	\$ 482,432	
Accumulated depreciation is	<u>(9,262)</u>	
Capital assets, net		473,170

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

Long-term liabilities at year-end consist of:

Bonds payable	(4,245,000)	
Accrued interest payable	<u>(46,847)</u>	
		<u>(4,291,847)</u>

Net assets of governmental activities **\$ (1,392,409)**

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2010

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 1,470,475	\$ -	\$ 1,470,475
Interest	12,607	-	12,607
Other	-	200	200
TOTAL REVENUES	1,483,082	200	1,483,282
EXPENDITURES			
Current			
Community and economic development	-	671,055	671,055
Debt service			
Principal	290,000	-	290,000
Interest and fiscal charges	200,250	-	200,250
TOTAL EXPENDITURES	490,250	671,055	1,161,305
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	992,832	(670,855)	321,977
OTHER FINANCING SOURCES (USES)			
Transfers in	-	616,013	616,013
Transfers out	(616,013)	-	(616,013)
TOTAL OTHER FINANCING SOURCES (USES)	(616,013)	616,013	-0-
NET CHANGE IN FUND BALANCES	376,819	(54,842)	321,977
Fund balances, beginning of year	2,049,449	54,842	2,104,291
Fund balances, end of year	<u>\$ 2,426,268</u>	<u>\$ -0-</u>	<u>\$ 2,426,268</u>

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 321,977

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

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

Capital outlay	\$ 20,440	
Depreciation expense	<u>(5,850)</u>	
Excess of capital outlay over depreciation expense		14,590

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

Bond principal retirement		290,000
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Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>3,081</u>	
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Change in net assets of governmental activities \$ 629,648

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2010

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 463,480	\$ 6,309	\$ 469,789
Investments	735,000	-	735,000
Accounts receivable	-	700	700
Due from other funds	-	10,915	10,915
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,198,480</u>	<u>\$ 17,924</u>	<u>\$ 1,216,404</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 4,246	\$ 4,246
Accrued wages	-	234	234
Due from other funds	10,915	-	10,915
Due to other governmental units	250,241	13,444	263,685
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	261,156	17,924	279,080
FUND BALANCES			
Unreserved, reported in:			
Special revenue fund	937,324	-	937,324
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,198,480</u>	<u>\$ 17,924</u>	<u>\$ 1,216,404</u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net assets for this component unit is not required as the fund balance was equal to the net assets as of June 30, 2010.

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2010

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 233,488	\$ -	\$ 233,488
Interest	5,324	-	5,324
TOTAL REVENUES	238,812	-0-	238,812
EXPENDITURES			
Current			
Community and economic development	-	365,237	365,237
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	238,812	(365,237)	(126,425)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	347,572	347,572
Transfers out	(347,572)	-	(347,572)
TOTAL OTHER FINANCING SOURCES (USES)	(347,572)	347,572	-0-
NET CHANGE IN FUND BALANCES	(108,760)	(17,665)	(126,425)
Fund balances, beginning of year	1,046,084	17,665	1,063,749
Fund balances, end of year	<u>\$ 937,324</u>	<u>\$ -0-</u>	<u>\$ 937,324</u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net assets for the year ended June 30, 2010.

**STATISTICAL SECTION
(UNAUDITED)**

City of Fenton

Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trend Information:	
Net Assets by Component	63-64
Changes in Governmental Net Assets	65-66
Changes in Business-Type Net Assets	67-68
Fund Balances - Governmental Funds	69-70
Changes in Fund Balances - Governmental Funds	71-72
Revenue Capacity Information:	
Taxable value and actual value of taxable property	73-74
Direct and overlapping property tax rates	75-76
Principal property tax payers	77
Property tax levies and collections	78
Debt Capacity Information:	
Ratios of outstanding debt	79-80
Ratios of general bonded debt outstanding	81-82
Direct and overlapping governmental activities debt	83
Legal debt margin	84-85
Pledged-revenue coverage	86
Demographic and Economic Information:	
Demographic and economic statistics	87
Principal employment industries	88
Operating Information:	
Full-time equivalent government employees	89-90
Operating indicators	91-92
Capital asset statistics	93-94

City of Fenton

NET ASSETS BY COMPONENT (UNAUDITED)

2004-2010

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

Note:

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

2007	2008	2009	2010
\$ 11,468,410	\$ 13,330,319	\$ 15,330,866	\$ 15,477,218
347,552	410,856	265,457	317,283
2,518,552	2,870,834	3,336,351	3,639,156
<u>\$ 14,334,514</u>	<u>\$ 16,612,009</u>	<u>\$ 18,932,674</u>	<u>\$ 19,433,657</u>
\$ 19,711,079	\$ 20,116,220	\$ 20,620,459	\$ 21,492,609
815,410	855,831	887,139	894,335
2,724,734	2,364,107	1,817,062	2,351,447
<u>\$ 23,251,223</u>	<u>\$ 23,336,158</u>	<u>\$ 23,324,660</u>	<u>\$ 24,738,391</u>
\$ 31,179,489	\$ 33,446,539	\$ 35,951,325	\$ 36,969,827
1,162,962	1,266,687	1,152,596	1,211,618
5,243,286	5,234,941	5,153,413	5,990,603
<u>\$ 37,585,737</u>	<u>\$ 39,948,167</u>	<u>\$ 42,257,334</u>	<u>\$ 44,172,048</u>

City of Fenton

CHANGES IN GOVERNMENTAL NET ASSETS (UNAUDITED)

2004-2010

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

Note:

The City implemented the reporting requirements of GASB Statement 34 in fiscal year 2004.

