

CITY OF FENTON, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2011

**Prepared by:
Treasurer's Department**

**Cynthia A. Shane
City Treasurer**

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2011

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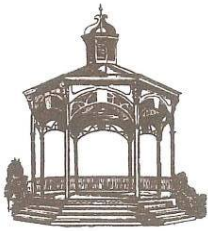
City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2011

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INTRODUCTORY SECTION



City of Fenton

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

December 13, 2011

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, 2011 (FY 11). 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 third 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 the commercial and industrial growth in the community has seen marginal improvements. The economic recovery has been slow and fragile. Last year Creative Foam, Inc. located in the Industrial Park was awarded a MEGA Tax Credit by the Michigan Economic Development Corporation for their new work in the alternative energy field that assisted them in creating 63 new jobs at their Fenton facility. Acument Global Technologies reopened their facility on Owen Road. They have now created 25 new jobs with expectations of adding another 20 in the next couple of years. We recently have been working with Hanwha a South Korean company that has opened their Global Business Center in our Industrial Park. This company is a very diversified company with revenues of approximately \$20 Billion per year. They will employ 25-35 employees in Fenton that will be involved with Research and Development. This is their first headquarters outside of South Korea.

The Downtown Development Authority (DDA) has completed the agreement with the Michigan Brewing Company. They are in the process of renovating the Old Fire Hall building for reuse as a restaurant. The DDA has also been working with the Saab Group to develop a new three-story 30,000 square at the corner of Siler Lake Road and S. Leroy Street. This building will have restaurants and retail on the first floor, office space on the second floor and condos/apartments on the third floor. It is expected that these projects will be catalysts for the redevelopment of the downtown district.

Although 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. The 2010 decennial census count showed a population gain of 11% over the last 10 years. The new population of the City of Fenton is 11,746. This bucks population trends across the State of Michigan. 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. As the tight credit market begins to free up, we have seen renewed interest in commercial projects. In the past year we have seen a new Fairfield Inn (72 bed hotel) constructed in the city and more projects are in progress today. Our location near several major metropolitan markets and 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:

- A couple of years ago the City of Fenton partnered with Genesee County to implement a Neighborhood Stabilization Plan. The city has now purchased five (5) homes for rehabilitation and resale, two (2) have been rehabilitated and resold, one (1) is currently undergoing rehabilitation and the remaining two are awaiting rehabilitation.
- Reduction in the Police Department of \$100,000 in overtime costs.
- Reduction in the Parks and Recreation Budget of \$88,150 mostly due to contracting out mowing services.
- Reduction in the General Services Budget of \$70,000 due to retirement of a debt for radio communications.
- Various other reductions in several departments.

On a more positive note, the City of Fenton accomplished the completion of several major capital improvement projects. The projects that have been completed include:

- The SRF project is a \$2.1 million project is an upgrade of the city's sanitary sewer lift stations. Construction on this project began during fiscal year 2010.
- Adelaide Street water main and street resurfacing project \$3,100,000.
- Owen Road corridor Congestion and Air Quality (CMAQ) project \$720,000
- Walnut Street Resurfacing Project \$210,000

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

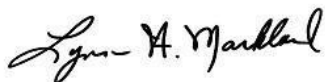
Wherever possible the City has made use of grant, matching, or low interest funds to help meet the needs of the community. Examples of such grants benefiting the City include road and water system improvements, the CMAQ project, ARRA grant for the SRF project and homeland security grants for police and fire. 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.

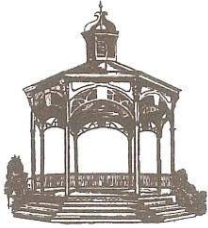
In closing, let me express my hope that you will find this document to be a useful tool in evaluating the City's financial health. Helping you and the public obtain a thorough understanding of the City's financial condition is important to us all. Should you have any questions, comments, concerns, or 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 13, 2011

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, 2011 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.

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.

REPORTING CHANGES

The City of Fenton has implemented the Governmental Accounting Standards Board issued Statement No. 54, Fund Balance Reporting and 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 are replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

THE REPORTING ENTITY AND SERVICES PROVIDED

The City of Fenton has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). The City includes all the funds, boards, commissions, and authorities that are controlled by or dependent upon the Mayor and City Council. Based upon these criteria, the Downtown Development Authority and Local Development Finance Authority have been included in this report.

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.

Governmental Structure and Local Economy

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.

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 which has built a new state-of-the-art high school. In addition, the city is the home to a private parochial school for parents who choose a religion-based education for their children.

The 2010 U.S. Census was 11,746, a population increase of 11% or 1,164 persons from 2000.

Even in the midst of an economic recession and tepid recovery, Fenton continues to grow and draw more new businesses to the area, including a hotel and brewery. Outside of its downtown is the commercial boom of Silver Lake Village, a 153.9 acre Planned Unit Business development on the west side of the City.

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. Creative Foam plans to invest 1.5 million and create 63 new jobs over the next five years to support their growth in producing high tolerance composite foam cores and specialized processing equipment for wind turbine blades.

Standard and Poors reviewed the City of Fenton credit rating in 2010. The credit rating was upgraded from an A+ to AA-. The Financial Management Assessment (FMA) score is "good".

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 SRF project of 2.1 million was completed to upgrade several of the city's sanitary sewer lift stations.

The city issued 2.7 million in Taxable-Recovery Zone Economic Development Bonds to cover the cost of the Adelaide Street water main and street resurfacing project. Under the provision of the bonds and the American Recovery and Reinvestment Act of 2009, the city will receive federal subsidy receipts equal to 45% of the interest costs annually. This project will be complete in FYE 2012.

The DDA (Downtown Development Authority) continued the facade improvement program, financially and professionally assisting business in improving the external portion to their buildings. DDA streetscape improvements were maintained and continued. A sign way finding project is being implemented to assist newcomers in finding their way around Fenton.

The DDA contracted with New Moon Visions marketing firm. New Moon created the tagline "Be Closer", which the city has trademarked. New Moon has developed an extensive marketing plan to promote the city. A website has been created www.fentonbecloser.com. The Fenton Be Closer Facebook page has posted 972,585 views in the last year. The DDA has funded media buys of radio commercials & bill boards. The DDA's mission is to promote Fenton outside the city so it is not just another small town or freeway exit. Business owners say the "Be Closer" campaign is working and bringing people into Fenton stores.

The DDA has formed partnerships with the Southern Lakes Parks and Recreation Authority and Fenton Chamber of Commerce. Financial sponsorship has been provided for farmer's market, summer concert and movies & classic film series. The Back to the Bricks Tune Up party brought 6,000 people to downtown Fenton in one evening.

The City's tax base has now dropped back to 2004 levels, due to a 20 percent three-year decline in property assessments. The City has taken measures to reduce expenditures in the General Fund and preserve their fund balance. For fiscal year ending June 30, 2011 the General Fund had a surplus of \$160,939. The City has eliminated 11 full time positions or 19% of its workforce in the past five years.

For July 1 2011 and Thereafter

The City has implemented significant changes in retiree health care benefits, reducing the annual premiums by \$158,470 or a 61% reduction. These changes will be reflected in the OPEB (Other Postemployment Benefits) actuarial completed by fiscal year ending June 30, 2012.

Current employees will be contributing 20% of their monthly health care premiums. The City was paying 100% of the premiums in previous years. Their health insurance plan also has a higher deductible which is funded by the City but reduces the monthly health insurance premiums.

The 2012 General Fund Budget proposes expenditures over revenues of (\$3,169).

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). The City has continued to designate general operating millage for capital improvements.

BUDGETING AND INTERNAL CONTROLS

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.

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.

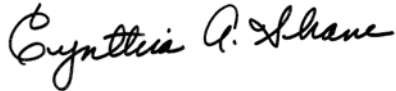
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the *City of Fenton* for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The Certificate of Achievement 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 three 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 cursive script that reads "Cynthia A. Shane".

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, 2010

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, 2011

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

Daniel Czarniecki, 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



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, 2011, 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. 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

As discussed in Note L, during the year the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result of this implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB Statement No. 54.

Abraham & Gaffney PC

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 13, 2011

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 which is considered to be a major fund. Data for the other 13 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**

Type of Statements	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and major/local streets	Activities the City operates similar to private business: the water and sewer system	Instances in which the City is the trustee or agent for someone else’s resources.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary 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	
	2010	2011	2010	2011	2010	2011
Current & Other Assets	\$ 5.2	\$ 6.0	\$ 4.1	\$ 5.7	\$ 9.3	\$ 11.7
Capital Assets	16.0	15.8	36.8	37.7	52.8	53.5
Total Assets	21.2	21.8	40.9	43.4	62.1	65.2
Long-term liabilities	0.8	1.1	15.7	15.8	16.5	16.9
Other liabilities	1.0	1.0	0.5	2.3	1.5	3.3
Total liabilities	1.8	2.1	16.2	18.1	18	20.2
Net assets:						
Invested in capital assets - Net of related debt	15.5	15.3	21.5	20.9	37	36.2
Restricted	0.3	0.2	0.9	0.9	1.2	1.1
Unrestricted (deficit)	3.6	4.2	2.3	3.4	5.9	7.6
Total net assets	\$ 19.4	\$ 19.7	\$ 24.7	\$ 25.2	\$ 44.1	\$ 44.9

The City's combined net assets increased 1.6 percent from a year ago, increasing from \$44.1 million to \$44.9 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately .2 million in net assets, or one percent, during the fiscal year 2011. 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 4.2 million at June 30, 2011. The business-type activities experienced an increase in net assets of approximately .5 million or two 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.

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	
	2010	2011	2010	2011	2010	2011
Revenue						
Program revenue:						
Charges for services	\$ 1.3	\$ 1.3	\$ 4.7	\$ 5.2	\$ 6.0	\$ 6.5
Operating grants and Contributions	0.9	0.8	0.0	0.0	0.9	0.8
Capital grants and Contributions	0.0	0.0	1	0.0	1	0.0
General revenue:						
Property taxes	4.4	3.8	0.0	0.0	4.4	3.8
State-shared revenue	0.7	0.8	0.0	0.0	0.7	0.8
Unrestricted						
Miscellaneous	0.0	0.1	0.1	0.1	0.1	0.2
Investment earnings	0.0	0.0	0.0	0.0	0.0	0.0
Total revenue	<u>7.3</u>	<u>6.8</u>	<u>5.8</u>	<u>5.3</u>	<u>13.1</u>	<u>12.1</u>
Program Expenses						
General government	1.1	1.2	0.0	0.0	1.1	1.2
Public safety	3.5	3.4	0.0	0.0	3.5	3.4
Public works	1.7	1.6	0.0	0.0	1.7	1.6
Parks & recreation	0.3	0.2	0.0	0.0	0.3	0.2
Community service	0.1	0.1	0.0	0.0	0.1	0.1
Cemetery	0.1	0.0	0.0	0.0	0.1	0.0
Interest on long-term debt	0.0	0.0	0.0	0.0	0.0	0.0
Water	0.0	0.0	2.3	2.7	2.3	2.7
Sewer	0.0	0.0	2.1	2.1	2.1	2.1
Total program expenses	<u>6.8</u>	<u>6.5</u>	<u>4.4</u>	<u>4.8</u>	<u>11.2</u>	<u>11.3</u>
Change in Net Assets	<u>\$ 0.50</u>	<u>\$ 0.30</u>	<u>\$ 1.40</u>	<u>\$ 0.50</u>	<u>\$ 1.90</u>	<u>\$ 0.80</u>

Governmental Activities

The City's total governmental revenues decreased by approximately \$0.5 million due to a decrease in property taxes.

Expenses decreased by approximately \$0.3 million, or 3 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 built 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 costs of the bond issue were the reasons for the increase in expenditures FY 2011. An additional cost in FY 2011 for the Water Fund was the drainage of a lagoon.

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 expenditures remained the same as the previous year in FY 2011. During fiscal 2011, \$684,766 in operating income was incurred in the Sewer Fund and \$395,652 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 fund for 2011 was the General 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 \$2.7 million in 2011. The general operating millage levied by the City supports these two services. FY 2011, revenues decreased in the General Fund by \$339,146, mainly due to the decreases in taxable values and property taxes. The City made a great effort to reduce spending, expenditures decreased by \$243,820. This reduction was mainly personnel and overtime reductions. Fund Balance in the General Fund increased by \$160,939.

