

# **CITY OF FENTON, MICHIGAN**

Comprehensive Annual Financial Report  
Year Ended June 30, 2012

**Prepared by:  
Treasurer's Department**

**Cynthia A. Shane  
City Treasurer**

City of Fenton

Comprehensive Annual Financial Report  
Year Ended June 30, 2012

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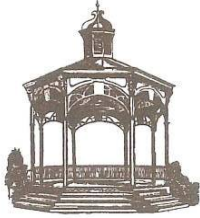
City of Fenton

Comprehensive Annual Financial Report  
Year Ended June 30, 2012

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## **INTRODUCTORY SECTION**



# City of Fenton

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

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December 10, 2012

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, 2012 (FY 12). 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 future 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-three 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. 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 economy community has seen marginal improvements. The business community has begun to reinvest in their places of business. Several businesses have remodeled or updated their facilities including The Fenton House, Randy Wise Buick/GMC, Fenton Vision, the Fenton Winery (expansion), First Presbyterian Church (addition). New businesses that have moved or relocated to new facilities include Crust Bakery, Culver's, Rex Rogers Interiors, Planet Fitness, Michigan Eye Institute and The Panda Water Ice Company. These investments represent a positive sign for the future of the local economy.

The Downtown Development Authority (DDA) has completed an agreement with the Union Joints, Inc. They are in the process of renovating the Old Fire Hall for reuse as a restaurant. The DDA has also been working with the Corlin Builders to build a four-story 47,000 square foot building at the corner of Silver Lake Road and S. Leroy Street. The building will have restaurants and retail on the first floor and apartments on the remaining three floors. The Fenton Community & Cultural Center Board of Governors are preparing for an addition to the facility. Together these projects will represent an investment of almost \$10 million in downtown. Construction on the Fire Hall Project is currently underway, the other projects are expected to begin in spring 2013.

*Member Michigan Municipal League*

During the FY 2012 year the city began taking possession of tax reverted properties through Genesee County. The recent economic crisis had a severe negative impact on residential development. During the 2012 fiscal year one of the residential developments was tax reverted to the city (Orchard Hills Phase II and some lots in Phase I). The city will likely receive one or more additional developments in FY 2013. The city will seek to package these properties for sale in hopes of finding suitable developer(s).

The 2010 decennial census count showed a population gain of 11% in the last 10 years. The new population of the City of Fenton is 11,746. This goes against population trends across the State of Michigan. Population projections by Genesee County indicate that growth is still occurring in the City of Fenton and is expected to continue through 2035. There is a continued high level of interest for developing in Fenton as reflected by interest from developers. The tight credit market has begun to ease and we have seen renewed interest in commercial projects. 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.

We have continued to implement some programs and cost reductions 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 seven (7) homes for rehabilitation and resale, four (4) have been completed and sold.
- Reduction in the Police Department of \$70,000 in overtime costs.
- Reduction in the Fire of \$33,000 in various line items.
- Reduction in Healthcare expenditures by the Administration, Unit I and Unit II saving \$47,000
- The city also reformed retirement healthcare in 2012 and an actuarial study completed subsequent to this audit showed the city unfunded liability decreased by \$4.2 million.

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:

- |  |             |
|--|-------------|
| • Completion of the Adelaide Street & North Road Watermain Project       | \$3,200,000 |
| • Walnut Street Resurfacing Project                                      | \$229,694   |
| • Completion of the Congestion Mitigation and Air Quality Project (CMAQ) | \$723, 030  |
| • Replacement of Equipment for the 911 Emergency Dispatch Center         | \$286,000   |

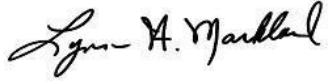
Wherever possible the City has made use of grant, matching, or low interest funds to help meet the needs of the community. Examples of grants benefiting the City include road and water system improvements, the CMAQ project, ARRA grant for the SRF project and homeland security grants for police and fire.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

A handwritten signature in black ink that reads "Lynn A. Markland". The signature is written in a cursive style with a large initial 'L'.

Lynn Markland  
City Manager



# City of Fenton

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

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December 10, 2012

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, 2012 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.

## **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.

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.

*Member Michigan Municipal League*



The City is a stable community with many assets - quality residential neighborhoods, good schools, beautiful view of the Shiawassee River, and historic downtown and residential neighborhoods, a solid industrial base and convenient freeway access. Periodic events and festivals, such as the 4<sup>th</sup> of July Freedom Festival, Back to the Bricks, 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 City issued 2.7 million in Taxable-Recovery Zone Economic Development Bonds in FYE 2011 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 was completed in FYE 2012.

The North Leroy Street project began in FYE 12. This project is part of the Genesee County Alliance's Transportation Improvement Program which is federally funded. The total cost of the project is \$1.4 million and the federally fund portion is 1.1 million. The City pays the remaining 20% plus engineering. This project consists of reconstruction, resurfacing, curb and gutter of one mile of five lane highway.

The reconstruction of Walnut Street was completed in FYE 12. A major portion (\$185,950) was funded by the American Recovery and Reinvestment Act of 2009 (ARRA).

The LDFA (Local Development Finance Authority) financed the completion of a Congestion Mitigation and Air Quality Project (CMAQ). This project established traffic signal optimization for Owen Road.

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 continued contracting 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](http://www.fentonbecloser.com). The Fenton Be Closer Facebook page has posted thousands of 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 DDA funded replacement of equipment and remodeling of the 911 Emergency Dispatch area in the police station.

The City’s tax base has now dropped back to 2004 levels, due to a 22 percent four year decline in property assessments. The City has taken measures to reduce expenditures in the General Fund and preserve our fund balance. For fiscal year ending June 30, 2012 the General Fund had a surplus of \$137,242. The City has eliminated 13 full time positions or 23% of its workforce in the past five years.

### **For July 1 2012 and Thereafter**

The City has implemented significant changes in retiree health care benefits, reducing the annual premiums by \$118,595 or a 40% reduction. These changes are reflected in the OPEB (Other Postemployment Benefits) actuarial completed this fiscal year. The actuarial accrued liability at 4.50% interest was \$11,271,344 as of December 31, 2007. This actuarial accrued liability is \$7,079,664 in the current OPEB actuarial valuation report.

Current employees are 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.

In 2013 the DDA is planning the Cornerstone Project which is a 3 story, 35,000 square foot building. The first floor will be retail, second floor is office space and the third floor residential loft space. The DDA is working currently with a developer on this project.

The Community Center is planning an addition which will be partially funded by the DDA. This historical building was established in 1938 through the generosity of Horace and Mary Rackham and the University of Michigan. Eliel and Eero Saarinen were the architects for the building. Eero Saarinen later designed many famous structures including the Gateway Arch in St. Louis, Missouri.

The DDA is planning a new downtown streetscape project in 2014. The downtown will have larger sidewalks, to make room for outdoor seating and encourage walking, and narrower streets to help calm traffic. Tinted and decorative sidewalks, plant beds and benches will be added to improve the aesthetics from Elizabeth Street to Silver Lake Rd.