Net asset information for periods prior to implementation is not readily available.

2007	2008	2009	2010
\$ 1,648,574	\$ 1,439,316	\$ 1,010,207	\$ 1,106,229
3,642,615	3,414,988	3,629,441	3,522,764
1,725,658	1,665,853	1,135,807	1,836,728
107,223	75,288	49,423	46,800
309,018	296,654	338,235	270,807
57,766	27,104	9,162	19,866
<u>\$ 7,490,854</u>	<u>\$ 6,919,203</u>	<u>\$ 6,172,275</u>	<u>\$ 6,803,194</u>
\$ 81,528	\$ 80,681	\$ 164,739	\$ 172,299
609,998	647,191	666,916	533,197
432,625	444,049	494,407	511,425
50,012	50,237	45,507	34,062
1,174,163	1,222,158	1,371,569	1,250,983
1,138,543	2,399,695	1,104,536	853,593
30,551	15,185	640,093	41,482
2,343,257	3,637,038	3,116,198	2,146,058
<u>\$ (5,147,597)</u>	<u>\$ (3,282,165)</u>	<u>\$ (3,056,077)</u>	<u>\$ (4,657,136)</u>
\$ 4,385,154	\$ 4,496,996	\$ 4,460,368	\$ 4,339,222
867,264	862,880	811,891	721,565
211,208	189,044	80,634	17,360
11,100	10,740	23,849	79,972
5,474,726	5,559,660	5,376,742	5,158,119
<u>\$ 327,129</u>	<u>\$ 2,277,495</u>	<u>\$ 2,320,665</u>	<u>\$ 500,983</u>

City of Fenton

CHANGES IN BUSINESS-TYPE NET ASSETS (UNAUDITED)

2001-2010

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Expenses				
Water	\$ 803,110	\$ 933,327	\$ 1,044,064	\$ 1,270,492
Sewer	1,731,933	1,839,477	2,350,102	2,423,351
Total Expenses	<u>\$ 2,535,043</u>	<u>\$ 2,772,804</u>	<u>\$ 3,394,166</u>	<u>\$ 3,693,843</u>
Program revenues				
Charges for Services				
Water	\$ 1,018,672	\$ 1,058,745	\$ 1,236,190	\$ 1,410,117
Sewer	1,492,432	1,549,550	1,809,840	1,794,138
Total Charges for Services	2,511,104	2,608,295	3,046,030	3,204,255
Capital Grants and Contributions				
Water	280,145	144,670	132,523	154,665
Sewer	842,665	581,960	450,660	413,085
Total Capital Grants and Contribution	1,122,810	726,630	583,183	567,750
Total program revenue	<u>3,633,914</u>	<u>3,334,925</u>	<u>3,629,213</u>	<u>3,772,005</u>
Net (expense) revenue	<u>\$ 1,098,871</u>	<u>\$ 562,121</u>	<u>\$ 235,047</u>	<u>\$ 78,162</u>
General Revenues				
Investment earnings	\$ 421,622	\$ 231,715	\$ 133,246	\$ 122,291
Miscellaneous	48,276	75,754	33,230	33,257
Total General Revenues	<u>469,898</u>	<u>307,469</u>	<u>166,476</u>	<u>155,548</u>
Change in Net Assets	<u>\$ 1,568,769</u>	<u>\$ 869,590</u>	<u>\$ 401,523</u>	<u>\$ 233,710</u>

2005	2006	2007	2008	2009	2010
\$ 1,806,817	\$ 2,057,635	\$ 2,334,328	\$ 2,179,363	\$ 2,402,112	\$ 2,302,524
2,423,654	2,286,890	2,344,030	2,215,830	2,063,615	2,114,313
<u>\$ 4,230,471</u>	<u>\$ 4,344,525</u>	<u>\$ 4,678,358</u>	<u>\$ 4,395,193</u>	<u>\$ 4,465,727</u>	<u>\$ 4,416,837</u>
\$ 1,748,795	\$ 2,133,655	\$ 2,263,120	\$ 2,198,405	\$ 2,091,329	\$ 2,415,330
1,669,022	1,640,425	2,108,018	2,156,951	2,260,702	2,257,131
3,417,817	3,774,080	4,371,138	4,355,356	4,352,031	4,672,461
133,070	149,488	51,000	3,050	-	-
305,060	469,600	117,395	16,190	-	1,054,000
438,130	619,088	168,395	19,240	-0-	1,054,000
3,855,947	4,393,168	4,539,533	4,374,596	4,352,031	5,726,461
<u>\$ (374,524)</u>	<u>\$ 48,643</u>	<u>\$ (138,825)</u>	<u>\$ (20,597)</u>	<u>\$ (113,696)</u>	<u>\$ 1,309,624</u>
\$ 113,604	\$ 128,526	\$ 139,616	\$ 105,532	\$ 53,855	\$ 10,042
-	-	-	-	48,343	94,065
113,604	128,526	139,616	105,532	102,198	104,107
<u>\$ (260,920)</u>	<u>\$ 177,169</u>	<u>\$ 791</u>	<u>\$ 84,935</u>	<u>\$ (11,498)</u>	<u>\$ 1,413,731</u>