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 \$144,834. The State increased the City's revenue sharing payments during the fiscal year due to the 2010 increase in population. Expenditures were \$252,370 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 2011, the City had \$54.3 million invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets and water and sewer lines. The value of the infrastructure assets, net of depreciation, contained in this report is \$8.4 million and \$8.2 million for fiscal 2011 and 2010, 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	\$ 425,000	\$ 2,221,034
Construction in progress	3,362,014	2,010,807	-	5,372,821
Buildings, net	4,093,341	-	341,175	4,434,516
Building and land improvements, net	121,726	7,754,884	-	7,876,610
Machinery, vehicles and equipment, net	1,602,821	63,567	16,352	1,682,740
Roads, lights, and bridges, net	4,990,898	-	-	4,990,898
Sewer and water lines, net	-	27,710,452	-	27,710,452
Capital assets, net	\$ 15,775,904	\$ 37,730,640	\$ 782,527	\$ 54,289,071

Standard and poor's reviewed the City of Fenton credit rating during FY 2010. The rating was upgraded from an A+ to AA-. The Financial Management Assessment (FMA) score is "good". The Water 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:

	2010	2011
Net direct bonded debt	\$ 541,386	\$ 452,045
Ratio of debt to assessed valuation	0.0012	0.0009
Debt per capita	\$ 51	\$ 38

Additional information on the City of Fenton's capital assets and long term debt can be found in note E on pages 23-26 and note F on pages 26-29, 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 ten years the Headlee Amendment has rolled the City's operating millage below 11 mills. For 2010 and 2011 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 2011 under Proposal A was only .997 percent. Property taxes make up 72 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 slow.

The General Fund budget for 2012 is structured so that expenditures exceed revenues by \$3,169. 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 Adelaide Street 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, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash	\$ 4,413,984	\$ 2,894,928	\$ 7,308,912	\$ 3,318,396
Cash - restricted	-	678,552	678,552	-
Investments	250,000	-	250,000	-
Investments - restricted	-	218,827	218,827	-
Receivables	701,795	1,794,019	2,495,814	-
Due from other governmental units	534,583	-	534,583	495
Internal balances	(26,054)	26,054	-0-	-
Inventories	38,820	35,870	74,690	-
Assets held for resale	119,629	-	119,629	-
Total current assets	6,032,757	5,648,250	11,681,007	3,318,891
Noncurrent assets				
Capital assets not being depreciated	4,967,118	2,201,737	7,168,855	345,000
Capital assets, net of accumulated depreciation	10,808,786	35,528,903	46,337,689	437,527
Total noncurrent assets	15,775,904	37,730,640	53,506,544	782,527
TOTAL ASSETS	21,808,661	43,378,890	65,187,551	4,101,418
LIABILITIES				
Current liabilities				
Accounts payable	369,109	639,425	1,008,534	74,111
Accrued wages	107,226	9,930	117,156	1,383
Deposits payable	216,832	-	216,832	-
Due to other governmental units	135,382	344	135,726	16,304
Unearned revenue	51,326	-	51,326	-
Accrued interest payable	7,439	141,732	149,171	43,606
Current portion of compensated absences	40,411	21,501	61,912	-
Current portion of long-term debt	92,370	1,475,338	1,567,708	320,000
Total current liabilities	1,020,095	2,288,270	3,308,365	455,404
Noncurrent liabilities				
Meter deposits	-	3,578	3,578	-
Noncurrent portion of compensated absences	161,643	86,005	247,648	-
Noncurrent portion of long-term debt	359,675	15,278,342	15,638,017	3,620,000
Net post-employment benefit obligation	577,505	467,437	1,044,942	-
Total noncurrent liabilities	1,098,823	15,835,362	16,934,185	3,620,000
TOTAL LIABILITIES	2,118,918	18,123,632	20,242,550	4,075,404
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	15,323,859	21,994,491	37,318,350	782,527
Restricted for:				
Highways and streets	141,844	-	141,844	-
Bond reserve	-	897,379	897,379	-
Unrestricted	4,224,040	2,363,388	6,587,428	(756,513)
TOTAL NET ASSETS	\$ 19,689,743	\$ 25,255,258	\$ 44,945,001	\$ 26,014

See accompanying notes to financial statements.

City of Fenton
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

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		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 1,177,043	\$ 189,867	\$ 11,600	\$ -	\$ (975,576)	\$ -	\$ (975,576)	\$ -
Public safety	3,354,743	581,059	24,090	-	(2,749,594)	-	(2,749,594)	-
Public works	1,637,839	500,429	706,292	36,994	(394,124)	-	(394,124)	-
Community and economic development	118,270	-	70,642	-	(47,628)	-	(47,628)	-
Recreation and culture	250,303	41,434	300	665	(207,904)	-	(207,904)	-
Interest and fees on long-term debt	18,035	-	-	-	(18,035)	-	(18,035)	-
Total governmental activities	6,556,233	1,312,789	812,924	37,659	(4,392,861)	-0-	(4,392,861)	-0-
Business-type activities								
Sewer	2,145,302	2,465,111	-	-	-	319,809	319,809	-
Water	2,697,917	2,779,345	-	-	-	81,428	81,428	-
Total business-type activities	4,843,219	5,244,456	-0-	-0-	-0-	401,237	401,237	-0-
Total primary government	<u>\$ 11,399,452</u>	<u>\$ 6,557,245</u>	<u>\$ 812,924</u>	<u>\$ 37,659</u>	(4,392,861)	401,237	(3,991,624)	-0-
Component units								
Downtown development authority	\$ 922,827	\$ -	\$ -	\$ -	-	-	-0-	(922,827)
Local development finance authority	226,975	-	-	-	-	-	-0-	(226,975)
Total component units	<u>\$ 1,149,802</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(1,149,802)
General revenues								
Property taxes					3,802,193	-	3,802,193	1,616,691
State shared revenue					793,649	-	793,649	-
Investment earnings					22,824	16,270	39,094	14,210
Miscellaneous					30,281	99,360	129,641	-
Total general revenues					4,648,947	115,630	4,764,577	1,630,901
Change in net assets					256,086	516,867	772,953	481,099
Net assets (deficit), beginning of the year					19,433,657	24,738,391	44,172,048	(455,085)
Net assets, end of the year					<u>\$ 19,689,743</u>	<u>\$ 25,255,258</u>	<u>\$ 44,945,001</u>	<u>\$ 26,014</u>

See accompanying notes to financial statements.

City of Fenton
Governmental Funds
BALANCE SHEET
June 30, 2011

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash	\$ 1,561,721	\$ 2,051,073	\$ 3,612,794
Investments	250,000	-	250,000
Receivables			
Accounts	225,065	104,471	329,536
Interest	828	-	828
Taxes	317,089	-	317,089
Special assessments	13,302	41,040	54,342
Due from other funds	313,213	-	313,213
Due from other governmental units	428,255	106,328	534,583
Inventories	34,333	4,487	38,820
Assets held for resale	-	119,629	119,629
	\$ 3,143,806	\$ 2,427,028	\$ 5,570,834
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 302,538	\$ 49,938	\$ 352,476
Accrued wages	97,561	9,665	107,226
Deposits payable	216,832	-	216,832
Due to other funds	68	370,573	370,641
Due to other governmental units	135,382	-	135,382
Deferred revenue	337,089	49,375	386,464
	1,089,470	479,551	1,569,021
FUND BALANCES			
Nonspendable	34,333	124,116	158,449
Restricted	-	141,844	141,844
Committed	-	1,681,517	1,681,517
Unassigned	2,020,003	-	2,020,003
	2,054,336	1,947,477	4,001,813
	\$ 3,143,806	\$ 2,427,028	\$ 5,570,834

See accompanying notes to financial statements.

City of Fenton

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

June 30, 2011

Total fund balances - governmental funds \$ 4,001,813

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	\$ 22,242,557	
Accumulated depreciation is	<u>(6,466,653)</u>	
Capital assets, net		15,775,904

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	859,799	
Less: net capital assets included in totals above	<u>(245,922)</u>	
		613,877

Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds. 335,138

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	(452,045)	
Accrued interest payable	(7,439)	
Net post-employment benefit obligation	<u>(577,505)</u>	
		<u>(1,036,989)</u>

Net assets of governmental activities \$ 19,689,743

City of Fenton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2011

	General	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 3,911,729	\$ -	\$ 3,911,729
Licenses and permits	218,991	-	218,991
Intergovernmental	828,999	813,927	1,642,926
Charges for services	292,292	657,168	949,460
Fines and forfeits	62,174	-	62,174
Interest and rents	76,631	14,018	90,649
Other	34,732	11,196	45,928
TOTAL REVENUES	5,425,548	1,496,309	6,921,857
EXPENDITURES			
Current			
General government	917,206	59,502	976,708
Public safety	2,604,846	298,439	2,903,285
Public works	196,623	1,420,960	1,617,583
Community and economic development	34,785	72,350	107,135
Recreation and culture	59,529	157,504	217,033
Other	305,755	-	305,755
Debt service	-	108,630	108,630
TOTAL EXPENDITURES	4,118,744	2,117,385	6,236,129
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,306,804	(621,076)	685,728
OTHER FINANCING SOURCES (USES)			
Transfers in	19,000	1,184,172	1,203,172
Transfers out	(1,164,865)	(38,307)	(1,203,172)
TOTAL OTHER FINANCING SOURCES (USES)	(1,145,865)	1,145,865	-0-
NET CHANGE IN FUND BALANCES	160,939	524,789	685,728
Restated fund balances, beginning of year	1,893,397	1,422,688	3,316,085
Fund balances, end of year	<u>\$ 2,054,336</u>	<u>\$ 1,947,477</u>	<u>\$ 4,001,813</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, 2011

Net change in fund balances - total governmental funds **\$ 685,728**

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	\$ 418,943	
Depreciation expense	<u>(647,352)</u>	
Excess of depreciation expense over capital outlay and net effect of disposal of capital assets		(228,409)

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	(35,290)	
Add: Depreciation expense included in the total above	<u>104,004</u>	68,714

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		89,372
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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	1,223	
(Decrease) in deferred revenue	(109,536)	
(Increase) in net post-employment benefit obligation	<u>(251,006)</u>	
		<u>(359,319)</u>

Change in net assets of governmental activities **\$ 256,086**

City of Fenton

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2011

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Internal Service
ASSETS				
Current assets				
Cash	\$ 1,626,964	\$ 1,267,964	\$ 2,894,928	\$ 801,190
Cash - restricted	-	678,552	678,552	-
Investments - restricted	-	218,827	218,827	-
Accounts receivable	837,559	956,460	1,794,019	-
Due from other funds	108,373	68	108,441	52,344
Inventories	-	35,870	35,870	-
Total current assets	2,572,896	3,157,741	5,730,637	853,534
Noncurrent assets				
Capital assets not being depreciated	157,803	2,043,934	2,201,737	-
Capital assets, net of accumulated depreciation	21,863,138	13,665,765	35,528,903	245,922
Total noncurrent assets	22,020,941	15,709,699	37,730,640	245,922
TOTAL ASSETS	24,593,837	18,867,440	43,461,277	1,099,456
LIABILITIES				
Current liabilities				
Accounts payable	221,767	417,658	639,425	16,633
Accrued wages	2,270	7,660	9,930	-
Accrued interest payable	73,396	68,336	141,732	-
Due to other funds	12,128	70,259	82,387	20,970
Due to other governmental units	-	344	344	-
Current portion of compensated absences	7,487	14,014	21,501	40,411
Current portion of long-term debt	910,338	565,000	1,475,338	-
Total current liabilities	1,227,386	1,143,271	2,370,657	78,014
Noncurrent liabilities				
Meter deposits	-	3,578	3,578	-
Noncurrent portion of compensated absences	29,949	56,056	86,005	161,643
Noncurrent portion of long-term debt	6,179,583	9,098,759	15,278,342	-
Other post-employment benefit obligation	118,535	348,902	467,437	-
Total noncurrent liabilities	6,328,067	9,507,295	15,835,362	161,643
TOTAL LIABILITIES	7,555,453	10,650,566	18,206,019	239,657
NET ASSETS				
Invested in capital assets, net of related debt	14,931,020	7,063,471	21,994,491	245,922
Restricted for bond reserve	-	897,379	897,379	-
Unrestricted	2,107,364	256,024	2,363,388	613,877
TOTAL NET ASSETS	\$ 17,038,384	\$ 8,216,874	\$ 25,255,258	\$ 859,799