## 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.

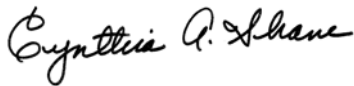
**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the *City of Fenton* for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement 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 four consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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

Respectfully,



Cynthia A. Shane  
City Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fenton  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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.



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

City of Fenton

Comprehensive Annual Financial Report  
Year Ended June 30, 2012

LIST OF CITY OFFICIALS

CITY COUNCIL

Barbara Sue Osborn, Mayor

Les Bland

Cheryl A. King

Patricia Lockwood

Michael Piacentini

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

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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

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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



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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, 2012, 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fenton, Michigan's financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 10, 2012

## 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 governmental activities.

The City of Fenton maintains 15 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 14 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**

<b>Type of Statements</b>	<b><u>Government-wide</u></b>	<b><u>Governmental Funds</u></b>	<b><u>Proprietary Funds</u></b>	<b><u>Fiduciary Funds</u></b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and major/local streets	Activities the City operates similar to private business: the water and sewer system	Instances in which the City is the trustee or agent for someone else’s resources.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and 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	
	2011	2012	2011	2012	2011	2012
Current & Other Assets	\$ 6.0	\$ 6.6	\$ 5.7	\$ 5.6	\$ 11.7	\$ 12.2
Capital Assets	15.8	15.3	37.7	37.1	53.5	52.4
<b>Total Assets</b>	<b>21.8</b>	<b>21.9</b>	<b>43.4</b>	<b>42.7</b>	<b>65.2</b>	<b>64.6</b>
Long-term liabilities	1.1	1.2	15.8	14.3	16.9	15.5
Other liabilities	1.0	0.9	2.3	2.0	3.3	2.9
<b>Total liabilities</b>	<b>2.1</b>	<b>2.1</b>	<b>18.1</b>	<b>16.3</b>	<b>20.2</b>	<b>18.4</b>
Net assets:						
Invested in capital assets -						
Net of related debt	15.3	15.0	20.9	22.4	36.2	37.4
Restricted	0.2	0.3	0.9	0.9	1.1	1.2
Unrestricted (deficit)	4.2	4.5	3.4	3.1	7.6	7.6
<b>Total net assets</b>	<b>\$ 19.7</b>	<b>\$ 19.8</b>	<b>\$ 25.2</b>	<b>\$ 26.4</b>	<b>\$ 44.9</b>	<b>\$ 46.2</b>

The City's combined net assets increased 2.9 percent from a year ago, increasing from \$44.9 million to \$46.2 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately .1 million in net assets, or one percent, during the fiscal year 2012. Unrestricted net assets for the governmental activities, which is the portion of net assets that is available to finance day-today operations and future growth, was 4.5 million at June 30, 2012. The business-type activities experienced an increase in net assets of approximately 1.2 million or five percent. This increase is attributable an increase in water consumption which resulted in cash and accounts receivable increases. Reduction of long-term debt 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	
	2011	2012	2011	2012	2011	2012
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1.3	\$ 1.4	\$ 5.2	\$ 5.3	\$ 6.5	\$ 6.7
Operating grants and Contributions	0.8	0.8	0.0	0.0	0.8	0.8
Capital grants and Contributions	0.0	0.0	-	0.0	-	0.0
General revenue:						
Property taxes	3.8	3.4	0.0	0.0	3.8	3.4
State-shared revenue	0.8	0.9	0.0	0.0	0.8	0.9
Unrestricted						
Miscellaneous	0.1	0.0	0.1	0.1	0.2	0.1
Investment earnings	0.0	0.0	0.0	0.1	0.0	0.1
<b>Total revenue</b>	<b>6.8</b>	<b>6.5</b>	<b>5.3</b>	<b>5.5</b>	<b>12.1</b>	<b>12.0</b>
<b>Program Expenses</b>						
General government	1.2	1.1	0.0	0.0	1.2	1.1
Public safety	3.4	3.2	0.0	0.0	3.4	3.2
Public works	1.6	1.7	0.0	0.0	1.6	1.7
Parks & recreation	0.2	0.2	0.0	0.0	0.2	0.2
Community service	0.1	0.1	0.0	0.0	0.1	0.1
Cemetery	0.0	0.0	0.0	0.0	-	0.0
Interest on long-term debt	0.0	0.0	0.0	0.0	0.0	0.0
Water	0.0	0.0	2.7	2.3	2.7	2.3
Sewer	0.0	0.0	2.1	2.1	2.1	2.1
<b>Total program expenses</b>	<b>6.5</b>	<b>6.3</b>	<b>4.8</b>	<b>4.4</b>	<b>11.3</b>	<b>10.7</b>
<b>Change in Net Assets</b>	<b>\$ 0.30</b>	<b>\$ 0.20</b>	<b>\$ 0.50</b>	<b>\$ 1.10</b>	<b>\$ 0.80</b>	<b>\$ 1.30</b>

### Governmental Activities

The City's total governmental revenues decreased by approximately \$0.3 million due to a decrease in property taxes.

Expenses decreased by approximately \$0.2 million, or 3 percent, from last fiscal year. Employees and retirees took concessions on health care benefits which has saved the city a substantial amount. The number of full time employees has decreased due to attrition.

## **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 expenses for the Water Fund decreased for FYE 12 due to reductions in health care costs and operating plant supplies.

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 Fund expenses remained the same as the previous year in FY 2012. During fiscal 2012, \$762,540 in operating income was incurred in the Sewer Fund and \$909,615 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 governmental fund for 2012 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 \$2.5 million in 2012. The general operating millage levied by the City supports these two services. FY 2012, revenues decreased in the General Fund by \$380,341, mainly due to the decreases in taxable values and property taxes. The City made a great effort to reduce spending, expenditures decreased by \$239,947. This reduction was mainly personnel and overtime reductions. Fund Balance in the General Fund increased by \$139,910.

## **General Fund Budgetary Highlights**

Over the course of the year, City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. At year end, actual General Fund revenues were under budget by \$9,772. Property taxes actually collected were less than expected. Expenditures were \$151,057 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 2012, the City had \$52.4 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 \$7.2 million and \$8.4 million for fiscal 2012 and 2011, respectively. The increase in infrastructure assets every year is due to continuous capital improvement program in which the city improves streets every year.

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Component Unit Activities</b>	<b>Total</b>
<b>Land</b>	\$ 1,605,104	\$ 190,930	\$ 425,000	\$ 2,221,034
<b>Construction in progress</b>	1,009,393	2,399,017	448,748	3,857,158
<b>Buildings, net</b>	3,947,474	-	572,254	4,519,728
<b>Building and land improvements, net</b>	100,040	7,533,360	-	7,633,400
<b>Machinery, vehicles and equipment, net</b>	1,437,931	42,274	12,264	1,492,469
<b>Roads, lights, and bridges, net</b>	7,244,087	-	-	7,244,087
<b>Sewer and water lines, net</b>	-	26,913,891	-	26,913,891
<b>Capital assets, net</b>	\$ 15,344,029	\$ 37,079,472	\$ 1,458,266	\$ 53,881,767

At the end of the 2012 fiscal year, the City of Fenton (primary government) had net outstanding debt of \$15,911,876. This entire amount comprises backed by the full faith and credit of the City of Fenton and the primary government's net assets. The City of Fenton's gross outstanding debt decreased by \$1,603,409 during the fiscal year.