City of Fenton

FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2001-2010

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund				
Reserved	\$ 33,021	\$ 34,487	\$ -	\$ -
Unreserved	<u>986,362</u>	<u>1,100,651</u>	<u>1,137,215</u>	<u>1,192,859</u>
Total General Fund	<u>\$ 1,019,383</u>	<u>\$ 1,135,138</u>	<u>\$ 1,137,215</u>	<u>\$ 1,192,859</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	835,036	924,129	709,924	693,125
Capital project funds	282,243	345,291	381,480	607,729
Debt service funds	<u>137,313</u>	<u>86,847</u>	<u>1,231</u>	<u>1,231</u>
Total all other governmental funds	<u>\$ 1,254,592</u>	<u>\$ 1,356,267</u>	<u>\$ 1,092,635</u>	<u>\$ 1,302,085</u>

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 360,433	\$ 97,770	\$ 203,361	\$ 98,144	\$ 82,747	\$ 233,423
<u>1,184,321</u>	<u>1,260,154</u>	<u>1,095,887</u>	<u>1,293,699</u>	<u>1,424,971</u>	<u>1,360,450</u>
<u>\$ 1,544,754</u>	<u>\$ 1,357,924</u>	<u>\$ 1,299,248</u>	<u>\$ 1,391,843</u>	<u>\$ 1,507,718</u>	<u>\$ 1,593,873</u>
\$ -	\$ 5,875	\$ 7,643	\$ 5,986	\$ 2,513	\$ 131,659
575,654	567,913	761,036	780,578	671,323	699,293
1,274,366	536,764	300,565	479,862	466,694	891,260
<u>1,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,851,251</u>	<u>\$ 1,110,552</u>	<u>\$ 1,069,244</u>	<u>\$ 1,266,426</u>	<u>\$ 1,140,530</u>	<u>\$ 1,722,212</u>

City of Fenton

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2001-2010

	2001	2002	2003	2004
Revenues				
Property taxes	\$ 2,732,664	\$ 3,029,681	\$ 3,362,554	\$ 3,492,791
Licenses and permits	201,462	189,527	207,890	199,950
Intergovernmental	1,890,045	1,798,813	1,745,502	1,643,819
Charges for services	757,617	807,434	853,325	890,454
Fines and forfeitures	32,016	48,652	52,113	87,889
Interest and rents	149,806	60,945	41,026	57,980
Other	163,663	101,277	137,620	120,172
Total revenues	5,927,273	6,036,329	6,400,030	6,493,055
Expenditures				
Current:				
General government	1,541,002	1,703,624	1,280,168	1,278,641
Public safety	2,183,186	1,895,435	2,594,115	2,686,839
Public works	2,246,069	1,619,268	2,163,482	1,771,524
Recreation and culture	299,346	326,765	266,667	196,359
Other	180,881	183,306	177,293	186,713
Capital outlay	205,756	-	31,570	49,995
Debt service				
Principal	156,324	83,097	84,519	35,405
Interest and fiscal charges	11,711	11,150	8,495	4,853
Total Expenditures	6,824,275	5,822,645	6,606,309	6,210,329
Excess of revenues over (under) expenditures	(897,002)	213,684	(206,279)	282,726
Other Financing Sources (Uses)				
Debt issuance	-	-	-	-
Sale of fixed assets	296,155	7,800	-	-
Transfers in	1,613,301	1,218,589	1,484,847	604,492
Transfers out	(1,548,565)	(1,228,600)	(1,545,622)	(622,120)
Total other financing sources (uses)	360,891	(2,211)	(60,775)	(17,628)
Net change in fund balances	(536,111)	211,473	(267,054)	265,098
Fund Balances - Beginning of year	2,702,683	2,166,572	2,378,045	2,110,991
Fund Balances - End of year	\$ 2,166,572	\$ 2,378,045	\$ 2,110,991	\$ 2,376,089
Debt service as a percentage of noncapital expenditures	2.85%	1.70%	2.08%	0.75%

2005	2006	2007	2008	2009	2010
\$ 3,962,679	\$ 4,240,619	\$ 4,371,523	\$ 4,469,408	\$ 4,460,368	\$ 4,393,964
188,548	219,417	183,527	192,848	202,728	184,494
1,636,084	1,641,769	1,856,088	2,409,873	2,224,266	1,614,485
850,713	929,924	953,140	990,606	942,784	918,363
75,657	100,282	98,361	113,225	82,639	60,189
72,177	136,634	182,900	165,142	149,780	87,911
90,817	54,986	70,498	704,615	104,936	88,880
6,876,675	7,323,631	7,716,037	9,045,717	8,167,501	7,348,286
1,368,110	1,480,678	1,545,582	1,351,239	968,649	983,435
2,871,127	3,223,832	3,126,586	3,443,691	3,465,217	3,009,260
2,109,046	2,058,361	2,301,573	3,492,752	2,984,733	1,820,818
225,450	283,553	228,712	229,526	312,942	231,720
190,793	176,138	172,734	127,621	308,798	321,552
62,203	836,131	291,316	18,486	11,498	377,966
36,954	145,778	106,933	110,779	114,763	118,892
3,305	30,289	28,766	24,920	20,936	16,806
6,866,988	8,234,760	7,802,202	8,799,014	8,187,536	6,880,449
9,687	(911,129)	(86,165)	246,703	(20,035)	467,837
900,000	-	-	-	-	200,000
8,600	-	-	9,100	-	-
1,432,490	1,514,587	1,716,000	1,430,197	1,806,490	1,644,475
(1,449,716)	(1,530,987)	(1,729,819)	(1,396,223)	(1,796,476)	(1,644,475)
891,374	(16,400)	(13,819)	43,074	10,014	200,000
901,061	(927,529)	(99,984)	289,777	(10,021)	667,837
2,494,944	3,396,005	2,468,476	2,368,492	2,658,269	2,648,248
<u>\$ 3,396,005</u>	<u>\$ 2,468,476</u>	<u>\$ 2,368,492</u>	<u>\$ 2,658,269</u>	<u>\$ 2,648,248</u>	<u>\$ 3,316,085</u>
0.64%	3.20%	1.96%	2.16%	1.66%	2.29%