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, 2011

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
OPERATING REVENUES				
Charges for services	\$ 2,465,111	\$ 2,779,345	\$ 5,244,456	\$ 275,819
Other	46,393	52,967	99,360	-
TOTAL OPERATING REVENUES	2,511,504	2,832,312	5,343,816	275,819
OPERATING EXPENSES				
Personnel services	292,871	1,123,970	1,416,841	36,794
Professional services	853,444	73,355	926,799	-
Operating supplies	18,838	509,683	528,521	24,312
Fuel and utilities	30,181	152,662	182,843	72,711
Repairs and maintenance	-	26,121	26,121	44,618
Equipment and building rent	46,887	32,526	79,413	20,401
Insurance	12,600	20,000	32,600	12,800
Depreciation	571,741	449,048	1,020,789	104,004
Other	176	49,295	49,471	115
TOTAL OPERATING EXPENSES	1,826,738	2,436,660	4,263,398	315,755
OPERATING INCOME (LOSS)	684,766	395,652	1,080,418	(39,936)
NONOPERATING REVENUES (EXPENSES)				
Interest earned	5,553	10,717	16,270	1,422
Gain on sale of assets	-	-	-0-	3,224
Interest expense and fees	(318,564)	(261,257)	(579,821)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(313,011)	(250,540)	(563,551)	4,646
CHANGE IN NET ASSETS	371,755	145,112	516,867	(35,290)
Net assets, beginning of year	16,666,629	8,071,762	24,738,391	895,089
Net assets, end of year	<u>\$ 17,038,384</u>	<u>\$ 8,216,874</u>	<u>\$ 25,255,258</u>	<u>\$ 859,799</u>

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 3,323,409	\$ 2,858,539	\$ 6,181,948	\$ -
Cash receipts from interfund services provided	-	-	-0-	476,017
Cash paid to suppliers	(1,146,560)	(781,737)	(1,928,297)	(189,023)
Cash paid to employees	(232,820)	(948,823)	(1,181,643)	(59,311)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,944,029	1,127,979	3,072,008	227,683
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(129,141)	(1,800,226)	(1,929,367)	-
Proceeds from sale of assets	-	-	-0-	17,546
Interest expense and fees	(325,143)	(242,462)	(567,605)	-
Payments on borrowings	(872,805)	(515,000)	(1,387,805)	-
Proceeds from bond issuance	122,032	2,690,000	2,812,032	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,205,057)	132,312	(1,072,745)	17,546
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned	5,553	10,717	16,270	1,422
NET INCREASE IN CASH	744,525	1,271,008	2,015,533	246,651
Cash, beginning of year	882,439	675,508	1,557,947	554,539
Cash, end of year	<u>\$ 1,626,964</u>	<u>\$ 1,946,516</u>	<u>\$ 3,573,480</u>	<u>\$ 801,190</u>

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended June 30, 2011

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 684,766	\$ 395,652	\$ 1,080,418	\$ (39,936)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	571,741	449,048	1,020,789	104,004
Change in:				
Accounts receivable	171,710	13,147	184,857	17,795
Interest receivable	-	-	-0-	599
Due from other funds	390,195	13,080	403,275	185,536
Due from other governmental units	250,000	-	250,000	-
Accounts payable	(142,632)	380,652	238,020	(14,066)
Accrued wages	987	1,181	2,168	-
Compensated absences	(12,881)	(19,636)	(32,517)	(22,517)
Other post-employment benefits obligation	71,945	193,602	265,547	-
Due to other funds	(41,802)	(298,747)	(340,549)	(3,732)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,944,029	\$ 1,127,979	\$ 3,072,008	\$ 227,683

See accompanying notes to financial statements.

City of Fenton

Fiduciary Funds

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 210,420
Taxes receivable	96
	<u>\$ 210,516</u>
LIABILITIES	
Due to other governmental units	\$ 53,846
Due to union groups	7,078
Due to individuals and agencies	149,592
	<u>\$ 210,516</u>

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2011

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash	\$ 2,395,093	\$ 923,303	\$ 3,318,396
Due from other governmental units	345	150	495
Total current assets	2,395,438	923,453	3,318,891
Noncurrent assets			
Capital assets not being depreciated	345,000	-	345,000
Capital assets, net of accumulated depreciation	437,527	-	437,527
Total noncurrent assets	782,527	-0-	782,527
TOTAL ASSETS	3,177,965	923,453	4,101,418
LIABILITIES			
Current liabilities			
Accounts payable	57,395	16,716	74,111
Accrued wages	1,071	312	1,383
Due to other governmental units	1,683	14,621	16,304
Accrued interest payable	43,606	-	43,606
Current portion of long-term debt	320,000	-	320,000
Total current liabilities	423,755	31,649	455,404
Noncurrent liabilities			
Noncurrent portion of long-term debt	3,620,000	-	3,620,000
TOTAL LIABILITIES	4,043,755	31,649	4,075,404
NET ASSETS (DEFICIT)			
Invested in capital assets	782,527	-	782,527
Unrestricted	(1,648,317)	891,804	(756,513)
TOTAL NET ASSETS (DEFICIT)	\$ (865,790)	\$ 891,804	\$ 26,014

See accompanying notes to financial statements.

City of Fenton
Component Units
COMBINING STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

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	\$ 922,827	\$ (922,827)	\$ -	\$ (922,827)
Local Development Finance Authority				
Community and economic development	226,975	-	(226,975)	(226,975)
TOTAL COMPONENT UNITS	\$ 1,149,802	(922,827)	(226,975)	(1,149,802)
General revenues				
Property taxes		1,438,758	177,933	1,616,691
Investment earnings		10,688	3,522	14,210
Total general revenues		1,449,446	181,455	1,630,901
CHANGE IN NET ASSETS		526,619	(45,520)	481,099
Net assets (deficit), beginning of year		(1,392,409)	937,324	(455,085)
Net assets (deficit), end of year		\$ (865,790)	\$ 891,804	\$ 26,014

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fenton, Michigan, has a population of approximately 11,746. 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. 4*, 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 2010 or 2011.

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, 2011, 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, 2011

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.

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, 2011

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting

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

- a. Prior to the third Monday in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. On or before the third Monday in May, by resolution, the budget is legally enacted on a departmental (activity) basis for the General Fund and on a total expenditure level for the Special Revenue 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Property Tax

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

Property taxes are levied by the City of Fenton on July 1 and December 1 and are payable without penalty through September 15 and February 28, respectively. The July 1 levy is composed of the County's levy, the State Education Tax assessment, school tax and the City's millage and assessments. The December 1 levy was composed of school taxes and special county millages 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, 2011, the City levied 10.6226 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2010 levy for property within the City was \$410,372,982. This levy generated \$3,911,729 in property tax revenue for the General fund.

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 nonspendable fund balance 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 nonspendable fund balance 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capital Assets - concluded

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

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

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, 2011, 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, 2011, 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

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.

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. Restricted Net Assets

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

20. Comparative Data

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

NOTE B: CASH AND INVESTMENTS

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

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, 2011

NOTE B: CASH AND INVESTMENTS - CONTINUED

Deposits

As of June 30, 2011, 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	\$ 7,985,394	\$ 8,134,070
Certificates of deposit	<u>468,827</u>	<u>468,827</u>
Total primary government	8,454,221	8,602,897
FIDUCIARY FUNDS		
Checking and savings	210,420	112,433
COMPONENT UNITS		
Checking and savings	<u>3,318,396</u>	<u>3,330,517</u>
TOTAL REPORTING ENTITY	<u>\$ 11,983,037</u>	<u>\$ 12,045,847</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, 2011, 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.

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, 2011, the City accounts were insured by the FDIC for \$2,805,139 and the amount of \$9,240,708 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.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE B: CASH AND INVESTMENTS - CONCLUDED

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, 2011:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash	\$ 7,308,912	\$ 3,318,396	\$ 210,420	\$ 10,837,728
Cash - restricted	678,552	-	-	678,552
Investments	250,000	-	-	250,000
Investments - restricted	218,827	-	-	218,827
	<u>\$ 8,456,291</u>	<u>\$ 3,318,396</u>	<u>\$ 210,420</u>	<u>\$ 11,985,107</u>

The primary government cash caption on the financial statements includes \$2,070 in imprest cash.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2011, are as follows:

Due to General Fund from:	
Sewer Fund	\$ 9,968
Water Fund	20,075
Nonmajor governmental funds	262,200
Internal service funds	20,970
	<u>\$ 313,213</u>
Due to Sewer Fund from:	
Nonmajor governmental funds	<u>\$ 108,373</u>
Due to Water Fund from:	
General Fund	<u>\$ 68</u>
Due to internal service funds from:	
Sewer Fund	\$ 2,160
Water Fund	50,184
	<u>\$ 52,344</u>
Due to component unit funds from:	
Component Unit Funds (DDA)	\$ 10,000
Component Unit Funds (LDFA)	22,915
	<u>\$ 32,915</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONCLUDED

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 General Fund from:	
Nonmajor governmental funds	<u>\$ 19,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,164,865
Nonmajor governmental fund	<u>19,307</u>
	<u>\$ 1,184,172</u>
Transfers to component unit funds from:	
Component Unit Funds (DDA)	\$ 1,049,695
Component Unit Funds (LDFA)	<u>229,807</u>
	<u>\$ 1,279,502</u>

The transfer from the nonmajor governmental funds to the General Fund was to transfer excess fund equity for current use. 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.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,605,104	\$ -	\$ -	\$ 1,605,104
Construction in progress - roads	3,608,635	397,073	(643,694)	3,362,014
Total capital assets not being depreciated	5,213,739	397,073	(643,694)	4,967,118

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental activities - concluded				
Capital assets, being depreciated				
Buildings	\$ 6,007,171	\$ -	\$ -	\$ 6,007,171
Building and land improvements	552,838	-	-	552,838
Machinery, vehicles, and equipment	4,742,567	-	(48,105)	4,694,462
Roads, lights, and bridges	5,355,404	665,564	-	6,020,968
Total capital assets being depreciated	16,657,980	665,564	(48,105)	17,275,439
Less accumulated depreciation for:				
Buildings	(1,793,892)	(119,938)	-	(1,913,830)
Building and land improvements	(411,009)	(20,103)	-	(431,112)
Machinery, vehicles, and equipment	(2,901,419)	(224,005)	33,783	(3,091,641)
Roads, lights, and bridges	(746,764)	(283,306)	-	(1,030,070)
Total accumulated depreciation	(5,853,084)	(647,352)	33,783	(6,466,653)
Total capital assets being depreciated, net	10,804,896	18,212	(14,322)	10,808,786
Net capital assets	<u>\$ 16,018,635</u>	<u>\$ 415,285</u>	<u>\$ (658,016)</u>	<u>\$ 15,775,904</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 70,397
Public safety	178,645
Public works	387,310
Recreation and cultural	11,000
Total depreciation expense	<u>\$ 647,352</u>

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 190,930	\$ -	\$ -	\$ 190,930
Construction in progress	2,007,983	1,744,779	(1,741,955)	2,010,807
Total capital assets not being depreciated	2,198,913	1,744,779	(1,741,955)	2,201,737

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - concluded

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities - concluded				
Capital assets, being depreciated				
Building improvements	\$ 8,859,988	\$ -	\$ -	\$ 8,859,988
Sewer and water lines	36,423,353	1,863,986	-	38,287,339
Machinery and equipment	625,484	62,557	(16,761)	671,280
Total capital assets being depreciated	45,908,825	1,926,543	(16,761)	47,818,607
Less accumulated depreciation for:				
Building improvements	(883,608)	(221,496)	-	(1,105,104)
Sewer and water lines	(9,806,425)	(770,462)	-	(10,576,887)
Machinery and equipment	(595,643)	(28,831)	16,761	(607,713)
Total accumulated depreciation	(11,285,676)	(1,020,789)	16,761	(12,289,704)
Total capital assets being depreciated, net	34,623,149	905,754	-0-	35,528,903
Net capital assets	<u>\$ 36,822,062</u>	<u>\$ 2,650,533</u>	<u>\$ (1,741,955)</u>	<u>\$ 37,730,640</u>

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

Sewer	\$ 571,741
Water	<u>449,048</u>
Total depreciation expense	<u>\$ 1,020,789</u>

Component Unit

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Downtown Development Authority				
Capital assets, not being depreciated				
Land	\$ 345,000	\$ 80,000	\$ -	\$ 425,000
Capital assets, being depreciated				
Buildings	116,992	247,546	-	364,538
Equipment	20,440	-	-	20,440
Total capital assets being depreciated	137,432	247,546	-0-	384,978

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E: CAPITAL ASSETS - CONCLUDED

Component Unit - concluded

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Downtown Development Authority - concluded				
Less accumulated depreciation for:				
Buildings	\$ (9,262)	\$ (14,101)	\$ -	\$ (23,363)
Equipment	-	(4,088)	-	(4,088)
Total accumulated depreciation	(9,262)	(18,189)	-0-	(27,451)
Total capital assets being depreciated, net	128,170	229,357	-0-	357,527
Net capital assets	\$ 473,170	\$ 309,357	\$ -0-	\$ 782,527

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, 2011.