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:

	<u>2011</u>	<u>2012</u>
Net direct bonded debt	\$ 452,045	\$ 359,675
Ratio of debt to assessed valuation	0.0009	0.0008
Debt per capita	\$ 38	\$ 31

Additional information on the City of Fenton's capital assets and long term debt can be found in note E on pages 23-25 and note F on pages 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 eleven years the Headlee Amendment has rolled the City's operating millage below 11 mills. For 2011 and 2012 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 2012 under Proposal A was only 1.7 percent. Property taxes make up 67 percent of our General Fund budget revenue and Proposal A and the Headlee Amendment limit the growth of this revenue. Fortunately the city is still experiencing new commercial development. Most of this tax revenue growth is captured by the DDA but the DDA has completed many projects which benefit the City as a whole plus shared a portion of their revenue with the General Fund this fiscal year. Residential growth in the City is slow.

The General Fund budget for 2013 is structured so that revenues exceed expenditures by \$30,774. 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 N. Leroy 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, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash	\$ 5,004,368	\$ 2,777,041	\$ 7,781,409	\$ 3,056,589
Cash - restricted	-	680,380	680,380	-
Investments	252,667	-	252,667	-
Investments - restricted	-	218,827	218,827	-
Receivables	681,303	1,820,716	2,502,019	15,082
Due from other governmental units	340,777	-	340,777	70,510
Internal balances	(54,554)	54,554	-0-	-
Inventories	39,789	35,870	75,659	-
Prepays	224,354	-	224,354	-
Assets held for resale	104,601	-	104,601	-
Total current assets	6,593,305	5,587,388	12,180,693	3,142,181
Noncurrent assets				
Capital assets not being depreciated	2,614,497	2,589,947	5,204,444	873,748
Capital assets, net of accumulated depreciation	12,729,532	34,489,525	47,219,057	584,518
Total noncurrent assets	15,344,029	37,079,472	52,423,501	1,458,266
<b>TOTAL ASSETS</b>	<b>21,937,334</b>	<b>42,666,860</b>	<b>64,604,194</b>	<b>4,600,447</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	216,805	278,304	495,109	175,673
Accrued wages	98,182	14,234	112,416	1,701
Deposits payable	280,535	-	280,535	-
Due to other governmental units	108,999	-	108,999	3,343
Unearned revenue	10,935	-	10,935	-
Accrued interest payable	6,017	128,997	135,014	27,563
Current portion of compensated absences	42,712	12,060	54,772	-
Current portion of long-term debt	95,710	1,526,375	1,622,085	360,000
Total current liabilities	859,895	1,959,970	2,819,865	568,280
Noncurrent liabilities				
Meter deposits	-	3,978	3,978	-
Noncurrent portion of compensated absences	170,848	48,240	219,088	-
Noncurrent portion of long-term debt	263,965	13,751,966	14,015,931	3,315,000
Net post-employment benefit obligation	815,541	511,284	1,326,825	-
Total noncurrent liabilities	1,250,354	14,315,468	15,565,822	3,315,000
<b>TOTAL LIABILITIES</b>	<b>2,110,249</b>	<b>16,275,438</b>	<b>18,385,687</b>	<b>3,883,280</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	14,984,354	22,430,452	37,414,806	1,458,266
Restricted				
Highways and streets	306,634	-	306,634	-
Bond reserve	-	899,207	899,207	-
Unrestricted	4,536,097	3,061,763	7,597,860	(741,099)
<b>TOTAL NET ASSETS</b>	<b>\$ 19,827,085</b>	<b>\$ 26,391,422</b>	<b>\$ 46,218,507</b>	<b>\$ 717,167</b>

See accompanying notes to financial statements.

City of Fenton

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,113,243	\$ 202,365	\$ 12,364	\$ -	\$ (898,514)	\$ -	\$ (898,514)	\$ -
Public safety	3,193,232	660,348	6,221	-	(2,526,663)	-	(2,526,663)	-
Public works	1,714,085	514,795	796,812	42,423	(360,055)	-	(360,055)	-
Community and economic development	81,215	-	31,218	-	(49,997)	-	(49,997)	-
Recreation and culture	247,276	48,239	2,000	11,538	(185,499)	-	(185,499)	-
Interest and fees on long-term debt	14,838	-	-	-	(14,838)	-	(14,838)	-
Total governmental activities	6,363,889	1,425,747	848,615	53,961	(4,035,566)	-0-	(4,035,566)	-0-
Business-type activities								
Sewer	2,082,283	2,506,911	-	-	-	424,628	424,628	-
Water	2,295,676	2,817,673	-	-	-	521,997	521,997	-
Total business-type activities	4,377,959	5,324,584	-0-	-0-	-0-	946,625	946,625	-0-
Total primary government	<u>\$ 10,741,848</u>	<u>\$ 6,750,331</u>	<u>\$ 848,615</u>	<u>\$ 53,961</u>	(4,035,566)	946,625	(3,088,941)	-0-
Component units								
Downtown development authority	\$ 909,509	\$ -	\$ -	\$ -	-	-	-0-	(909,509)
Local development finance authority	102,491	-	11,390	-	-	-	-0-	(91,101)
Total component units	<u>\$ 1,012,000</u>	<u>\$ -0-</u>	<u>\$ 11,390</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(1,000,610)
General revenues								
Property taxes					3,363,316	-	3,363,316	1,682,545
State shared revenue					878,056	-	878,056	-
Investment earnings					11,975	80,003	91,978	9,218
Miscellaneous					29,561	109,536	139,097	-
Total general revenues					<u>4,282,908</u>	<u>189,539</u>	<u>4,472,447</u>	<u>1,691,763</u>
Change in net assets					247,342	1,136,164	1,383,506	691,153
Restated net assets, beginning of the year					<u>19,579,743</u>	<u>25,255,258</u>	<u>44,835,001</u>	<u>26,014</u>
Net assets, end of the year					<u>\$ 19,827,085</u>	<u>\$ 26,391,422</u>	<u>\$ 46,218,507</u>	<u>\$ 717,167</u>

See accompanying notes to financial statements.