City of Fenton

TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)

2001-2010

Tax Year	Fiscal Year Ended June 30,	Taxable Value by Property Type				
		Residential	Commercial	Industrial	Personal Property	Total Value
2000	2001	\$153,037,980	\$ 80,699,570	\$19,002,480	\$36,076,700	\$288,816,730
2001	2002	168,563,750	90,569,930	21,192,720	35,929,500	316,255,900
2002	2003	188,410,420	106,294,960	21,768,100	37,544,000	354,017,480
2003	2004	193,886,780	116,078,570	22,700,560	37,467,400	370,133,310
2004	2005	206,660,120	122,048,650	23,708,540	40,682,700	393,100,010
2005	2006	222,144,150	131,396,894	26,662,760	40,613,400	420,817,204
2006	2007	239,633,621	136,690,241	28,201,940	38,026,945	442,552,747
2007	2008	250,438,950	148,888,730	29,763,330	39,436,900	468,527,910
2008	2009	244,096,797	149,947,115	31,055,846	38,425,700	463,525,458
2009	2010	237,944,852	149,684,252	31,881,209	37,330,800	456,841,113

Note:

Under Michigan law, the revenue base is referred to as "Taxable Value". This amount represents Assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation. Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

<u>Tax Rate</u> <u>(mills)</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Taxable Value</u> <u>% of Actual</u>
11.00	\$ 634,013,600	45.55%
11.00	818,934,400	38.62%
10.98	883,023,000	40.09%
10.87	964,670,600	38.37%
10.87	991,013,200	39.67%
10.71	1,111,149,236	37.87%
10.62	1,158,011,328	38.22%
10.62	1,190,025,534	39.37%
10.62	1,130,479,218	41.00%
10.62	1,062,174,098	43.01%

City of Fenton

DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)

2001-2010

<u>Tax Year</u>	<u>Millage Rates - Direct City Taxes</u>			<u>County</u>	<u>Community College</u>	<u>Intermediate School District</u>
	<u>General Operating</u>	<u>Debt</u>	<u>Total Direct Taxes</u>			
2000	11.00	0.00	11.00	8.21	1.87	3.60
2001	11.00	0.00	11.00	8.21	2.87	3.58
2002	10.98	0.00	10.98	8.15	2.82	3.57
2003	10.87	0.00	10.87	8.15	2.72	3.52
2004	10.87	0.00	10.87	8.15	2.68	3.54
2005	10.71	0.00	10.71	8.51	2.68	3.54
2006	10.62	0.00	10.62	9.43	2.68	3.53
2007	10.62	0.00	10.62	10.65	2.68	3.53
2008	10.62	0.00	10.62	10.21	2.68	3.53
2009	10.62	0.00	10.62	10.21	2.68	3.53

Overlapping taxes				Total tax rate:	
<u>Regional</u>	<u>School</u>	<u>School:</u>	<u>School:</u>	<u>Homestead</u>	<u>Non-homestead</u>
<u>Parks</u>	<u>Debt</u>	<u>Homestead</u>	<u>Non-homestead</u>		
0.00	7.63	6.00	17.79	38.31	56.10
0.40	7.64	6.00	17.79	39.70	57.49
0.40	7.61	6.00	17.79	39.53	57.32
0.40	7.59	5.00	17.54	38.25	55.79
0.39	7.60	6.00	18.00	39.23	57.23
0.37	5.64	6.00	17.63	37.45	55.08
0.37	5.64	6.00	17.42	38.27	55.69
0.37	5.64	6.00	18.00	39.49	57.49
0.37	5.84	6.00	18.00	39.25	57.25
0.37	5.24	6.00	18.00	38.65	56.65

City of Fenton

PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)

June 30, 2010 and 2001

<u>Taxpayer</u>	<u>2010 Taxable Value</u>	<u>Percentage of Total</u>	<u>2001 Taxable Value</u>	<u>Percentage of Total</u>	<u>2001 Rank</u>
Georgetown	\$ 8,000,000	1.75%	\$ 7,576,530	2.60%	1
Consumers Energy	7,067,469	1.55%	4,846,140	1.67%	5
Creative Foam Corporation	7,027,030	1.54%	6,183,080	2.13%	3
Silver Lake Hills Apartments	6,137,700	1.34%	vacant land	N/A	N/A
Regency Realty Group	5,933,767	1.30%	vacant land	N/A	N/A
New Plan Excel Realty	5,666,466	1.24%	vacant land	N/A	N/A
Home Depot	5,547,134	1.21%	4,523,020	1.56%	7
New Plan of Michigan	5,230,278	1.14%	vacant land	N/A	N/A
Wal-Mart Properties	5,056,406	1.11%	vacant land	N/A	N/A
Target Corporation	4,739,900	1.04%	vacant land	N/A	N/A

Note:

Source: Data provided by local assessment records.