Primary Government

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year
Governmental Activities					
Installment purchase agreements	\$ 541,417	\$ -	\$ (89,372)	\$ 452,045	\$ 92,370
Compensated absences	224,571	57,412	(79,929)	202,054	40,411
Total	765,988	57,412	(169,301)	654,099	132,781
Business-type Activities					
2005 Sewage Refunding Bonds	4,238,910	-	(706,045)	3,532,865	711,315
2006 Sewage Disposal Bonds	2,664,433	-	(120,760)	2,543,673	149,023
1999 Michigan Municipal Bond Authority	723,759	-	(70,000)	653,759	75,000
2002 Michigan Municipal Bond Authority	6,765,000	-	(445,000)	6,320,000	460,000
2009 Michigan Municipal Bond Authority	937,351	122,032	(46,000)	1,013,383	50,000
2010 Capital Improvement Bonds	-	2,690,000	-	2,690,000	30,000
Compensated absences	140,023	13,463	(45,980)	107,506	21,501
Total	15,469,476	2,825,495	(1,433,785)	16,861,186	1,496,839
TOTAL PRIMARY GOVERNMENT	\$ 16,235,464	\$ 2,882,907	\$ (1,603,086)	\$ 17,515,285	\$ 1,629,620

Component Unit

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year
Component Unit (DDA)					
2002 General Obligation Bonds	\$ 4,245,000	\$ -	\$ (305,000)	\$ 3,940,000	\$ 320,000

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: LONG-TERM DEBT - CONTINUED

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. \$ 277,965

\$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. 174,080

\$ 452,045

General Obligation Bonds

\$6,818,086 2005 Sewage 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. \$ 3,532,864

\$2,885,399 2007 Sewage Disposal Bonds dated November 16, 2007, due in annual installments ranging from \$149,023 to \$470,194 through April 1, 2019, with interest of 4.00 percent, payable semi-annually. 2,543,673

\$ 6,076,538

Revenue Bonds

\$1,413,759 Michigan Municipal Bond Authority Series 1999 dated April 1, 1999, due in annual installments ranging from \$75,000 to \$98,759 through April 1, 2019, with an interest rate of 2.5 percent, payable semi-annually. \$ 653,759

\$9,600,000 Michigan Municipal Bond Authority Series 2002 dated December 19, 2002, due in annual installments ranging from \$460,000 to \$600,000 through April 1, 2023, with an interest rate of 2.5 percent, payable semi-annually. 6,320,000

\$1,206,000 Michigan Municipal Bond Authority Series 2009 (only \$1,059,383 drawn to date), dated September 21, 2009, due in annual installments ranging from \$50,000 to \$75,000 through April 1, 2030, with an interest rate of 2.50 percent, payable semi-annually. 1,013,383

\$ 7,987,142

Capital Improvement Bonds

\$2,690,000 2010 Capital Improvement Bonds dated April 1, 2011, due in annual installments ranging from \$30,000 to \$195,000 through April 1, 2035, with an interest rate ranging from 1.75 to 6.375 percent, payable semi-annually. \$ 2,690,000

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - concluded

Compensated Absences

In accordance with the City's personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused sick pay under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$202,054 for governmental activities and \$107,506 for business-type activities for sick pay at June 30, 2011. Of these amounts, \$40,411 and \$21,501 have been recorded as current liabilities, and \$161,643 and \$86,005 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 \$7,757,876. During the current year, net revenues of the system were \$795,570 compared to the annual debt requirements of \$709,344.

Component Unit (DDA)

\$6,200,000 2001 General Obligation Limited Tax Development Bonds dated September 1, 2001, due in annual installments ranging from \$320,000 to \$465,000 through April 1, 2021, with an interest ranging from 4.25 to 4.50 percent, payable semi-annually. \$ 3,940,000

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

Primary Government

Year Ending June 30,	Installment Purchase Agreements		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 92,370	\$ 16,259	\$ 860,338	\$ 269,499
2013	95,710	12,920	896,374	233,307
2014	99,170	9,460	934,785	192,097
2015	102,756	5,874	978,269	149,391
2016	30,489	2,159	1,003,897	103,252
2017-2021	31,550	1,098	1,402,875	112,127
	<u>\$ 452,045</u>	<u>\$ 47,770</u>	<u>\$ 6,076,538</u>	<u>\$ 1,059,673</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: LONG-TERM DEBT - CONCLUDED

Primary Government - concluded

Year Ending June 30,	Revenue Bonds		Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 585,000	\$ 199,679	\$ 30,000	\$ 158,136
2013	595,000	185,054	35,000	157,611
2014	605,000	176,179	40,000	156,771
2015	625,000	155,054	40,000	155,431
2016	640,000	139,429	40,000	153,931
2017-2021	3,283,759	450,205	345,000	736,606
2022-2026	1,510,000	87,423	645,000	599,614
2027-2031	143,383	3,713	780,000	385,344
2032-2035	-	-	735,000	119,213
	<u>\$ 7,987,142</u>	<u>\$ 1,396,736</u>	<u>\$ 2,690,000</u>	<u>\$ 2,622,658</u>

Component Unit (DDA)

Year Ending June 30,	General Obligation Limited Tax Development Bonds	
	Principal	Interest
2012	\$ 320,000	\$ 174,423
2013	335,000	160,822
2014	350,000	146,585
2015	365,000	131,710
2016	385,000	115,650
2017-2021	2,185,000	302,625
	<u>\$ 3,940,000</u>	<u>\$ 1,031,815</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, 2011

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 4.32% of annual covered payroll for the administrative staff group to 18.53% 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, 2011, the City's annual pension cost of \$383,017 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, 2010, the date of the latest actuarial valuation was twenty-seven (27) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial value of assets	\$ 8,775,967	\$ 9,045,646	\$ 9,395,038
Actuarial accrued liability (AAL) (entry age)	11,724,216	11,706,640	12,546,115
Unfunded AAL	2,948,249	2,660,994	3,151,077
Funded ratio	75 %	77 %	75 %
Covered payroll	2,949,617	2,827,934	2,648,146
UAAL as a percentage of covered payroll	100 %	94 %	119 %

	Year Ended June 30,		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual pension cost	\$ 352,196	\$ 357,828	\$ 383,017
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, 2011

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, 2011, the City paid \$306,149 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, 2011, 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)	\$ 806,636
Interest on net OPEB obligation	23,778
Adjustment to annual required contribution	<u>(7,712)</u>
Annual OPEB cost	822,702
Contributions made	<u>306,149</u>
Increase in net OPEB obligation	516,553
Net OPEB obligation - beginning of year	<u>528,389</u>
Net OPEB obligation - end of year	<u>\$ 1,044,942</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONCLUDED

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2010	\$ 771,899	31.50%	\$ 528,389
2011	822,703	37.21%	1,044,943

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, 2011 and 2010, was the first year that an actuarial valuation was done, so no information is available for years prior to 2007.

Actuarial Methods and Assumptions

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%

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011 is as follows:

REVENUES	
Building permits	\$ 32,005
Zoning permits	9,786
	<hr/>
TOTAL REVENUES	41,791
EXPENDITURES	
Salaries and fringes	115,385
Supplies and other	15,227
Professional services	43,292
	<hr/>
TOTAL EXPENDITURES	173,904
	<hr/>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(132,113)
	<hr/>
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,097,219)
	<hr/>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$ (1,229,332)</u>

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: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February 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.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE L: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONCLUDED

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

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

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

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

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

Fund Balance Classification Policies and Procedures

For committed fund balance, the City of Fenton highest level of decision-making authority is the City Council. Formal action that is required to be taken to establish a fund balance commitment is a resolution of the City Council.

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

The City of Fenton has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned.

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balance			
Nonspendable			
Inventories	\$ 34,333	\$ 4,487	\$ 38,820
Assets held for sale	-	119,629	119,629
Restricted:			
Streets and highways	-	141,844	141,844
Committed:			
Parks and recreation	-	31,963	31,963
Cemetery	-	200,959	200,959
Garbage collection	-	4,750	4,750
Narcotics enforcement	-	774	774
D.A.R.E.	-	24,172	24,172
Emergency 911	-	8	8
Neighborhood stabilization	-	3,687	3,687
Fire equipment	-	149,842	149,842
Capital projects	-	1,265,362	1,265,362
Unassigned	<u>2,020,003</u>	<u>-</u>	<u>2,020,003</u>
 TOTAL FUND BALANCE	 <u>\$ 2,054,336</u>	 <u>\$ 1,947,477</u>	 <u>\$ 4,001,813</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE M: RESTATEMENT OF FUND BALANCE

Beginning fund balance for the General Fund has been restated to reflect a change in accounting standards as a result of the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The General Fund's beginning fund balance was increased \$299,524 to account for this change in accounting standards while the Budget Stabilization Fund's fund balance was reduced \$299,524. The Budget Stabilization Fund did not meet the definition of a Special Revenue fund for external financial reporting purposes under GASB No. 54.

NOTE N: SUBSEQUENT EVENT

In July of 2011, the City issued Refunding Bonds in the amount of \$3,985,000 to refund the DDA 2002 General Obligation Limited Tax Development Bonds. Future debt tax revenue and other sources are expected to be sufficient to cover this commitment.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fenton

BUDGETARY COMPARISON SCHEDULE

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.

City of Fenton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,925,151	\$ 3,912,808	\$ 3,911,729	\$ (1,079)
Licenses and permits	168,000	184,475	218,991	34,516
Intergovernmental	718,572	733,696	828,999	95,303
Charges for services	280,000	293,350	292,292	(1,058)
Fines and forfeits	60,000	60,000	62,174	2,174
Interest and rents	78,350	71,350	76,631	5,281
Other	24,000	25,035	34,732	9,697
TOTAL REVENUES	5,254,073	5,280,714	5,425,548	144,834
EXPENDITURES				
Current				
General government	888,335	941,998	917,206	24,792
Public safety				
Police department	1,990,915	1,975,370	1,861,689	113,681
Fire department	619,565	627,555	569,253	58,302
Building inspection	179,275	173,815	173,904	(89)
Total public safety	2,789,755	2,776,740	2,604,846	171,894
Public works	230,060	229,024	196,623	32,401
Community and economic development	47,565	33,076	34,785	(1,709)
Recreation and culture	172,375	76,300	59,529	16,771
Other	374,450	313,976	305,755	8,221
TOTAL EXPENDITURES	4,502,540	4,371,114	4,118,744	252,370
EXCESS OF REVENUES OVER EXPENDITURES	751,533	909,600	1,306,804	397,204
OTHER FINANCING SOURCES (USES)				
Transfer in	119,000	19,000	19,000	-0-
Transfers out	(775,445)	(811,800)	(1,164,865)	(353,065)
TOTAL OTHER FINANCING SOURCES (USES)	(656,445)	(792,800)	(1,145,865)	(353,065)
NET CHANGE IN FUND BALANCE	95,088	116,800	160,939	44,139
Restated fund balance, beginning of year	1,893,397	1,893,397	1,893,397	-0-
Fund balance, end of year	<u>\$ 1,988,485</u>	<u>\$ 2,010,197</u>	<u>\$ 2,054,336</u>	<u>\$ 44,139</u>

City of Fenton

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2011

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

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.

During the year ended June 30, 2011, 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			
Building inspection	\$ 173,815	\$ 173,904	\$ 89
Community and Economic Development	33,076	34,785	1,709
Transfers out	811,800	1,164,865	353,065
Major Street Fund	556,278	589,577	33,299
Cemetery Fund	59,450	59,502	52
Garbage Collection Fund	435,000	435,755	755
D.A.R.E. Fund	1,500	1,599	99
Emergency 911 Fund	264,852	296,810	31,958

OTHER SUPPLEMENTARY INFORMATION

City of Fenton

NONMAJOR GOVERNMENTAL FUNDS

Fund Descriptions

SPECIAL REVENUE FUNDS

Major Street Fund - 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.

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.

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.

Library Fund - To account for financial resources to be used for the library.