City of Fenton  
Governmental Funds  
BALANCE SHEET  
June 30, 2012

	General	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash	\$ 1,696,139	\$ 2,518,175	\$ 4,214,314
Investments	252,667	-	252,667
Receivables			
Accounts	231,218	124,424	355,642
Taxes	281,276	-	281,276
Special assessments	12,485	31,900	44,385
Due from other funds	8,581	-	8,581
Due from other governmental units	218,287	122,490	340,777
Inventories	34,964	4,825	39,789
Prepays	224,354	-	224,354
Assets held for resale	-	104,601	104,601
	<b>\$ 2,959,971</b>	<b>\$ 2,906,415</b>	<b>\$ 5,866,386</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 108,100	\$ 96,171	\$ 204,271
Accrued wages	86,117	12,065	98,182
Deposits payable	280,535	-	280,535
Due to other funds	6,948	108,373	115,321
Due to other governmental units	108,999	-	108,999
Deferred revenue	285,026	39,085	324,111
	875,725	255,694	1,131,419
<b>FUND BALANCES</b>			
Nonspendable	259,318	109,426	368,744
Restricted	-	306,634	306,634
Committed	-	2,234,661	2,234,661
Unassigned	1,824,928	-	1,824,928
	2,084,246	2,650,721	4,734,967
	<b>\$ 2,959,971</b>	<b>\$ 2,906,415</b>	<b>\$ 5,866,386</b>

See accompanying notes to financial statements.

City of Fenton

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

June 30, 2012

**Total fund balances - governmental funds** **\$ 4,734,967**

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	\$ 22,473,466	
Accumulated depreciation is	<u>(7,129,437)</u>	
Capital assets, net		15,344,029

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	805,238	
Less: net capital assets included in totals above	<u>(189,092)</u>	
		616,146

Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds. 313,176

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:

Installment purchase agreements	(359,675)	
Accrued interest payable	(6,017)	
Net post-employment benefit obligation	<u>(815,541)</u>	
		<u>(1,181,233)</u>

**Net assets of governmental activities** **\$ 19,827,085**

City of Fenton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2012

	General	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Taxes	\$ 3,385,278	\$ -	\$ 3,385,278
Licenses and permits	241,133	-	241,133
Intergovernmental	893,249	870,452	1,763,701
Charges for services	346,322	671,531	1,017,853
Fines and forfeits	63,386	-	63,386
Interest and rents	64,262	14,721	78,983
Other	51,577	31,283	82,860
<b>TOTAL REVENUES</b>	<b>5,045,207</b>	<b>1,587,987</b>	<b>6,633,194</b>
<b>EXPENDITURES</b>			
Current			
General government	843,031	54,892	897,923
Public safety	2,518,577	233,236	2,751,813
Public works	215,545	1,276,532	1,492,077
Community and economic development	30,519	46,155	76,674
Recreation and culture	55,027	160,842	215,869
Other	216,098	-	216,098
Debt service	-	108,630	108,630
Capital outlay	-	30,956	30,956
<b>TOTAL EXPENDITURES</b>	<b>3,878,797</b>	<b>1,911,243</b>	<b>5,790,040</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,166,410</b>	<b>(323,256)</b>	<b>843,154</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	1,281,541	1,281,541
Transfers out	(1,026,500)	(255,041)	(1,281,541)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,026,500)</b>	<b>1,026,500</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>139,910</b>	<b>703,244</b>	<b>843,154</b>
Fund balances, beginning of year	2,054,336	1,947,477	4,001,813
Prior period adjustment	(110,000)	-	(110,000)
Fund balances, end of year	<u>\$ 2,084,246</u>	<u>\$ 2,650,721</u>	<u>\$ 4,734,967</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, 2012

**Net change in fund balances - total governmental funds** **\$ 843,154**

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	\$ 286,167	
Depreciation expense	<u>(718,042)</u>	
Excess of depreciation expense over capital outlay		(431,875)

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	(54,561)	
Add: Decrease in capital assets included above	<u>56,830</u>	
		2,269

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		92,370
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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	1,422	
(Decrease) in deferred revenue	(21,962)	
(Increase) in net post-employment benefit obligation	<u>(238,036)</u>	
		<u>(258,576)</u>

**Change in net assets of governmental activities** **\$ 247,342**



City of Fenton

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2012

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
<b>ASSETS</b>				
Current assets				
Cash	\$ 1,779,238	\$ 997,803	\$ 2,777,041	\$ 790,054
Cash - restricted	-	680,380	680,380	-
Investments - restricted	-	218,827	218,827	-
Accounts receivable	840,653	980,063	1,820,716	-
Due from other funds	115,321	-	115,321	52,186
Inventories	-	35,870	35,870	-
Total current assets	2,735,212	2,912,943	5,648,155	842,240
Noncurrent assets				
Capital assets not being depreciated	157,803	2,432,144	2,589,947	-
Capital assets, net of accumulated depreciation	21,276,860	13,212,665	34,489,525	189,092
Total noncurrent assets	21,434,663	15,644,809	37,079,472	189,092
TOTAL ASSETS	24,169,875	18,557,752	42,727,627	1,031,332
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	233,925	44,379	278,304	12,534
Accrued wages	1,980	12,254	14,234	-
Accrued interest payable	64,348	64,649	128,997	-
Due to other funds	11,714	49,053	60,767	-
Current portion of compensated absences	4,375	7,685	12,060	42,712
Current portion of long-term debt	946,375	580,000	1,526,375	-
Total current liabilities	1,262,717	758,020	2,020,737	55,246
Noncurrent liabilities				
Meter deposits	-	3,978	3,978	-
Noncurrent portion of compensated absences	17,500	30,740	48,240	170,848
Noncurrent portion of long-term debt	5,233,207	8,518,759	13,751,966	-
Other post-employment benefit obligation	136,831	374,453	511,284	-
Total noncurrent liabilities	5,387,538	8,927,930	14,315,468	170,848
TOTAL LIABILITIES	6,650,255	9,685,950	16,336,205	226,094
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	15,255,081	7,175,371	22,430,452	189,092
Restricted for bond reserve	-	899,207	899,207	-
Unrestricted	2,264,539	797,224	3,061,763	616,146
TOTAL NET ASSETS	\$ 17,519,620	\$ 8,871,802	\$ 26,391,422	\$ 805,238

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, 2012

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
OPERATING REVENUES				
Charges for services	\$ 2,506,911	\$ 2,817,673	\$ 5,324,584	\$ 189,366
Other	51,381	58,155	109,536	981
<b>TOTAL OPERATING REVENUES</b>	<b>2,558,292</b>	<b>2,875,828</b>	<b>5,434,120</b>	<b>190,347</b>
OPERATING EXPENSES				
Personnel services	204,776	868,353	1,073,129	21,071
Professional services	897,274	31,556	928,830	-
Operating supplies	14,625	388,856	403,481	24,355
Fuel and utilities	40,918	151,002	191,920	50,386
Repairs and maintenance	-	19,593	19,593	34,737
Equipment and building rent	38,249	31,032	69,281	23,685
Insurance	12,600	20,000	32,600	12,800
Depreciation	586,278	453,100	1,039,378	85,230
Other	1,032	2,721	3,753	241
<b>TOTAL OPERATING EXPENSES</b>	<b>1,795,752</b>	<b>1,966,213</b>	<b>3,761,965</b>	<b>252,505</b>
<b>OPERATING INCOME (LOSS)</b>	<b>762,540</b>	<b>909,615</b>	<b>1,672,155</b>	<b>(62,158)</b>
NONOPERATING REVENUES (EXPENSES)				
Interest earned	5,227	74,776	80,003	1,747
Gain on sale of assets	-	-	-	5,850
Interest expense and fees	(286,531)	(329,463)	(615,994)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(281,304)</b>	<b>(254,687)</b>	<b>(535,991)</b>	<b>7,597</b>
<b>CHANGE IN NET ASSETS</b>	<b>481,236</b>	<b>654,928</b>	<b>1,136,164</b>	<b>(54,561)</b>
Net assets, beginning of year	17,038,384	8,216,874	25,255,258	859,799
<b>Net assets, end of year</b>	<b>\$ 17,519,620</b>	<b>\$ 8,871,802</b>	<b>\$ 26,391,422</b>	<b>\$ 805,238</b>