City of Fenton

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

2001-2010

<u>Tax Year</u>	<u>Fiscal Year June 30,</u>	<u>Total Levy</u>	<u>Current Collections</u>	<u>Percent Collected</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Levy Collected</u>
2000	2001	\$ 3,197,129	\$ 3,039,444	95.1%	\$ 154,587	\$ 3,194,031	99.9%
2001	2002	3,467,617	3,252,501	93.8%	199,781	3,452,282	99.6%
2002	2003	3,886,769	3,651,783	94.0%	211,537	3,863,320	99.4%
2003	2004	4,023,151	3,827,520	95.1%	186,176	4,013,696	99.8%
2004	2005	4,272,500	4,104,165	96.1%	158,720	4,262,885	99.8%
2005	2006	4,498,613	4,292,059	95.4%	188,777	4,480,836	99.6%
2006	2007	4,693,686	4,374,525	93.2%	302,460	4,676,985	99.6%
2007	2008	4,914,512	4,519,935	92.0%	348,091	4,868,026	99.1%
2008	2009	4,579,124	4,133,108	90.3%	415,649	4,548,757	99.3%
2009	2010	4,789,846	4,420,372	92.3%	344,712	4,765,084	99.5%

Note:

Source: Data provided from local Treasurer's Department.

City of Fenton

RATIOS OF OUTSTANDING DEBT (UNAUDITED)

2001-2010

	2001	2002	2003	2004
Governmental Activities				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Installment purchase agreements	-	-	110,930	75,525
Special assessment bonds	-	-	-	-
Capital leases	-	-	-	-
Total	-0-	-0-	110,930	75,525
Business-type Activities				
General obligation bonds	12,572,077	12,122,855	11,639,255	11,162,245
Installment purchase agreements	-	96,308	49,725	-
Revenue bonds	1,360,000	1,300,000	10,840,000	10,400,000
Total	13,932,077	13,519,163	22,528,980	21,562,245
Component Unit Activities				
General obligation bonds	1,640,000	7,710,000	7,345,000	6,960,000
Total debt of the government	15,572,077	21,229,163	29,984,910	28,597,770
Total Taxable Value	\$ 288,816,730	\$ 316,255,900	\$ 354,017,480	\$ 370,133,310
Ratio of total debt to taxable value	5.39%	6.71%	8.47%	7.73%
Total Population ⁽¹⁾	10,582	10,582	10,582	10,582
Total debt per capita	\$ 1,472	\$ 2,006	\$ 2,834	\$ 2,702
Personal Income ⁽²⁾	\$ 26,430	\$ 26,042	\$ 26,707	\$ 28,277
Ratio of total debt to personal income	0.17%	0.12%	0.09%	0.10%

Note:

(1) Source: Actual 2000 Census Report.

(2) Source: Bureau of Economic Analysis.

2005	2006	2007	2008	2009	2010
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
938,571	792,784	685,851	575,072	460,309	541,417
-	-	-	-	-	-
84,350	64,707	147,562	75,738	-	-
1,022,921	857,491	833,413	650,810	460,309	541,417
11,558,781	9,882,525	9,170,166	8,470,799	7,701,561	6,903,343
-	-	-	-	-	-
9,888,759	9,433,759	8,963,759	8,483,759	7,993,759	8,426,110
21,447,540	19,316,284	18,133,925	16,954,558	15,695,320	15,329,453
5,790,000	5,490,000	5,185,000	4,870,000	4,535,000	4,245,000
28,260,461	25,663,775	24,152,338	22,475,368	20,690,629	20,115,870
<u>\$ 393,100,010</u>	<u>\$ 420,817,204</u>	<u>\$ 442,552,747</u>	<u>\$ 468,527,910</u>	<u>\$ 463,525,458</u>	<u>\$ 456,841,113</u>
7.19%	6.10%	5.46%	4.80%	4.46%	4.40%
10,582	10,582	10,582	10,582	10,582	10,582
\$ 2,671	\$ 2,425	\$ 2,282	\$ 2,124	\$ 1,955	\$ 1,901
\$ 28,130	\$ 28,803	\$ 29,347	\$ 29,488	N/A	N/A
0.10%	0.11%	0.12%	0.13%	N/A	N/A

City of Fenton

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)

2001-2010

<u>Fiscal Year</u>	<u>Tax-Limited General Obligation Bonds (LTGO)</u>	<u>Tax Supported Bonds (UTGO)</u>	<u>Less Pledged Debt Service Funds</u>	<u>Other General Obligation Debt</u>
2001	\$ -	\$ -	\$ -	\$ -
2002	-	-	-	-
2003	-	-	-	110,930
2004	-	-	-	75,525
2005	-	-	-	1,022,921
2006	-	-	-	857,491
2007	-	-	-	685,851
2008	-	-	-	575,072
2009	-	-	-	460,309
2010	-	-	-	541,417

Note:

(1) Source: Actual 2000 Census Report.