City of Fenton
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2011

	Special		
	Major Street	Local Street	Parks and Recreation
ASSETS			
Cash	\$ 10,237	\$ 51,783	\$ 50,180
Accounts receivable	-	-	-
Special assessments receivable	-	-	-
Due from other governmental units	77,887	28,441	-
Inventories	-	-	-
Assets held for resale	-	-	-
TOTAL ASSETS	\$ 88,124	\$ 80,224	\$ 50,180
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 19,485	\$ 2,292	\$ 15,737
Accrued wages	1,812	2,915	2,480
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	21,297	5,207	18,217
FUND BALANCES			
Nonspendable	-	-	-
Restricted	66,827	75,017	-
Committed	-	-	31,963
TOTAL FUND BALANCES	66,827	75,017	31,963
TOTAL LIABILITIES AND FUND BALANCES	\$ 88,124	\$ 80,224	\$ 50,180

Revenue Funds

Cemetery	Garbage Collection	Narcotics Enforcement	D.A.R.E	Emergency 911	Neighborhood Stabilization
\$ 208,946	\$ 20,875	\$ 774	\$ 24,172	\$ 193,197	\$ 75,705
12,223	92,248	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,487	-	-	-	-
-	-	-	-	-	119,629
<u>\$ 221,169</u>	<u>\$ 117,610</u>	<u>\$ 774</u>	<u>\$ 24,172</u>	<u>\$ 193,197</u>	<u>\$ 195,334</u>
\$ 11,875	\$ -	\$ -	\$ -	\$ -	\$ 549
-	-	-	-	2,458	-
-	108,373	-	-	190,731	71,469
8,335	-	-	-	-	-
<u>20,210</u>	<u>108,373</u>	<u>-0-</u>	<u>-0-</u>	<u>193,189</u>	<u>72,018</u>
-	4,487	-	-	-	119,629
-	-	-	-	-	-
<u>200,959</u>	<u>4,750</u>	<u>774</u>	<u>24,172</u>	<u>8</u>	<u>3,687</u>
<u>200,959</u>	<u>9,237</u>	<u>774</u>	<u>24,172</u>	<u>8</u>	<u>123,316</u>
<u>\$ 221,169</u>	<u>\$ 117,610</u>	<u>\$ 774</u>	<u>\$ 24,172</u>	<u>\$ 193,197</u>	<u>\$ 195,334</u>

City of Fenton

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2011

	Capital Projects		
	Fire Equipment	C.I.P. Fund	Working Capital Fund
ASSETS			
Cash	\$ 149,842	\$ 1,110,885	\$ 153,812
Accounts receivable	-	-	-
Special assessments receivable	-	-	41,040
Due from other governmental units	-	-	-
Inventories	-	-	-
Assets held for resale	-	-	-
TOTAL ASSETS	<u>\$ 149,842</u>	<u>\$ 1,110,885</u>	<u>\$ 194,852</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	41,040
TOTAL LIABILITIES	-0-	-0-	41,040
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	149,842	1,110,885	153,812
TOTAL FUND BALANCES	<u>149,842</u>	<u>1,110,885</u>	<u>153,812</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 149,842</u>	<u>\$ 1,110,885</u>	<u>\$ 194,852</u>

<u>Funds</u>		
<u>Library Fund</u>		<u>Total</u>
\$ 665	\$	2,051,073
-		104,471
-		41,040
-		106,328
-		4,487
-		119,629
<u>\$ 665</u>	<u>\$</u>	<u>2,427,028</u>
\$ -	\$	49,938
-		9,665
-		370,573
-		49,375
-0-		479,551
-		124,116
-		141,844
665		1,681,517
<u>665</u>		<u>1,947,477</u>
<u>\$ 665</u>	<u>\$</u>	<u>2,427,028</u>

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Special		
	Major Street	Local Street	Parks and Recreation
REVENUES			
Intergovernmental	\$ 536,248	\$ 207,037	\$ -
Charges for services	-	-	35,794
Interest and rents	410	448	5,787
Other	-	-	351
TOTAL REVENUES	536,658	207,485	41,932
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	570,270	414,935	-
Community and economic development	-	-	-
Recreation and culture	-	-	157,504
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	570,270	414,935	157,504
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,612)	(207,450)	(115,572)
OTHER FINANCING SOURCES (USES)			
Transfers in	19,307	234,200	122,350
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	19,307	234,200	122,350
NET CHANGE IN FUND BALANCES	(14,305)	26,750	6,778
Fund balances, beginning of year	81,132	48,267	25,185
Fund balances, end of year	\$ 66,827	\$ 75,017	\$ 31,963

Revenue Funds

Cemetery	Garbage Collection	Narcotics Enforcement	D.A.R.E	Emergency 911	Neighborhood Stabilization
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,642
25,493	442,029	-	-	153,852	-
532	-	36	68	-	-
-	-	340	96	-	265
26,025	442,029	376	164	153,852	70,907
59,502	-	-	-	-	-
-	-	30	1,599	296,810	-
-	435,755	-	-	-	-
-	-	-	-	-	72,350
-	-	-	-	-	-
-	-	-	-	-	-
59,502	435,755	30	1,599	296,810	72,350
(33,477)	6,274	346	(1,435)	(142,958)	(1,443)
30,350	-	-	-	142,965	-
-	-	(19,000)	-	-	-
30,350	-0-	(19,000)	-0-	142,965	-0-
(3,127)	6,274	(18,654)	(1,435)	7	(1,443)
204,086	2,963	19,428	25,607	1	124,759
<u>\$ 200,959</u>	<u>\$ 9,237</u>	<u>\$ 774</u>	<u>\$ 24,172</u>	<u>\$ 8</u>	<u>\$ 123,316</u>

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Capital Projects		
	Fire Equipment	C.I.P. Fund	Working Capital Fund
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Interest and rents	465	1,825	4,447
Other	-	-	9,479
TOTAL REVENUES	465	1,825	13,926
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Debt service			
Principal retirement	89,372	-	-
Interest and fiscal charges	19,258	-	-
TOTAL EXPENDITURES	108,630	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(108,165)	1,825	13,926
OTHER FINANCING SOURCES (USES)			
Transfers in	110,000	525,000	-
Transfers out	-	(19,307)	-
TOTAL OTHER FINANCING SOURCES (USES)	110,000	505,693	-0-
NET CHANGE IN FUND BALANCES	1,835	507,518	13,926
Fund balances, beginning of year	148,007	603,367	139,886
Fund balances, end of year	\$ 149,842	\$ 1,110,885	\$ 153,812

<u>Funds</u>	
<u>Library Fund</u>	<u>Total</u>
\$ -	\$ 813,927
-	657,168
-	14,018
<u>665</u>	<u>11,196</u>
665	1,496,309
-	59,502
-	298,439
-	1,420,960
-	72,350
-	157,504
-	89,372
-	<u>19,258</u>
<u>-0-</u>	<u>2,117,385</u>
665	(621,076)
-	1,184,172
-	<u>(38,307)</u>
<u>-0-</u>	<u>1,145,865</u>
665	524,789
-	<u>1,422,688</u>
<u>\$ 665</u>	<u>\$ 1,947,477</u>

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Major Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 466,230	\$ 476,850	\$ 465,682	\$ (11,168)
Other	72,100	68,512	70,566	2,054
Interest	100	500	410	(90)
	<u>538,430</u>	<u>545,862</u>	<u>536,658</u>	<u>(9,204)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	<u>526,690</u>	<u>556,278</u>	<u>570,270</u>	<u>(13,992)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	11,740	(10,416)	(33,612)	(23,196)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>19,307</u>	<u>19,307</u>
NET CHANGE IN FUND BALANCE				
	11,740	(10,416)	(14,305)	(3,889)
Fund balance, beginning of year	<u>81,132</u>	<u>81,132</u>	<u>81,132</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 92,872</u>	<u>\$ 70,716</u>	<u>\$ 66,827</u>	<u>\$ (3,889)</u>

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Local Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 170,100	\$ 174,000	\$ 170,043	\$ (3,957)
Other	38,200	38,200	36,994	(1,206)
Interest	100	500	448	(52)
	<u>208,400</u>	<u>212,700</u>	<u>207,485</u>	<u>(5,215)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	436,030	446,900	414,935	31,965
	<u>436,030</u>	<u>446,900</u>	<u>414,935</u>	<u>31,965</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES				
	(227,630)	(234,200)	(207,450)	26,750
OTHER FINANCING SOURCES				
Transfers in	227,630	234,200	234,200	-0-
	<u>227,630</u>	<u>234,200</u>	<u>234,200</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE				
	-0-	-0-	26,750	26,750
Fund balance, beginning of year	48,267	48,267	48,267	-0-
	<u>48,267</u>	<u>48,267</u>	<u>48,267</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 48,267</u>	<u>\$ 48,267</u>	<u>\$ 75,017</u>	<u>\$ 26,750</u>
<u>CDBG</u>				
REVENUES				
Intergovernmental	\$ 67,204	\$ -	\$ -	\$ -0-
EXPENDITURES				
Current				
Community and Economic Development	67,204	-	-	-0-
	<u>67,204</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE				
	-0-	-0-	-0-	-0-
Fund balance, beginning of year	-	-	-	-0-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Parks and Recreation Fund</u>				
REVENUES				
Charges for services	\$ 26,000	\$ 30,000	\$ 35,794	\$ 5,794
Interest and rents	5,000	6,100	5,787	(313)
Other	-	350	351	1
TOTAL REVENUES	31,000	36,450	41,932	5,482
EXPENDITURES				
Current				
Recreation and culture	163,200	159,070	157,504	1,566
EXCESS OF REVENUES (UNDER) EXPENDITURES	(132,200)	(122,620)	(115,572)	7,048
OTHER FINANCING SOURCES				
Transfer in	140,000	122,350	122,350	-0-
NET CHANGE IN FUND BALANCE	7,800	(270)	6,778	7,048
Fund balance, beginning of year	25,185	25,185	25,185	-0-
Fund balance, end of year	<u>\$ 32,985</u>	<u>\$ 24,915</u>	<u>\$ 31,963</u>	<u>\$ 7,048</u>
<u>Cemetery Fund</u>				
REVENUES				
Charges for services	\$ 19,100	\$ 19,100	\$ 25,493	\$ 6,393
Interest	500	100	532	432
TOTAL REVENUES	19,600	19,200	26,025	6,825
EXPENDITURES				
Current				
General government	59,950	59,450	59,502	(52)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(40,350)	(40,250)	(33,477)	6,773
OTHER FINANCING SOURCES				
Transfers in	29,350	29,350	30,350	1,000
NET CHANGE IN FUND BALANCE	(11,000)	(10,900)	(3,127)	7,773
Fund balance, beginning of year	204,086	204,086	204,086	-0-
Fund balance, end of year	<u>\$ 193,086</u>	<u>\$ 193,186</u>	<u>\$ 200,959</u>	<u>\$ 7,773</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Garbage Collection Fund</u>				
REVENUES				
Charges for services	\$ 454,000	\$ 454,000	\$ 442,029	\$ (11,971)
EXPENDITURES				
Current				
Public works	<u>452,000</u>	<u>435,000</u>	<u>435,755</u>	<u>(755)</u>
NET CHANGE IN FUND BALANCE	2,000	19,000	6,274	(12,726)
Fund balance, beginning of year	<u>2,963</u>	<u>2,963</u>	<u>2,963</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 4,963</u>	<u>\$ 21,963</u>	<u>\$ 9,237</u>	<u>\$ (12,726)</u>
<u>Narcotics Enforcement Fund</u>				
REVENUES				
Interest	\$ -	\$ 50	\$ 36	\$ (14)
Other	<u>1,000</u>	<u>500</u>	<u>340</u>	<u>(160)</u>
TOTAL REVENUES	1,000	550	376	(174)
EXPENDITURES				
Current				
Public safety	<u>1,000</u>	<u>500</u>	<u>30</u>	<u>470</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	50	346	(296)
OTHER FINANCING USES				
Transfers out	<u>(19,000)</u>	<u>(19,000)</u>	<u>(19,000)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(19,000)	(18,950)	(18,654)	296
Fund balance, beginning of year	<u>19,428</u>	<u>19,428</u>	<u>19,428</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 428</u>	<u>\$ 478</u>	<u>\$ 774</u>	<u>\$ 296</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>D.A.R.E. Fund</u>				
REVENUES				
Interest	\$ 50	\$ 50	\$ 68	\$ 18
Other	-	100	96	(4)
TOTAL REVENUES	50	150	164	14
EXPENDITURES				
Current				
Public safety	600	1,500	1,599	(99)
NET CHANGE IN FUND BALANCE	(550)	(1,350)	(1,435)	(85)
Fund balance, beginning of year	25,607	25,607	25,607	-0-
Fund balance, end of year	<u>\$ 25,057</u>	<u>\$ 24,257</u>	<u>\$ 24,172</u>	<u>\$ (85)</u>
<u>Emergency 911 Fund</u>				
REVENUES				
Charges for services	\$ 147,000	\$ 150,000	\$ 153,852	\$ 3,852
EXPENDITURES				
Current				
Public safety	214,465	264,852	296,810	(31,958)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(67,465)	(114,852)	(142,958)	(28,106)
OTHER FINANCING SOURCES				
Transfers in	67,465	114,900	142,965	28,065
NET CHANGE IN FUND BALANCE	-0-	48	7	(41)
Fund balance, beginning of year	1	1	1	-0-
Fund balance, end of year	<u>\$ 1</u>	<u>\$ 49</u>	<u>\$ 8</u>	<u>\$ (41)</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2011