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 2,548,250	\$ 2,852,293	\$ 5,400,543	\$ -
Cash receipts from interfund services provided	-	-	-0-	169,534
Cash paid to suppliers	(992,954)	(1,039,189)	(2,032,143)	(150,303)
Cash paid to employees	(202,331)	(869,853)	(1,072,184)	(9,564)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,352,965</b>	<b>943,251</b>	<b>2,296,216</b>	<b>9,667</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	-	(388,210)	(388,210)	(28,400)
Proceeds from sale of assets	-	-	-0-	5,850
Interest and fees paid	(295,579)	(333,150)	(628,729)	-
Payments on borrowings	(910,339)	(565,000)	(1,475,339)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,205,918)</b>	<b>(1,286,360)</b>	<b>(2,492,278)</b>	<b>(22,550)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	5,227	74,776	80,003	1,747
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>152,274</b>	<b>(268,333)</b>	<b>(116,059)</b>	<b>(11,136)</b>
Cash, beginning of year	1,626,964	1,946,516	3,573,480	801,190
Cash, end of year	<u>\$ 1,779,238</u>	<u>\$ 1,678,183</u>	<u>\$ 3,457,421</u>	<u>\$ 790,054</u>

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended June 30, 2012

	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)	\$ 762,540	\$ 909,615	\$ 1,672,155	\$ (62,158)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	586,278	453,100	1,039,378	85,230
(Increase) decrease in:				
Accounts receivable	(3,094)	(23,603)	(26,697)	-
Due from other funds	(6,948)	68	(6,880)	158
Increase (decrease) in:				
Accounts payable	12,158	(372,879)	(360,721)	(4,099)
Accrued wages	(290)	4,594	4,304	-
Due to other governmental units	-	(344)	(344)	-
Compensated absences	(15,561)	(31,645)	(47,206)	11,506
Other post-employment benefits obligation	18,296	25,551	43,847	-
Due to other funds	(414)	(21,206)	(21,620)	(20,970)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,352,965</b>	<b>\$ 943,251</b>	<b>\$ 2,296,216</b>	<b>\$ 9,667</b>

See accompanying notes to financial statements.

City of Fenton

Fiduciary Funds

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 196,867
Taxes receivable	96
Due from other governments	<u>3,343</u>
TOTAL ASSETS	<u><u>\$ 200,306</u></u>
LIABILITIES	
Due to other governmental units	\$ 67,586
Due to union groups	7,078
Due to individuals and agencies	<u>125,642</u>
TOTAL LIABILITIES	<u><u>\$ 200,306</u></u>

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2012

	Downtown Development Authority	Local Development Finance Authority	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 2,112,918	\$ 943,671	\$ 3,056,589
Accounts receivable	15,082	-	15,082
Due from other governmental units	20,493	50,017	70,510
Total current assets	2,148,493	993,688	3,142,181
Noncurrent assets			
Capital assets not being depreciated	873,748	-	873,748
Capital assets, net of accumulated depreciation	584,518	-	584,518
Total noncurrent assets	1,458,266	-0-	1,458,266
<b>TOTAL ASSETS</b>	<b>3,606,759</b>	<b>993,688</b>	<b>4,600,447</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	167,695	7,978	175,673
Accrued wages	1,015	686	1,701
Due to other governmental units	1,997	1,346	3,343
Accrued interest payable	27,563	-	27,563
Current portion of long-term debt	360,000	-	360,000
Total current liabilities	558,270	10,010	568,280
Noncurrent liabilities			
Noncurrent portion of long-term debt	3,315,000	-	3,315,000
<b>TOTAL LIABILITIES</b>	<b>3,873,270</b>	<b>10,010</b>	<b>3,883,280</b>
<b>NET ASSETS</b>			
Invested in capital assets	1,458,266	-	1,458,266
Unrestricted	(1,724,777)	983,678	(741,099)
<b>TOTAL NET ASSETS</b>	<b>\$ (266,511)</b>	<b>\$ 983,678</b>	<b>\$ 717,167</b>

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets		
			Downtown Development Authority	Local Development Finance Authority	Total
Downtown Development Authority Community and economic development	\$ 909,509	\$ -	\$ (909,509)	\$ -	\$ (909,509)
Local Development Finance Authority Community and economic development	102,491	11,390	-	(91,101)	(91,101)
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 1,012,000</u>	<u>\$ 11,390</u>	(909,509)	(91,101)	(1,000,610)
General revenues					
Property taxes			1,501,881	180,664	1,682,545
Investment earnings			6,907	2,311	9,218
Total general revenues			<u>1,508,788</u>	<u>182,975</u>	<u>1,691,763</u>
CHANGE IN NET ASSETS			599,279	91,874	691,153
Net assets, beginning of year			<u>(865,790)</u>	<u>891,804</u>	<u>26,014</u>
Net assets, end of year			<u>\$ (266,511)</u>	<u>\$ 983,678</u>	<u>\$ 717,167</u>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**



NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Fenton, Michigan, has a population of approximately 11,756. 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 2011 or 2012.

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, 2012, 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, 2012

**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, 2012

**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.

Government-wide, proprietary and agency fund financial statements are presented using the accrual basis of accounting. Their revenues (as applicable) are recognized when they are earned, and their expenses (as applicable) 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, 2012

**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 1978 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, 2012

**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, 2012, the City levied 10.6226 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2011 levy for property within the City was \$373,323,051.