<u>Net General Bonded Debt</u>	<u>Taxable Value</u>	<u>Debt as a Percentage of Taxable Value</u>	<u>Population ⁽¹⁾</u>	<u>Debt Per Capita</u>
\$ -	\$ 288,816,730	-	10,582	-
-	316,255,900	-	10,582	-
110,930	354,017,480	0.0003	10,582	10
75,525	370,133,310	0.0002	10,582	7
1,022,921	393,100,010	0.0026	10,582	97
857,491	420,817,204	0.0020	10,582	81
685,851	442,552,747	0.0015	10,582	65
575,072	468,527,910	0.0012	10,582	54
460,309	463,525,458	0.0010	10,582	43
541,417	456,841,113	0.0012	10,582	51

City of Fenton

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

June 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Genesee County	\$ 34,296,256	3.93%	\$ 1,347,843
Mott Community College	63,995,000	3.93%	2,515,004
Holly School District	70,690,000	0.01%	7,069
Fenton School District	48,590,000	48.55%	23,590,445
Lake Fenton School District	25,475,000	4.73%	1,204,968
Bishop Airport Authority	10,555,000	3.93%	414,812
	<u>253,601,256</u>		<u>29,080,139</u>
Total Overlapping Debt			
Direct City Debt	<u>541,417</u>	100.00%	<u>541,417</u>
Total Direct and Overlapping Debt	<u>\$ 254,142,673</u>		<u>\$ 29,621,556</u>

Note:

(1) The percentage of overlapping debt applicable is estimated using taxable property value. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each unit's total taxable value.

City of Fenton

LEGAL DEBT MARGIN (UNAUDITED)

2001-2010

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Calculation of debt limit:				
State equalized valuation	\$ 317,006,800	\$ 409,467,200	\$ 441,511,500	\$ 482,335,300
10% of taxable value	31,700,680	40,946,720	44,151,150	48,233,530
Calculation of debt subject to limit:				
Total debt	15,572,077	21,229,163	29,984,910	28,597,770
Less: debt not subject to limit:				
Special assessment bonds				
Revenue bonds	1,360,000	1,300,000	10,840,000	10,400,000
Net debt subject to limit	<u>14,212,077</u>	<u>19,929,163</u>	<u>19,144,910</u>	<u>18,197,770</u>
Legal debt margin	<u>\$ 31,700,680</u>	<u>\$ 40,946,720</u>	<u>\$ 44,151,150</u>	<u>\$ 48,233,530</u>
Net debt subject to limit as % of debt limit	44.83%	48.67%	43.36%	37.73%

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 495,506,600	\$ 555,574,618	\$ 579,005,664	\$ 595,012,767	\$ 567,344,609	\$531,087,049
49,550,660	55,557,461	57,900,566	59,501,276	56,734,460	53,108,705
28,260,461	25,834,772	24,413,373	22,636,714	21,057,956	20,480,464
9,888,759	9,433,759	8,963,759	8,470,799	7,701,561	8,426,110
<u>18,371,702</u>	<u>16,401,013</u>	<u>15,449,614</u>	<u>14,165,915</u>	<u>13,356,395</u>	<u>12,054,354</u>
<u>\$ 49,550,660</u>	<u>\$ 55,557,461</u>	<u>\$ 57,900,566</u>	<u>\$ 59,501,276</u>	<u>\$ 56,734,460</u>	<u>\$ 53,108,705</u>
37.08%	29.52%	26.68%	23.81%	23.54%	22.70%

City of Fenton

PLEGGED-REVENUE COVERAGE (UNAUDITED)

2001-2010

Fiscal Year	Gross Revenues ⁽¹⁾	Applicable Expenses ⁽²⁾	Net Revenues	Water Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
2001	\$ 1,542,245	\$ 625,834	\$ 916,411	\$ 60,000	\$ 35,500	9.60
2002	1,342,406	746,622	595,784	60,000	32,460	6.44
2003	1,474,949	826,590	648,359	60,000	30,960	7.13
2004	1,670,229	841,022	829,207	440,000	240,722	1.22
2005	1,930,044	1,364,740	565,304	450,000	193,573	0.88
2006	2,308,560	1,572,492	736,068	460,000	247,210	1.04
2007	2,386,818	1,595,097	791,721	470,000	291,868	1.04
2008	2,232,035	1,514,112	717,923	480,000	223,829	1.02
2009	2,115,761	1,750,910	364,851	490,000	208,032	0.52
2010	2,464,508	1,664,432	800,076	505,000	196,688	1.14

Fiscal Year	Gross Revenues ⁽¹⁾	Applicable Expenses ⁽²⁾	Net Revenues	Sewer Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
2001	\$ 2,561,567	\$ 975,512	\$ 1,586,055	\$ 274,342	\$ 696,641	1.63
2002	2,299,988	1,160,376	1,079,760	398,624	678,570	1.00
2003	2,320,740	1,286,189	1,034,551	433,003	652,464	0.95
2004	2,257,324	1,309,113	948,211	477,009	623,823	0.86
2005	2,039,507	1,334,580	704,927	598,196	592,874	0.59
2006	2,213,134	1,276,943	936,191	636,739	553,320	0.79
2007	2,292,331	1,300,131	992,200	712,359	547,080	0.79
2008	2,248,093	1,314,490	933,603	735,189	405,343	0.82
2009	2,338,464	1,213,357	1,125,107	769,238	354,260	1.00
2010	2,312,060	1,232,423	1,079,637	798,218	329,023	0.96

Note:

Detail regarding the government's outstanding debt can be found in the notes to the financial statements.