	<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	\$ 195,500	\$ 195,500	\$ 70,642	\$ (124,858)
Interest	<u>-</u>	<u>-</u>	<u>265</u>	<u>265</u>
TOTAL REVENUES	195,500	195,500	70,907	(124,593)
EXPENDITURES				
Current				
Community and economic development	<u>195,500</u>	<u>195,500</u>	<u>72,350</u>	<u>123,150</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	(1,443)	(1,708)
Fund balance, beginning of year	<u>124,759</u>	<u>124,759</u>	<u>124,759</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 124,759</u></u>	<u><u>\$ 124,759</u></u>	<u><u>\$ 123,316</u></u>	<u><u>\$ (1,708)</u></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, 2011

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 599,135	\$ 202,055	\$ 801,190
Due from other funds	<u>52,344</u>	<u>-</u>	<u>52,344</u>
Total current assets	651,479	202,055	853,534
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>245,922</u>	<u>-</u>	<u>245,922</u>
TOTAL ASSETS	897,401	202,055	1,099,456
LIABILITIES			
Current liabilities			
Accounts payable	16,633	-	16,633
Due to other funds	20,970	-	20,970
Current portion of compensated absences	<u>-</u>	<u>40,411</u>	<u>40,411</u>
Total current liabilities	37,603	40,411	78,014
Noncurrent liabilities			
Noncurrent portion of compensated absences	<u>-</u>	<u>161,643</u>	<u>161,643</u>
TOTAL LIABILITIES	<u>37,603</u>	<u>202,054</u>	<u>239,657</u>
NET ASSETS			
Invested in capital assets	245,922	-	245,922
Unrestricted	<u>613,876</u>	<u>1</u>	<u>613,877</u>
TOTAL NET ASSETS	<u>\$ 859,798</u>	<u>\$ 1</u>	<u>\$ 859,799</u>

City of Fenton

Internal Service Funds

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

Year Ended June 30, 2011

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 262,328	\$ 13,491	\$ 275,819
OPERATING EXPENSES			
Personnel services	23,261	13,533	36,794
Operating supplies	24,312	-	24,312
Fuel and utilities	72,711	-	72,711
Repairs and maintenance	44,618	-	44,618
Equipment rent	20,401	-	20,401
Insurance	12,800	-	12,800
Depreciation	104,004	-	104,004
Other	115	-	115
	<u>302,222</u>	<u>13,533</u>	<u>315,755</u>
TOTAL OPERATING EXPENSES			
OPERATING (LOSS)	(39,894)	(42)	(39,936)
NONOPERATING REVENUES			
Interest earned	1,380	42	1,422
Gain on sale of assets	3,224	-	3,224
	<u>4,604</u>	<u>42</u>	<u>4,646</u>
TOTAL NONOPERATING REVENUES			
CHANGE IN NET ASSETS	(35,290)	-0-	(35,290)
Net assets, beginning of year	<u>895,088</u>	<u>1</u>	<u>895,089</u>
Net assets, end of year	<u>\$ 859,798</u>	<u>\$ 1</u>	<u>\$ 859,799</u>

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

	Equipment	Sick Pay	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from interfund services provided	\$ 238,130	\$ 237,887	\$ 476,017
Cash paid to suppliers	(189,023)	-	(189,023)
Cash paid to employees	(23,261)	(36,050)	(59,311)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,846	201,837	227,683
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of assets	17,546	-	17,546
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	1,380	42	1,422
NET INCREASE IN CASH	44,772	201,879	246,651
Cash, beginning of year	554,363	176	554,539
Cash, end of year	<u>\$ 599,135</u>	<u>\$ 202,055</u>	<u>\$ 801,190</u>
Reconciliation of operating (loss) to net cash provided by operating activities			
Operating (loss)	\$ (39,894)	\$ (42)	\$ (39,936)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	104,004	-	104,004
Change in:			
Accounts receivable	17,795	-	17,795
Interest receivable	599	-	599
Due from other funds	(41,927)	227,463	185,536
Accounts payable	(14,066)	-	(14,066)
Compensated absences	-	(22,517)	(22,517)
Due to other funds	(665)	(3,067)	(3,732)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 25,846</u>	<u>\$ 201,837</u>	<u>\$ 227,683</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.

Health Savings Fund – To account for amounts withheld from City employee payroll related for their health savings account.

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, 2011

	Tax Collection	Employees Union	Health Savings	Payroll	Total
ASSETS					
Cash	\$ 53,750	\$ 7,078	\$ 110,000	\$ 39,592	\$ 210,420
Taxes receivable	96	-	-	-	96
	<u>\$ 53,846</u>	<u>\$ 7,078</u>	<u>\$ 110,000</u>	<u>\$ 39,592</u>	<u>\$ 210,516</u>
LIABILITIES					
Due to other governmental units	\$ 53,846	\$ -	\$ -	\$ -	\$ 53,846
Due to union groups	-	7,078	-	-	7,078
Due to individuals and agencies	-	-	110,000	39,592	149,592
	<u>\$ 53,846</u>	<u>\$ 7,078</u>	<u>\$ 110,000</u>	<u>\$ 39,592</u>	<u>\$ 210,516</u>

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Tax Collection Fund</u>				
ASSETS				
Cash	\$ 39,364	\$ 23,309,646	\$ 23,295,260	\$ 53,750
Taxes receivable	-	96	-	96
	<u>\$ 39,364</u>	<u>\$ 23,309,742</u>	<u>\$ 23,295,260</u>	<u>\$ 53,846</u>
LIABILITIES				
Due to other governmental units	<u>\$ 39,364</u>	<u>\$ 23,309,742</u>	<u>\$ 23,295,260</u>	<u>\$ 53,846</u>
<u>Employees Union Fund</u>				
ASSETS				
Cash	<u>\$ 7,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,078</u>
LIABILITIES				
Due to union groups	<u>\$ 7,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,078</u>
<u>Health Savings Fund</u>				
ASSETS				
Cash	<u>\$ -0-</u>	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ -0-</u>	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>
<u>Payroll Fund</u>				
ASSETS				
Cash	<u>\$ 49,918</u>	<u>\$ 3,734,219</u>	<u>\$ 3,744,545</u>	<u>\$ 39,592</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 49,918</u>	<u>\$ 3,734,219</u>	<u>\$ 3,744,545</u>	<u>\$ 39,592</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash	<u>\$ 96,360</u>	<u>\$ 27,153,865</u>	<u>\$ 27,039,805</u>	<u>\$ 210,420</u>
LIABILITIES				
Due to other governmental units	\$ 39,364	\$ 23,309,742	\$ 23,295,260	\$ 53,846
Due to union groups	7,078	-	-	7,078
Due to individuals and agencies	49,918	3,844,219	3,744,545	149,592
	<u>\$ 96,360</u>	<u>\$ 27,153,961</u>	<u>\$ 27,039,805</u>	<u>\$ 210,516</u>

COMPONENT UNIT FUNDS

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2011

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 2,343,303	\$ 51,790	\$ 2,395,093
Due from other funds	-	10,000	10,000
Due from other governmental units	1	344	345
TOTAL ASSETS	<u>\$ 2,343,304</u>	<u>\$ 62,134</u>	<u>\$ 2,405,438</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 57,395	\$ 57,395
Accrued wages	-	1,071	1,071
Due to other funds	10,000	-	10,000
Due to other governmental units	-	1,683	1,683
TOTAL LIABILITIES	10,000	60,149	70,149
FUND BALANCES			
Assigned	<u>2,333,304</u>	<u>1,985</u>	<u>2,335,289</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,343,304</u>	<u>\$ 62,134</u>	<u>\$ 2,405,438</u>

City of Fenton

Component Unit Funds

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

June 30, 2011

Total fund balances - governmental funds \$ 2,335,289

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	\$ 809,978	
Accumulated depreciation is	<u>(27,451)</u>	
Capital assets, net		782,527

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	(3,940,000)	
Accrued interest payable	<u>(43,606)</u>	
		<u>(3,983,606)</u>

Net assets of governmental activities \$ (865,790)

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2011

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 1,438,758	\$ -	\$ 1,438,758
Interest	10,688	-	10,688
TOTAL REVENUES	1,449,446	-0-	1,449,446
EXPENDITURES			
Current			
Community and economic development	-	1,047,710	1,047,710
Debt service			
Principal	305,000	-	305,000
Interest and fiscal charges	187,715	-	187,715
TOTAL EXPENDITURES	492,715	1,047,710	1,540,425
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	956,731	(1,047,710)	(90,979)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,049,695	1,049,695
Transfers out	(1,049,695)	-	(1,049,695)
TOTAL OTHER FINANCING SOURCES (USES)	(1,049,695)	1,049,695	-0-
NET CHANGE IN FUND BALANCES	(92,964)	1,985	(90,979)
Fund balances, beginning of year	2,426,268	-	2,426,268
Fund balances, end of year	<u>\$ 2,333,304</u>	<u>\$ 1,985</u>	<u>\$ 2,335,289</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, 2011

Net change in fund balances - total governmental funds \$ (90,979)

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	\$ 327,546	
Depreciation expense	<u>(18,189)</u>	
Excess of capital outlay over depreciation expense		309,357

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		305,000
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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>3,241</u>
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Change in net assets of governmental activities \$ 526,619

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2011

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 911,887	\$ 11,416	\$ 923,303
Due from other funds	-	22,915	22,915
Due from other governmental units	-	150	150
TOTAL ASSETS	<u>\$ 911,887</u>	<u>\$ 34,481</u>	<u>\$ 946,368</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 16,716	\$ 16,716
Accrued wages	-	312	312
Due to other funds	22,915	-	22,915
Due to other governmental units	-	14,621	14,621
TOTAL LIABILITIES	22,915	31,649	54,564
FUND BALANCES			
Assigned	<u>888,972</u>	<u>2,832</u>	<u>891,804</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 911,887</u>	<u>\$ 34,481</u>	<u>\$ 946,368</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, 2011.

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2011

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 177,933	\$ -	\$ 177,933
Interest	3,522	-	3,522
TOTAL REVENUES	181,455	-0-	181,455
EXPENDITURES			
Current			
Community and economic development	-0-	226,975	226,975
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	181,455	(226,975)	(45,520)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	229,807	229,807
Transfers out	(229,807)	-	(229,807)
TOTAL OTHER FINANCING SOURCES (USES)	(229,807)	229,807	-0-
NET CHANGE IN FUND BALANCES	(48,352)	2,832	(45,520)
Fund balances, beginning of year	937,324	-	937,324
Fund balances, end of year	<u>\$ 888,972</u>	<u>\$ 2,832</u>	<u>\$ 891,804</u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit 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, 2011.