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 governmental 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, 2012

**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, 2012, 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, 2012, 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, 2012

**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, 2012

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

Deposits

As of June 30, 2012, 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	\$ 8,458,618	\$ 8,419,820
Certificates of deposit	<u>471,494</u>	<u>472,480</u>
Total primary government	8,930,112	8,892,300
FIDUCIARY FUNDS		
Checking and savings	196,867	289,938
COMPONENT UNITS		
Checking and savings	<u>3,056,589</u>	<u>3,060,655</u>
TOTAL REPORTING ENTITY	<u>\$ 12,183,568</u>	<u>\$ 12,242,893</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, 2012, 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, 2012, the City accounts were insured by the FDIC for \$2,379,873 and the amount of \$9,863,020 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, 2012

**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, 2012:

The primary government cash caption on the financial statements includes \$3,171 in imprest cash.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash	\$ 7,781,409	\$ 3,056,589	\$ 196,867	\$ 11,034,865
Cash - restricted	680,380	-	-	680,380
Investments	252,667	-	-	252,667
Investments - restricted	218,827	-	-	218,827
	<u>\$ 8,933,283</u>	<u>\$ 3,056,589</u>	<u>\$ 196,867</u>	<u>\$ 12,186,739</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2012, are as follows:

Due to General Fund from:	
Sewer Fund	\$ 152
Water Fund	8,429
	<u>\$ 8,581</u>
Due to Sewer Fund from:	
General Fund	\$ 6,948
Nonmajor governmental funds	108,373
	<u>\$ 115,321</u>
Due to internal service funds from:	
Sewer Fund	\$ 11,562
Water Fund	40,624
	<u>\$ 52,186</u>
Due to component unit funds from:	
Component unit funds (DDA)	<u>\$ 103,150</u>

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

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**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.

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

Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,026,500
Nonmajor governmental funds	<u>255,041</u>
	<u>\$ 1,281,541</u>
Transfers to component unit funds from:	
Component unit funds (DDA)	\$ 1,394,601
Component unit funds (LDFA)	<u>233,182</u>
	<u>\$ 1,627,783</u>

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

**Primary Government**

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,605,104	\$ -	\$ -	\$ 1,605,104
Construction in progress - roads	<u>3,362,014</u>	<u>292,625</u>	<u>(2,645,246)</u>	<u>1,009,393</u>
Total capital assets not being depreciated	4,967,118	292,625	(2,645,246)	2,614,497
Capital assets, being depreciated				
Buildings	6,007,171	-	-	6,007,171
Building and land improvements	552,838	-	-	552,838
Machinery, vehicles, and equipment	4,694,462	59,396	(55,258)	4,698,600
Roads, lights, and bridges	<u>6,020,968</u>	<u>2,579,392</u>	<u>-</u>	<u>8,600,360</u>
Total capital assets being depreciated	17,275,439	2,638,788	(55,258)	19,858,969

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities - concluded				
Less accumulated depreciation for:				
Buildings	\$ (1,913,830)	\$ (145,867)	\$ -	\$ (2,059,697)
Building and land improvements	(431,112)	(21,686)	-	(452,798)
Machinery, vehicles, and equipment	(3,091,641)	(224,286)	55,258	(3,260,669)
Roads, lights, and bridges	(1,030,070)	(326,203)	-	(1,356,273)
 Total accumulated depreciation	 (6,466,653)	 (718,042)	 55,258	 (7,129,437)
 Total capital assets being depreciated, net	 10,808,786	 1,920,746	 -0-	 12,729,532
 Net capital assets	 <u>\$ 15,775,904</u>	 <u>\$ 2,213,371</u>	 <u>\$ (2,645,246)</u>	 <u>\$ 15,344,029</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 83,556
Public safety	209,811
Public works	411,433
Recreation and cultural	13,242
 Total depreciation expense	 <u>\$ 718,042</u>

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 190,930	\$ -	\$ -	\$ 190,930
Construction in progress	2,010,807	388,210	-	2,399,017
 Total capital assets not being depreciated	 2,201,737	 388,210	 -0-	 2,589,947
 Capital assets, being depreciated				
Building improvements	8,859,988	-	-	8,859,988
Sewer and water lines	38,287,339	-	-	38,287,339
Machinery and equipment	671,280	-	-	671,280
 Total capital assets being depreciated	 47,818,607	 -0-	 -0-	 47,818,607

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE E: CAPITAL ASSETS - CONCLUDED**

**Primary Government - concluded**

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Business-type activities - concluded				
Less accumulated depreciation for:				
Building improvements	\$ (1,105,104)	\$ (221,524)	\$ -	\$ (1,326,628)
Sewer and water lines	(10,576,887)	(796,561)	-	(11,373,448)
Machinery and equipment	(607,713)	(21,293)	-	(629,006)
	<u>(12,289,704)</u>	<u>(1,039,378)</u>	<u>-0-</u>	<u>(13,329,082)</u>
Total accumulated depreciation				
	<u>(12,289,704)</u>	<u>(1,039,378)</u>	<u>-0-</u>	<u>(13,329,082)</u>
Total capital assets being depreciated, net	<u>35,528,903</u>	<u>(1,039,378)</u>	<u>-0-</u>	<u>34,489,525</u>
Net capital assets	<u>\$ 37,730,640</u>	<u>\$ (651,168)</u>	<u>\$ -0-</u>	<u>\$ 37,079,472</u>

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

Sewer	\$ 586,278
Water	<u>453,099</u>
Total depreciation expense	<u>\$ 1,039,377</u>

**Component Unit**

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Downtown Development Authority				
Capital assets, not being depreciated				
Land	\$ 425,000	\$ -	\$ -	\$ 425,000
Construction in progress	-	448,748	-	448,748
	<u>425,000</u>	<u>448,748</u>	<u>-0-</u>	<u>873,748</u>
Capital assets, being depreciated				
Buildings	364,538	255,696	-	620,234
Equipment	20,440	-	-	20,440
	<u>384,978</u>	<u>255,696</u>	<u>-0-</u>	<u>640,674</u>
Total capital assets being depreciated				
	<u>384,978</u>	<u>255,696</u>	<u>-0-</u>	<u>640,674</u>
Less accumulated depreciation for:				
Buildings	(23,363)	(24,617)	-	(47,980)
Equipment	(4,088)	(4,088)	-	(8,176)
	<u>(27,451)</u>	<u>(28,705)</u>	<u>-0-</u>	<u>(56,156)</u>
Total accumulated depreciation				
	<u>(27,451)</u>	<u>(28,705)</u>	<u>-0-</u>	<u>(56,156)</u>
Total capital assets being depreciated, net	<u>357,527</u>	<u>226,991</u>	<u>-0-</u>	<u>584,518</u>
Net capital assets	<u>\$ 782,527</u>	<u>\$ 675,739</u>	<u>\$ -0-</u>	<u>\$ 1,458,266</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**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, 2012.