(1) Includes charges for services, operating revenues, and interest earned, excluding grant revenues and interest earned on construction bond monies.

(2) Includes operations, amortization of bond issuance costs, and other expenses, excluding expenses associated with grant revenues.

City of Fenton

DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)

2001-2010

<u>Fiscal Year</u>	<u>Population ⁽¹⁾</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita ⁽²⁾ Personal Income</u>	<u>Unemployment Rate ⁽³⁾</u>
2001	10,582	\$ 11,550,238	\$ 26,430	5.1
2002	10,582	11,428,292	26,042	5.2
2003	10,582	11,768,618	26,707	5.4
2004	10,582	12,509,332	28,277	4.7
2005	10,582	12,475,412	28,130	4.9
2006	10,582	12,615,522	28,803	7.7
2007	10,582	12,970,376	29,347	8
2008	10,582	12,648,248	29,488	9.7
2009	10,582	N/A	N/A	15.8
2010	10,582	N/A	N/A	14.1

Note:

(1) Source: Actual 2000 Census Report.

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

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

City of Fenton

PRINCIPAL EMPLOYMENT INDUSTRIES (UNAUDITED)

June 30, 2010

Industry	2010 Number of Jobs ⁽¹⁾	Percentage of Total	2001 Number of Jobs ⁽¹⁾	Percentage of Total
Trade, Transportation, and Utilities	29,100	21.48%	34,300	20.51%
Education and Health Services	26,000	19.19%	21,700	12.98%
Government	23,400	17.27%	24,700	14.77%
Manufacturing	10,200	7.53%	31,300	18.72%
Leisure and Hospitality	15,100	11.14%	15,200	9.09%
Professional and Business Services	12,300	9.08%	15,700	9.39%
Natural Resources, Mining, and Construction	4,000	2.95%	8,500	5.08%
Other Services	6,300	4.65%	6,300	3.77%
Financial Activities	6,400	4.72%	6,900	4.13%
Information	2,700	1.99%	2,600	1.56%
Total	135,500	1.00	167,200	1.00

Note:

(1) Source: Bureau of Economic Analysis.

City of Fenton

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES (UNAUDITED)

2001-2010

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

2005	2006	2007	2008	2009	2010
14	14	14	13	11	10
21	21	21	21	19	18
2	2	2	2	1	1
1	1	1	1	1	1
8	8	8	8	7	8
10	10	10	10	9	8
56	56	56	55	48	46

City of Fenton

OPERATING INDICATORS (UNAUDITED)

2001-2010

Function/ program	2001	2002	2003	2004
Election data				
Registered voters	8,163	8,111	8,397	8,793
Voters (at the polls or absentee)	794	3,360	531	5,604
Percent voting	9.73%	41.43%	6.32%	63.73%
Police				
Physical arrests	548	477	570	616
Traffic violations	N/A	N/A	N/A	N/A
Investigations	8,042	8,072	8,608	8,459
Fire				
Fire runs	627	362	346	357
Emergency medical runs	710	233	226	213
Inspections	25	25	25	25
Public works				
Miles of street resurfaced	6.25	3.20	2.35	2.50
Water				
Number of customers billed	3,406	3,498	3,500	3,531
Total consumption*	387,257	422,802	431,825	419,271
Average consumption per user	114	121	123	119
Sewer				
Average daily sewage treatment**	N/A	N/A	N/A	N/A

*Water consumption in thousand gallons

**Sewer Plant is shared other communities

N/A - data not available

2005	2006	2007	2008	2009	2010
8,887	8,768	9,094	8,783	8,882	8,812
939	4,207	721	1,005	1,437	2,346
10.57%	47.98%	7.93%	11.00%	16.18%	26.62%
866	985	1,162	1,175	813	870
2,207	2,046	2,019	2,020	1,596	1,429
8,690	8,623	9,144	9,100	9,635	9,725
333	360	381	389	412	497
128	133	141	162	170	147
30	25	30	500	250	50
1.75	0.43	1.10	1.40	1.16	1.8
3,655	3,700	3,746	3,759	3,480	3,485
402,686	356,301	361,320	360,325	313,909	299,308
110	96	96	96	90	86
N/A	N/A	N/A	N/A	N/A	N/A

City of Fenton

CAPITAL ASSET STATISTICS (UNAUDITED)

2001-2010

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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1 9	1 9	1 9	1 9	1 9	1 9
1 8	1 8	1 8	1 8	1 8	1 8
15.22 31.60	15.22 31.60	15.22 31.60	15.22 31.60	18.69 35.05	18.69 35.05
172 17 1	172 17 1	172 17 1	172 17 1	172 17 1	172 17 1
64	64	64	64	64	64
1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.
56 39	56 39	56 39	56 39	56 39	56 39

City of Fenton

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2010

City of Fenton

TABLE OF CONTENTS

June 30, 2010

	<u>Page</u>
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	1-2
Schedule of Expenditures of Federal Awards	3
Notes to Schedule of Expenditures of Federal Awards	4
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	5-6
SCHEDULE OF FINDINGS	7-8
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	9

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Fenton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2010. The City of Fenton's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Fenton's management. Our responsibility is to express an opinion on the City of Fenton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fenton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Fenton's compliance with those requirements.