**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.

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City of Fenton

NET ASSETS BY COMPONENT (UNAUDITED)

2004-2011

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

Note:

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 11,468,410	\$ 13,330,319	\$ 15,330,866	\$ 15,477,218	\$ 15,323,859
347,552	410,856	265,457	317,283	141,844
<u>2,518,552</u>	<u>2,870,834</u>	<u>3,336,351</u>	<u>3,639,156</u>	<u>4,224,040</u>
<u>\$ 14,334,514</u>	<u>\$ 16,612,009</u>	<u>\$ 18,932,674</u>	<u>\$ 19,433,657</u>	<u>\$ 19,689,743</u>
\$ 19,711,079	\$ 20,116,220	\$ 20,620,459	\$ 21,492,609	\$ 21,994,491
815,410	855,831	887,139	894,335	897,379
<u>2,724,734</u>	<u>2,364,107</u>	<u>1,817,062</u>	<u>2,351,447</u>	<u>2,363,388</u>
<u>\$ 23,251,223</u>	<u>\$ 23,336,158</u>	<u>\$ 23,324,660</u>	<u>\$ 24,738,391</u>	<u>\$ 25,255,258</u>
\$ 31,179,489	\$ 33,446,539	\$ 35,951,325	\$ 36,969,827	\$ 37,318,350
1,162,962	1,266,687	1,152,596	1,211,618	1,039,223
<u>5,243,286</u>	<u>5,234,941</u>	<u>5,153,413</u>	<u>5,990,603</u>	<u>6,587,428</u>
<u>\$ 37,585,737</u>	<u>\$ 39,948,167</u>	<u>\$ 42,257,334</u>	<u>\$ 44,172,048</u>	<u>\$ 44,945,001</u>

City of Fenton

CHANGES IN GOVERNMENTAL NET ASSETS (UNAUDITED)

2004-2011

	<u>2004</u>	<u>2005</u>	<u>2006</u>
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
Total governmental activities expenses	<u>\$ 6,343,095</u>	<u>\$ 6,559,162</u>	<u>\$ 7,310,904</u>
Program revenues			
Charges for services			
General government	\$ 10,438	\$ 99,340	\$ 89,408
Public safety	584,786	505,469	601,299
Public works	457,505	419,347	441,473
Recreation and culture	55,505	42,282	56,746
Total charges for services	1,108,234	1,066,438	1,188,926
Operating grants and contributions	732,282	892,297	893,444
Capital grants and contributions	208,061	307,150	1,303,418
Total program revenue	<u>2,048,577</u>	<u>2,265,885</u>	<u>3,385,788</u>
Net (expense) revenue	<u>\$ (4,294,518)</u>	<u>\$ (4,293,277)</u>	<u>\$ (3,925,116)</u>
General revenues			
Property taxes	\$ 3,471,199	\$ 3,945,739	\$ 4,230,989
State-shared revenues	911,537	898,721	891,252
Investment earnings	63,613	92,820	158,579
Miscellaneous	11,616	10,583	30,564
Total general revenues	<u>4,457,965</u>	<u>4,947,863</u>	<u>5,311,384</u>
Change in net assets	<u>\$ 163,447</u>	<u>\$ 654,586</u>	<u>\$ 1,386,268</u>

Note:

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

2007	2008	2009	2010	2011
\$ 1,648,574	\$ 1,439,316	\$ 1,010,207	\$ 1,106,229	\$ 1,177,043
3,642,615	3,414,988	3,629,441	3,522,764	3,354,743
1,725,658	1,665,853	1,135,807	1,836,728	1,637,839
107,223	75,288	49,423	46,800	118,270
309,018	296,654	338,235	270,807	250,303
57,766	27,104	9,162	19,866	18,035
<u>\$ 7,490,854</u>	<u>\$ 6,919,203</u>	<u>\$ 6,172,275</u>	<u>\$ 6,803,194</u>	<u>\$ 6,556,233</u>
\$ 81,528	\$ 80,681	\$ 164,739	\$ 172,299	\$ 189,867
609,998	647,191	666,916	533,197	581,059
432,625	444,049	494,407	511,425	500,429
50,012	50,237	45,507	34,062	41,434
1,174,163	1,222,158	1,371,569	1,250,983	1,312,789
1,138,543	2,399,695	1,104,536	853,593	812,924
30,551	15,185	640,093	41,482	37,659
<u>2,343,257</u>	<u>3,637,038</u>	<u>3,116,198</u>	<u>2,146,058</u>	<u>2,163,372</u>
<u>\$ (5,147,597)</u>	<u>\$ (3,282,165)</u>	<u>\$ (3,056,077)</u>	<u>\$ (4,657,136)</u>	<u>\$ (4,392,861)</u>
\$ 4,385,154	\$ 4,496,996	\$ 4,460,368	\$ 4,339,222	\$ 3,802,193
867,264	862,880	811,891	721,565	793,649
211,208	189,044	80,634	17,360	22,824
11,100	10,740	23,849	79,972	30,281
<u>5,474,726</u>	<u>5,559,660</u>	<u>5,376,742</u>	<u>5,158,119</u>	<u>4,648,947</u>
<u>\$ 327,129</u>	<u>\$ 2,277,495</u>	<u>\$ 2,320,665</u>	<u>\$ 500,983</u>	<u>\$ 256,086</u>

City of Fenton

CHANGES IN BUSINESS-TYPE NET ASSETS (UNAUDITED)

2002-2011

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses				
Water	\$ 933,327	\$ 1,044,064	\$ 1,270,492	\$ 1,806,817
Sewer	<u>1,839,477</u>	<u>2,350,102</u>	<u>2,423,351</u>	<u>2,423,654</u>
Total Expenses	<u>\$ 2,772,804</u>	<u>\$ 3,394,166</u>	<u>\$ 3,693,843</u>	<u>\$ 4,230,471</u>
Program revenues				
Charges for Services				
Water	\$ 1,058,745	\$ 1,236,190	\$ 1,410,117	\$ 1,748,795
Sewer	<u>1,549,550</u>	<u>1,809,840</u>	<u>1,794,138</u>	<u>1,669,022</u>
Total Charges for Services	2,608,295	3,046,030	3,204,255	3,417,817
Capital Grants and Contributions				
Water	144,670	132,523	154,665	133,070
Sewer	<u>581,960</u>	<u>450,660</u>	<u>413,085</u>	<u>305,060</u>
Total Capital Grants and Contributions	726,630	583,183	567,750	438,130
Total program revenue	<u>3,334,925</u>	<u>3,629,213</u>	<u>3,772,005</u>	<u>3,855,947</u>
Net (expense) revenue	<u>\$ 562,121</u>	<u>\$ 235,047</u>	<u>\$ 78,162</u>	<u>\$ (374,524)</u>
General Revenues				
Investment earnings	\$ 231,715	\$ 133,246	\$ 122,291	\$ 113,604
Miscellaneous	<u>75,754</u>	<u>33,230</u>	<u>33,257</u>	<u>-</u>
Total General Revenues	<u>307,469</u>	<u>166,476</u>	<u>155,548</u>	<u>113,604</u>
Change in Net Assets	<u>\$ 869,590</u>	<u>\$ 401,523</u>	<u>\$ 233,710</u>	<u>\$ (260,920)</u>

2006	2007	2008	2009	2010	2011
\$ 2,057,635	\$ 2,334,328	\$ 2,179,363	\$ 2,402,112	\$ 2,302,524	\$ 2,697,917
2,286,890	2,344,030	2,215,830	2,063,615	2,114,313	2,145,302
<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>	<u>\$ 4,843,219</u>
\$ 2,133,655	\$ 2,263,120	\$ 2,198,405	\$ 2,091,329	\$ 2,415,330	\$ 2,779,345
1,640,425	2,108,018	2,156,951	2,260,702	2,257,131	2,465,111
3,774,080	4,371,138	4,355,356	4,352,031	4,672,461	5,244,456
149,488	51,000	3,050	-	-	-
469,600	117,395	16,190	-	1,054,000	-
619,088	168,395	19,240	-0-	1,054,000	-0-
4,393,168	4,539,533	4,374,596	4,352,031	5,726,461	5,244,456
<u>\$ 48,643</u>	<u>\$ (138,825)</u>	<u>\$ (20,597)</u>	<u>\$ (113,696)</u>	<u>\$ 1,309,624</u>	<u>\$ 401,237</u>
\$ 128,526	\$ 139,616	\$ 105,532	\$ 53,855	\$ 10,042	\$ 16,270
-	-	-	48,343	94,065	99,360
128,526	139,616	105,532	102,198	104,107	115,630
<u>\$ 177,169</u>	<u>\$ 791</u>	<u>\$ 84,935</u>	<u>\$ (11,498)</u>	<u>\$ 1,413,731</u>	<u>\$ 516,867</u>

City of Fenton

FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2002-2011

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Reserved	\$ 34,487	\$ -	\$ -	\$ 360,433
Unreserved	1,100,651	1,137,215	1,192,859	1,184,321
Nonspendable	-	-	-	-
Unassigned	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total General Fund	<u>\$ 1,135,138</u>	<u>\$ 1,137,215</u>	<u>\$ 1,192,859</u>	<u>\$ 1,544,754</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	924,129	709,924	693,125	575,654
Capital project funds	345,291	381,480	607,729	1,274,366
Debt service funds	86,847	1,231	1,231	1,231
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total all other governmental funds	<u>\$ 1,356,267</u>	<u>\$ 1,092,635</u>	<u>\$ 1,302,085</u>	<u>\$ 1,851,251</u>

Note: GASB Statement No. 54 became effective for fiscal year 2011. Prior period amounts not restated.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 97,770	\$ 203,361	\$ 98,144	\$ 82,747	\$ 233,423	\$ -
1,260,154	1,095,887	1,293,699	1,424,971	1,360,450	-
-	-	-	-	-	34,333
-	-	-	-	-	2,020,003
<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>	<u>\$ 2,054,336</u>
\$ 5,875	\$ 7,643	\$ 5,986	\$ 2,513	\$ 131,659	\$ -
567,913	761,036	780,578	671,323	699,293	-
536,764	300,565	479,862	466,694	891,260	-
-	-	-	-	-	-
-	-	-	-	-	124,116
-	-	-	-	-	141,844
-	-	-	-	-	1,681,517
<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>	<u>\$ 1,947,477</u>

City of Fenton

CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS (UNAUDITED)

2002-2011

	2002	2003	2004	2005
Revenues				
Property taxes	\$ 3,029,681	\$ 3,362,554	\$ 3,492,791	\$ 3,962,679
Licenses and permits	189,527	207,890	199,950	188,548
Intergovernmental	1,798,813	1,745,502	1,643,819	1,636,084
Charges for services	807,434	853,325	890,454	850,713
Fines and forfeitures	48,652	52,113	87,889	75,657
Interest and rents	60,945	41,026	57,980	72,177
Other	101,277	137,620	120,172	90,817
Total revenues	6,036,329	6,400,030	6,493,055	6,876,675
Expenditures				
Current:				
General government	1,703,624	1,280,168	1,278,641	1,368,110
Public safety	1,895,435	2,594,115	2,686,839	2,871,127
Public works	1,619,268	2,163,482	1,771,524	2,109,046
Community and economic development	-	-	-	-
Recreation and culture	326,765	266,667	196,359	225,450
Other	183,306	177,293	186,713	190,793
Capital outlay	-	31,570	49,995	62,203
Debt service				
Principal	83,097	84,519	35,405	36,954
Interest and fiscal charges	11,150	8,495	4,853	3,305
Total Expenditures	5,822,645	6,606,309	6,210,329	6,866,988
Excess of revenues over (under) expenditures	213,684	(206,279)	282,726	9,687
Other Financing Sources (Uses)				
Debt issuance	-	-	-	900,000
Sale of fixed assets	7,800	-	-	8,600
Transfers in	1,218,589	1,484,847	604,492	1,432,490
Transfers out	(1,228,600)	(1,545,622)	(622,120)	(1,449,716)
Total other financing sources (uses)	(2,211)	(60,775)	(17,628)	891,374
Net change in fund balances	211,473	(267,054)	265,098	901,061
Fund Balances - Beginning of year	2,166,572	2,378,045	2,110,991	2,494,944
Fund Balances - End of year	<u>\$ 2,378,045</u>	<u>\$ 2,110,991</u>	<u>\$ 2,376,089</u>	<u>\$ 3,396,005</u>
Debt service as a percentage of noncapital expenditures	1.70%	2.08%	0.75%	0.64%

2006	2007	2008	2009	2010	2011
\$ 4,240,619	\$ 4,371,523	\$ 4,469,408	\$ 4,460,368	\$ 4,393,964	\$ 3,911,729
219,417	183,527	192,848	202,728	184,494	218,991
1,641,769	1,856,088	2,409,873	2,224,266	1,614,485	1,642,926
929,924	953,140	990,606	942,784	918,363	949,460
100,282	98,361	113,225	82,639	60,189	62,174
136,634	182,900	165,142	149,780	87,911	90,649
54,986	70,498	704,615	104,936	88,880	45,928
7,323,631	7,716,037	9,045,717	8,167,501	7,348,286	6,921,857
1,480,678	1,545,582	1,351,239	968,649	983,435	976,708
3,223,832	3,126,586	3,443,691	3,465,217	3,009,260	2,903,285
2,058,361	2,301,573	3,492,752	2,984,733	1,820,818	1,617,583
-	-	-	-	-	107,135
283,553	228,712	229,526	312,942	231,720	217,033
176,138	172,734	127,621	308,798	321,552	305,755
836,131	291,316	18,486	11,498	377,966	-
145,778	106,933	110,779	114,763	118,892	89,372
30,289	28,766	24,920	20,936	16,806	19,258
8,234,760	7,802,202	8,799,014	8,187,536	6,880,449	6,236,129
(911,129)	(86,165)	246,703	(20,035)	467,837	685,728
-	-	-	-	200,000	-
-	-	9,100	-	-	-
1,514,587	1,716,000	1,430,197	1,806,490	1,644,475	1,203,172
(1,530,987)	(1,729,819)	(1,396,223)	(1,796,476)	(1,644,475)	(1,203,172)
(16,400)	(13,819)	43,074	10,014	200,000	-0-
(927,529)	(99,984)	289,777	(10,021)	667,837	685,728
3,396,005	2,468,476	2,368,492	2,658,269	2,648,248	3,316,085
<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>	<u>\$ 4,001,813</u>
3.20%	1.96%	2.16%	1.66%	2.29%	1.85%