**Primary Government**

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
<b>Governmental Activities</b>					
Installment purchase agreements	\$ 452,045	\$ -	\$ (92,370)	\$ 359,675	\$ 95,710
Compensated absences	202,054	47,172	(35,666)	213,560	42,712
<b>Total</b>	<b>654,099</b>	<b>47,172</b>	<b>(128,036)</b>	<b>573,235</b>	<b>138,422</b>
<b>Business-type Activities</b>					
2005 Sewage Refunding Bonds	3,532,865	-	(711,316)	2,821,549	713,950
2006 Sewage Disposal Bonds	2,543,673	-	(149,023)	2,394,650	182,425
1999 Michigan Municipal Bond Authority	653,759	-	(75,000)	578,759	75,000
2002 Michigan Municipal Bond Authority	6,320,000	-	(460,000)	5,860,000	470,000
2009 Michigan Municipal Bond Authority	1,013,383	-	(50,000)	963,383	50,000
2010 Capital Improvement Bonds	2,690,000	-	(30,000)	2,660,000	35,000
Compensated absences	107,506	13,463	(60,669)	60,300	12,060
<b>Total</b>	<b>16,861,186</b>	<b>13,463</b>	<b>(1,536,008)</b>	<b>15,338,641</b>	<b>1,538,435</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 17,515,285</b>	<b>\$ 60,635</b>	<b>\$ (1,664,044)</b>	<b>\$ 15,911,876</b>	<b>\$ 1,676,857</b>

**Component Unit**

<b>Component Unit (DDA)</b>					
2002 General Obligation Bonds	\$ 3,940,000	\$ -	\$ (3,940,000)	\$ -0-	\$ -
2011 GOLT Development Refunding Bonds	-	3,985,000	(310,000)	3,675,000	360,000
	<u>\$ 3,940,000</u>	<u>\$ 3,985,000</u>	<u>\$ (4,250,000)</u>	<u>\$ 3,675,000</u>	<u>\$ 360,000</u>

**Primary Government**

Installment Purchase Agreements

\$630,000 Installment Purchase Agreement on Magnum fire truck dated March 1, 2005, due in annual installments of \$75,982, including interest through March 1, 2015, with interest of 3.67 percent.	\$ 212,184
\$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.	<u>147,490</u>
	<u>\$ 359,675</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Primary Government - continued**

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. \$ 2,821,549

\$2,885,399 2007 Sewage Disposal Bonds dated November 16, 2007, due in annual installments ranging from \$182,425 to \$470,194 through April 1, 2019, with interest of 4.00 percent, payable semi-annually. 2,394,650

\$ 5,216,199

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. \$ 578,759

\$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. 5,860,000

\$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. 963,383

\$ 7,402,142

Capital Improvement Bonds

\$2,690,000 2010 Capital Improvement Bonds dated April 1, 2011, due in annual installments ranging from \$35,000 to \$195,000 through April 1, 2035, with an interest rate ranging from 2.40 to 6.375 percent, payable semi-annually. \$ 2,660,000

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 \$213,560 for governmental activities and \$60,300 for business-type activities at June 30, 2012. Of these amounts, \$42,712 and \$12,060 have been recorded as current liabilities, and \$170,848 and \$48,240 have been recorded as noncurrent liabilities, respectively. The governmental activities liability has historically been paid out of the general fund.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Primary Government - concluded**

Advance and Current Refunding

On July 12, 2011, the City defeased a portion of the 2002 General Obligation Bonds (DDA), which were due and payable through April 1, 2021. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued the 2012 General Obligation Limited Tax Development Bonds in the amount of \$3,985,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2012, bonds due and payable through April 1, 2021 for the 2002 General Obligation Bonds (DDA) in the amount of \$3,940,000 are considered defeased.

As a result of the advance refunding, the City decreased its total debt service requirements by \$222,893, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$189,933.

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 \$7,419,792. During the current year, net revenues of the system were \$1,437,490 compared to the annual debt requirements of \$705,969.

**Component Unit (DDA)**

\$3,985,000 2011 General Obligation Limited Tax Development Refunding Bonds dated July 12, 2011, due in annual installments ranging from \$396,010 to \$466,900 through April 1, 2021, with an interest of 3.0% percent, payable semi-annually.

\$ 3,675,000

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE F: LONG-TERM DEBT - CONCLUDED**

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

**Primary Government**

Year Ending June 30,	Installment Purchase Agreements		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 95,710	\$ 12,920	\$ 896,375	\$ 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	31,550	1,098	467,624	56,115
2018-2030	-	-	935,249	56,012
	<u>\$ 359,675</u>	<u>\$ 31,511</u>	<u>\$ 5,216,199</u>	<u>\$ 790,174</u>

Year Ending June 30,	Revenue Bonds		Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
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	660,000	123,429	40,000	152,231
2018-2022	3,268,759	368,110	420,000	718,524
2023-2027	935,000	49,372	675,000	561,284
2028-2032	73,383	128	810,000	336,382
2033-2035	-	-	560,000	72,356
	<u>\$ 7,402,142</u>	<u>\$ 1,196,755</u>	<u>\$ 2,660,000</u>	<u>\$ 2,464,521</u>

**Component Unit (DDA)**

Year Ending June 30,	General Obligation Limited Tax Development Refunding Bonds	
	Principal	Interest
2013	\$ 360,000	\$ 110,250
2014	370,000	99,450
2015	385,000	88,350
2016	395,000	76,800
2017	405,000	64,950
2018-2021	1,760,000	133,950
	<u>\$ 3,675,000</u>	<u>\$ 573,750</u>



NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**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.

**NOTE H: RETIREMENT PLAN**

Plan Description

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

Funding Policy

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

Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost of \$347,790 for the plan was equal to the City's required and actual contribution. The required contribution was determined as part of the December 31, 2009 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-eight (28) years.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE H: RETIREMENT PLAN - CONCLUDED**

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>2010</u>	<u>2011</u>	<u>2012</u>
Annual pension cost	\$ 357,828	\$ 383,017	\$ 347,790
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

**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, 2012, the City made estimated payments of \$222,180 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, 2010 (latest actuarial report) is as follows:

Retirees and Beneficiaries receiving benefits	36
Active plan members	<u>45</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.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED**

Funded Status and Funding Progress - concluded

For the year ended June 30, 2012, the City has determined an estimated cost of providing retiree post-employment benefits through an actuarial valuation as of December 31, 2010. 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 twenty-seven (27) years.

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

Annual required contribution (ARC)	\$ 474,489
Interest on net OPEB obligation	47,022
Adjustment to annual required contribution	<u>(17,448)</u>
Annual OPEB cost	504,063
Contributions made	<u>222,180</u>
Increase in net OPEB obligation	281,883
Net OPEB obligation - beginning of year	<u>1,044,942</u>
Net OPEB obligation - end of year	<u><u>\$ 1,326,825</u></u>

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 771,899	31.50%	\$ 528,389
2011	822,703	37.21%	1,044,943
2012	504,064	44.08%	1,326,826

The current funded status of the plan based on the most recent valuations, is as follows:

	December 31,	
	<u>2007</u>	<u>2010</u>
Actuarial value of assets	\$ -	\$ -
Actuarial accrued liability (AAL)	11,271,344	7,079,664
Unfunded AAL (UAAL)	11,271,344	7,079,664
Funded ratio	0 %	0 %

The actuarial valuation for the year ended December 31, 2007, which was used to compute the annual required contribution for the year ended June 30, 2011, was the first year that an actuarial valuation was done, so no information is available for years prior to 2007.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED**

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, 2010
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on an open basis
Remaining amortization period	27 year period
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.5%
Includes inflation at:	4.0%
Healthcare cost trend rates	4.5% - 11.0%

**NOTE 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, 2012 is as follows:

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE J: BUILDING AND ZONING FINANCIAL INFORMATION - CONCLUDED**

REVENUES	
Building permits	\$ 42,927
Zoning permits	<u>11,335</u>
TOTAL REVENUES	54,262
EXPENDITURES	
Salaries and fringes	121,336
Supplies and other	11,973
Professional services	<u>46,986</u>
TOTAL EXPENDITURES	<u>180,295</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(126,033)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(1,229,332)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u><u>\$ (1,355,365)</u></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 CLASSIFICATIONS**

In the fund financial statements, the governmental funds report the following classifications of fund balance:

*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.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED**

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. In the absence of such a policy, resources with the highest level of restriction will be used first.