In our opinion, the City of Fenton complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City of Fenton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fenton's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fenton's internal control over compliance.

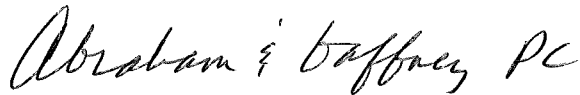
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the 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, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 9, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Fenton's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Honorable Mayor and Members of the City Council of the City of Fenton, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 9, 2010

City of Fenton

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through Genesee County, Michigan Neighborhood Stabilization Program - ARRA	14.218	N/A	\$ 132,126
U.S. DEPARTMENT OF JUSTICE Direct Program Byrne Memorial Justice Assistance Grant - ARRA	16.803	N/A	12,754
U.S. ENVIRONMENTAL PROTECTION AGENCY Passed through Michigan Department of Environmental Quality Clean Water State Revolving Funds ^(a) SRF-ARRA	66.458	5256-01	<u>804,000</u>
TOTAL FEDERAL AWARDS			<u>\$ 948,880</u>

^(a) Denotes program tested as "major program"

City of Fenton

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of City of Fenton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: RECONCILIATION TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE EXPENDITURES

The following reconciles the intergovernmental revenues reported in the June 30, 2010, basic financial statements to the expenditures of the City administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State/Local Revenue</u>	<u>Less: State/Local Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT			
GENERAL FUND	\$ 744,491	\$ 731,737	\$ 12,754
SPECIAL REVENUE FUNDS			
Neighborhood Stabilization Fund	132,126	-	132,126
Other programs	<u>737,868</u>	<u>737,868</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	869,994	737,868	132,126
SEWER FUND	<u>804,000</u>	-	<u>804,000</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,418,485</u>	<u>\$ 1,469,605</u>	<u>\$ 948,880</u>

Principals

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



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the 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, as of and for the year ended June 30, 2010, which collectively comprise the City of Fenton's basic financial statements and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fenton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fenton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fenton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

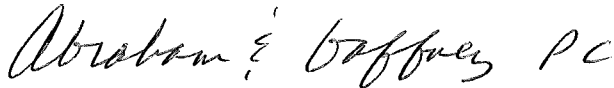
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as 2010-2.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Honorable Mayor and Members of the City Council of the City of Fenton, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 9, 2010

City of Fenton
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported by Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

2010-1 Material Journal Entries Proposed by Auditors

Condition: Material journal entries for the adjustment of accounts receivable, assets held for resale, accounts payable, bond payable, and depreciation expense were proposed by the auditors. These misstatements were not detected by the City's internal control over financial reporting.

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the recording of all appropriate journal entries so that the trial balances reflect amounts that are in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Cause: The City's internal controls over financial reporting failed to identify these misstatements.

SCHEDULE OF FINDINGS - CONTINUED

Year Ended June 30, 2010

Section II - Financial Statement Findings - continued

2010-1 Material Journal Entries Proposed by Auditors - continued

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the City's internal controls.

Recommendation: We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The City will strengthen internal controls and attempt to record all appropriate journal entries so that the trial balance reflects amounts that are in conformity with U.S. generally accepted accounting principles.

2010-2 Unfavorable Budget Variances

Condition: During our review of the City's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund, and the following special revenue funds: Major Street Fund, Parks & Recreation Fund, Garbage Collection Fund, Emergency 911 Fund and D.A.R.E Fund. The City's budget was not amended as it became apparent that expenditures would exceed the amounts appropriated for various activities of the General Fund and special revenue funds.

Criteria: The Uniform Budgeting and Accounting Act (Public Act 621 of 1978, as amended) requires the City to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: Three (3) activities in the General Fund and total expenditures for five (5) Special Revenue funds exceeded the amounts anticipated. While the City attempts to budget for anticipated expenditures some items cannot be anticipated or accurately determined until after the fact.

Effect: The City is not in compliance with the Uniform Budgeting and Accounting Act.

Recommendation: We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The City will monitor expenditures against adopted budgets in all applicable funds and carefully make appropriate budget amendments as needed.

Section III - Federal Award Findings and Questioned Costs

None noted.

City of Fenton

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

FINDINGS/NONCOMPLIANCE

Control Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements and Other Matters Applicable to the Financial Statements.

Compensated Absences Policy for Non-union Employees

Condition: During the course of our audit, we noted that the Clerk's office does not have available for review the compensated absences policies related to non-union employees. It was our understanding that the City's long-time practice for compensated absences of non-union employees had been to follow the union contract provision.

Resolution: This City considered this but chose not to adopt a formal policy. Prior practice will be followed. We consider this issue resolved.

Physical Inventory Count

During the course of our audit, it was noted that the City did not perform a physical count as part of the process to determine financial statement amounts for inventories in the Water Fund as of June 30, 2009. Instead, the City used the same balance from the prior year physical count.

Resolution: This issue was not noted during the current audit. We consider this issue resolved.

Investment Policy

Condition: During the course of our audit, it was noted the City does not have an investment policy that addresses that various types of investment risk as described in reporting requirements of GASB Statement No. 40.

Resolution: The City considered amending the investment policy but determined it was not necessary. We consider this issue resolved.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.