City of Fenton

TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)

2002-2011

Taxable Value by Property Type						
Tax Year	Fiscal Year Ended June 30,	Residential	Commercial	Industrial	Personal Property	Total Value
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
2010	2011	198,412,078	149,934,673	25,558,171	33,822,344	407,727,266

Note:

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

<u>Tax Rate (mills)</u>	<u>Estimated Actual Value</u>	<u>Taxable Value % of Actual</u>
11.00	\$ 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%
10.62	919,502,852	44.34%

City of Fenton

DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)

2002-2011

Tax Year	Millage Rates - Direct City Taxes			County	Community College	Intermediate School District
	General Operating	Debt	Total Direct Taxes			
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
2010	10.62	0.00	10.62	10.21	2.68	3.53

<u>Overlapping taxes</u>				<u>Total tax rate:</u>	
<u>Regional</u>	<u>School</u>	<u>School:</u>	<u>School:</u>	<u>Homestead</u>	<u>Non-homestead</u>
<u>Parks</u>	<u>Debt</u>	<u>Homestead</u>	<u>Non-homestead</u>		
0.40	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
0.37	6.74	6.00	18.00	40.15	58.15

City of Fenton

PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)

June 30, 2011 and 2002

<u>Taxpayer</u>	<u>2011 Taxable Value</u>	<u>Percentage of Total</u>	<u>2002 Taxable Value</u>	<u>Percentage of Total</u>	<u>2002 Rank</u>
Georgetown	\$ 7,976,000	1.95%	\$ 7,383,730	2.33%	1
Creative Foam Corporation	6,909,199	1.69%	6,524,410	2.06%	3
Consumers Energy	6,844,843	1.67%	5,475,500	1.73%	5
Silver Lake Hills Apartments	5,930,153	1.45%	vacant land	N/A	N/A
New Plan Excel Realty	5,414,000	1.32%	2,818,900	N/A	N/A
Home Depot	5,394,461	1.32%	4,523,020	1.43%	7
Walmart	5,302,736	1.30%	vacant land	N/A	N/A
Regency Realty Group	5,234,250	1.28%	vacant land	N/A	N/A
Centro NP Holdings	4,813,400	1.18%	4,523,020	1.43%	8
Target Corporation	4,626,689	1.13%	vacant land	N/A	N/A

Note:

Source: Data provided by local assessment records.

City of Fenton

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

2002-2011

<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>
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%
2010	2011	4,270,498	3,925,714	91.9%	317,241	4,242,955	99.4%

Note:

Source: Data provided from local Treasurer's Department.

City of Fenton

RATIOS OF OUTSTANDING DEBT (UNAUDITED)

2002-2011

	2002	2003	2004	2005
Governmental Activities				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Installment purchase agreements	-	110,930	75,525	938,571
Special assessment bonds	-	-	-	-
Capital leases	-	-	-	84,350
Total	-0-	110,930	75,525	1,022,921
Business-type Activities				
General obligation bonds	12,122,855	11,639,255	11,162,245	11,558,781
Installment purchase agreements	96,308	49,725	-	-
Capital improvement bonds	-	-	-	-
Revenue bonds	1,300,000	10,840,000	10,400,000	9,888,759
Total	13,519,163	22,528,980	21,562,245	21,447,540
Component Unit Activities				
General obligation bonds	7,710,000	7,345,000	6,960,000	5,790,000
Total debt of the government	21,229,163	29,984,910	28,597,770	28,260,461
Total Taxable Value	\$ 316,255,900	\$ 354,017,480	\$ 370,133,310	\$ 393,100,010
Ratio of total debt to taxable value	6.71%	8.47%	7.73%	7.19%
Total Population ⁽¹⁾	10,582	10,582	10,582	10,582
Total debt per capita	\$ 2,006	\$ 2,834	\$ 2,702	\$ 2,671
Personal Income ⁽²⁾	\$ 26,042	\$ 26,707	\$ 28,277	\$ 28,130
Ratio of total debt to personal income	0.12%	0.09%	0.10%	0.10%

Note:

(1) Source: Actual 2000 and 2010 Census Reports.

(2) Source: Bureau of Economic Analysis. Information is not yet available for 2010 and 2011.

2006	2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
792,784	685,851	575,072	460,309	541,417	452,045
-	-	-	-	-	-
64,707	147,562	75,738	-	-	-
857,491	833,413	650,810	460,309	541,417	452,045
9,882,525	9,170,166	8,470,799	7,701,561	6,903,343	6,076,538
-	-	-	-	-	-
-	-	-	-	-	2,690,000
9,433,759	8,963,759	8,483,759	7,993,759	8,426,110	7,987,142
19,316,284	18,133,925	16,954,558	15,695,320	15,329,453	16,753,680
5,490,000	5,185,000	4,870,000	4,535,000	4,245,000	3,940,000
25,663,775	24,152,338	22,475,368	20,690,629	20,115,870	21,145,725
<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>	<u>\$ 407,727,266</u>
6.10%	5.46%	4.80%	4.46%	4.40%	5.19%
10,582	10,582	10,582	10,582	10,582	11,746
\$ 2,425	\$ 2,282	\$ 2,124	\$ 1,955	\$ 1,901	\$ 1,800
\$ 28,803	\$ 29,347	\$ 29,488	\$ 29,526	-	-
0.11%	0.12%	0.13%	0.14%	-	-

City of Fenton

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)

2002-2011

<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>
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
2011	-	-	-	452,045

Note:

(1) Source: Actual 2000 and 2010 Census Reports.

<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>
\$ -	\$ 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
452,045	407,727,266	0.0011	11,746	38

City of Fenton

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

June 30, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Genesee County	\$ 34,166,256	3.93%	\$ 1,342,734
Mott Community College	56,945,000	3.93%	2,237,939
Holly School District	69,099,595	0.01%	6,910
Fenton School District	48,028,438	48.55%	23,317,807
Lake Fenton School District	25,701,000	4.73%	1,215,657
Bishop Airport Authority	<u>10,910,000</u>	3.93%	<u>428,763</u>
Total Overlapping Debt	244,850,289		28,549,810
Direct City Debt	<u>452,045</u>	100.00%	<u>452,045</u>
Total Direct and Overlapping Debt	<u>\$ 245,302,334</u>		<u>\$ 29,001,855</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)

2002-2011

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Calculation of debt limit:				
State equalized valuation	\$ 409,467,200	\$ 441,511,500	\$ 482,335,300	\$ 495,506,600
10% of taxable value	40,946,720	44,151,150	48,233,530	49,550,660
Calculation of debt subject to limit:				
Total debt	21,229,163	29,984,910	28,597,770	28,260,461
Less: debt not subject to limit:				
Revenue bonds	1,300,000	10,840,000	10,400,000	9,888,759
Net debt subject to limit	<u>19,929,163</u>	<u>19,144,910</u>	<u>18,197,770</u>	<u>18,371,702</u>
Legal debt margin	<u>\$ 21,017,557</u>	<u>\$ 25,006,240</u>	<u>\$ 30,035,760</u>	<u>\$ 31,178,958</u>
Net debt subject to limit as % of debt limit	94.82%	76.56%	60.59%	58.92%

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 555,574,618	\$ 579,005,664	\$ 595,012,767	\$ 567,344,609	\$ 531,087,049	\$ 459,751,426
55,557,461	57,900,566	59,501,276	56,734,460	53,108,705	45,975,143
25,834,772	24,413,373	22,636,714	21,057,956	20,480,464	21,455,285
9,433,759	8,963,759	8,470,799	7,701,561	8,426,110	7,987,142
<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>13,468,143</u>
<u>\$ 39,156,448</u>	<u>\$ 42,450,952</u>	<u>\$ 45,335,361</u>	<u>\$ 43,378,065</u>	<u>\$ 41,054,351</u>	<u>\$ 32,507,000</u>
41.89%	36.39%	31.25%	30.79%	29.36%	41.43%

City of Fenton

PLEGGED-REVENUE COVERAGE (UNAUDITED)

2002-2011

Fiscal Year	Gross Revenues ⁽¹⁾	Applicable Expenses ⁽²⁾	Net Revenues	Water Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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
2011	2,843,029	1,987,612	855,417	515,000	261,257	1.10

Fiscal Year	Gross Revenues ⁽¹⁾	Applicable Expenses ⁽²⁾	Net Revenues	Sewer Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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
2011	2,517,057	1,254,997	1,262,060	872,805	318,564	1.06

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
 2002-2011

Fiscal Year	Population ⁽¹⁾	Personal Income (in thousands)	Per Capita ⁽²⁾ Personal Income	Unemployment Rate ⁽³⁾
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	12,520,000	29,526	15.8
2010	10,582	-	-	14.1
2011	11,746	-	-	11.4

Note:

- (1) Source: Actual 2000 and 2010 Census Reports.
- (2) Source: Personal Income figures are for the County of Genesee.
Information is not yet available for 2010 and 2011.
- (3) Source: Michigan Department of Labor & Economic Growth.

City of Fenton

PRINCIPAL EMPLOYMENT INDUSTRIES (UNAUDITED)

June 30, 2011

Industry	2011 Number of Jobs ⁽¹⁾	Percentage of Total	2002 Number of Jobs ⁽¹⁾	Percentage of Total
Trade, Transportation, and Utilities	27,100	20.62%	34,300	20.51%
Education and Health Services	26,900	20.47%	21,700	12.98%
Government	21,500	16.36%	24,700	14.77%
Manufacturing	9,900	7.53%	31,300	18.72%
Leisure and Hospitality	13,500	10.27%	15,200	9.09%
Professional and Business Services	13,600	10.35%	15,700	9.39%
Natural Resources, Mining, and Construction	3,600	2.74%	8,500	5.08%
Other Services	5,900	4.49%	6,300	3.77%
Financial Activities	6,300	4.79%	6,900	4.13%
Information	3,100	2.36%	2,600	1.56%
Total	131,400	1.00	167,200	1.00

Note:

(1) Source: Bureau of Economic Analysis.

City of Fenton

FULL-TIME EQUIVELANT GOVERNMENT EMPLOYEES (UNAUDITED)

2002-2011

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General government	13	13	13	14
Public safety:				
Police	20	20	19	21
Building inspection	3	2	2	2
Fire	1	1	1	1
Public works:				
DPW	8	8	8	8
Water and sewer	5	5	9	10
Total	50	49	52	56

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
14	14	13	11	10	11
21	21	21	19	18	16
2	2	2	1	1	1
1	1	1	1	1	1
8	8	8	7	8	8
<u>10</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>8</u>	<u>8</u>
56	56	55	48	46	45

City of Fenton

OPERATING INDICATORS (UNAUDITED)

2002-2011

Function/ program	2002	2003	2004	2005
Election data				
Registered voters	8,111	8,397	8,793	8,887
Voters (at the polls or absentee)	3,360	531	5,604	939
Percent voting	41.43%	6.32%	63.73%	10.57%
Police				
Physical arrests	477	570	616	866
Traffic violations	N/A	N/A	N/A	2,207
Investigations	8,072	8,608	8,459	8,690
Fire				
Fire runs	362	346	357	333
Emergency medical runs	233	226	213	128
Inspections	25	25	25	30
Public works				
Miles of street resurfaced	3.20	2.35	2.50	1.75
Water				
Number of customers billed	3,498	3,500	3,531	3,655
Total consumption*	422,802	431,825	419,271	402,686
Average consumption per user	121	123	119	110
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

2006	2007	2008	2009	2010	2011
8,768	9,094	8,783	8,882	8,812	9,211
4,207	721	1,005	1,437	2,346	2,148
47.98%	7.93%	11.00%	16.18%	26.62%	23.31%
985	1,162	1,175	813	870	633
2,046	2,019	2,020	1,596	1,429	1,368
8,623	9,144	9,100	9,635	9,725	10,458
360	381	389	412	497	326
133	141	162	170	147	140
25	30	500	250	50	50
0.43	1.10	1.40	1.16	1.8	1.8
3,700	3,746	3,759	3,480	3,485	3,469
356,301	361,320	360,325	313,909	299,308	295,980
96	96	96	90	86	85
N/A	N/A	N/A	N/A	N/A	N/A

City of Fenton

CAPITAL ASSETS STATISTICS (UNAUDITED)

2002-2011

Function/ program	2002	2003	2004	2005
Police				
Stations	1	1	1	1
Patrol units	9	10	9	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	63	64	64
Fire hydrants				
Storage capacity	1 mil gal.	1 mil gal.	1.5 mil gal.	1.5 mil gal.
Sewer				
Miles of sanitary sewers	51	53	56	56
Miles of storm sewers	37	38	39	39

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</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	18.69 35.05	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