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balance			
Nonspendable			
Inventories	\$ 34,964	\$ 4,825	\$ 39,789
Prepays	224,354	-	224,354
Assets held for sale	-	104,601	104,601
Restricted:			
Streets and highways	-	306,634	306,634
Committed:			
Parks and recreation	-	41,005	41,005
Cemetery	-	210,453	210,453
Garbage collection	-	41,107	41,107
Narcotics enforcement	-	3,080	3,080
D.A.R.E.	-	22,582	22,582
Emergency 911	-	361	361
Neighborhood stabilization	-	3,780	3,780
Fire equipment	-	288,012	288,012
Capital projects	-	1,624,281	1,624,281
Unassigned	<u>1,824,928</u>	<u>-</u>	<u>1,824,928</u>
 TOTAL FUND BALANCE	 <u>\$ 2,084,246</u>	 <u>\$ 2,650,721</u>	 <u>\$ 4,734,967</u>

**NOTE M: PRIOR PERIOD ADJUSTMENT**

The prior period fund balance in the General Fund has been adjusted to correct an accounting error. Fund balance was reduced by \$110,000.

**NOTE N: RESTATEMENT OF NET ASSETS**

Beginning net assets for the Governmental activities have been restated to correct an accounting error. Net assets were reduced by \$110,000.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE O: UPCOMING PRONOUNCEMENTS**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 39, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the City's 2014-2015 fiscal year.

**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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 3,513,900	\$ 3,450,458	\$ 3,385,278	\$ (65,180)
Licenses and permits	170,250	225,650	241,133	15,483
Intergovernmental	733,696	867,931	893,249	25,318
Charges for services	259,250	354,585	346,322	(8,263)
Fines and forfeits	60,000	60,000	63,386	3,386
Interest and rents	68,350	65,350	64,262	(1,088)
Other	19,000	31,005	51,577	20,572
<b>TOTAL REVENUES</b>	<b>4,824,446</b>	<b>5,054,979</b>	<b>5,045,207</b>	<b>(9,772)</b>
<b>EXPENDITURES</b>				
Current				
General government	864,455	872,896	843,031	29,865
Public safety				
Police department	1,905,250	1,811,980	1,789,273	22,707
Fire department	594,525	576,800	549,010	27,790
Building inspection	175,060	183,260	180,294	2,966
Total public safety	2,674,835	2,572,040	2,518,577	53,463
Public works	233,630	219,050	215,545	3,505
Community and economic development	40,165	40,343	30,519	9,824
Recreation and culture	168,950	108,115	55,027	53,088
Other	165,130	217,410	216,098	1,312
<b>TOTAL EXPENDITURES</b>	<b>4,147,165</b>	<b>4,029,854</b>	<b>3,878,797</b>	<b>151,057</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>677,281</b>	<b>1,025,125</b>	<b>1,166,410</b>	<b>141,285</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	100,000	40,000	-	(40,000)
Transfers out	(780,450)	(1,016,775)	(1,026,500)	(9,725)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(680,450)</b>	<b>(976,775)</b>	<b>(1,026,500)</b>	<b>(49,725)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,169)</b>	<b>48,350</b>	<b>139,910</b>	<b>91,560</b>
Fund balance, beginning of year	2,054,336	2,054,336	2,054,336	-0-
Prior period adjustment	(110,000)	(110,000)	(110,000)	-0-
Fund balance, end of year	<u>\$ 1,941,167</u>	<u>\$ 1,992,686</u>	<u>\$ 2,084,246</u>	<u>\$ 91,560</u>

City of Fenton

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012

**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, 2012, 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			
Transfers out	\$ 1,016,775	\$ 1,026,500	\$ 9,725
Parks and Recreation Fund	155,100	160,842	5,742
Garbage Collection Fund	419,460	419,756	296
Narcotics Enforcement Fund	500	544	44
Emergency 911 Fund	222,700	231,051	8,351

## **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.

Community Development Block Grant Fund - To account for the federal awards associated with the Community Development Block Grant.

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, 2012

	Special			
	Major Street	Local Street	CDBG	Parks and Recreation
<b>ASSETS</b>				
Cash	\$ 85,764	\$ 162,933	\$ -	\$ 58,144
Accounts receivable	18,331	-	-	-
Special assessments receivable	-	-	-	-
Due from other governmental units	90,044	32,446	-	-
Inventories	-	-	-	-
Assets held for resale	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 194,139</u></b>	<b><u>\$ 195,379</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 58,144</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 73,544	\$ 3,711	\$ -	\$ 14,027
Accrued wages	2,513	3,116	-	3,112
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>76,057</b>	<b>6,827</b>	<b>-0-</b>	<b>17,139</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	118,082	188,552	-	-
Committed	-	-	-	41,005
<b>TOTAL FUND BALANCES</b>	<b><u>118,082</u></b>	<b><u>188,552</u></b>	<b><u>-0-</u></b>	<b><u>41,005</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 194,139</u></b>	<b><u>\$ 195,379</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 58,144</u></b>

Revenue Funds

Cemetery	Garbage Collection	Narcotics Enforcement	D.A.R.E	Emergency 911	Neighborhood Stabilization
\$ 213,767	\$ 51,516	\$ 3,080	\$ 22,582	\$ 3,685	\$ 4,411
8,129	97,964	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,825	-	-	-	-
-	-	-	-	-	104,601
<u>\$ 221,896</u>	<u>\$ 154,305</u>	<u>\$ 3,080</u>	<u>\$ 22,582</u>	<u>\$ 3,685</u>	<u>\$ 109,012</u>
\$ 4,258	\$ -	\$ -	\$ -	\$ -	\$ 631
-	-	-	-	3,324	-
-	108,373	-	-	-	-
7,185	-	-	-	-	-
11,443	108,373	-0-	-0-	3,324	631
-	4,825	-	-	-	104,601
-	-	-	-	-	-
<u>210,453</u>	<u>41,107</u>	<u>3,080</u>	<u>22,582</u>	<u>361</u>	<u>3,780</u>
<u>210,453</u>	<u>45,932</u>	<u>3,080</u>	<u>22,582</u>	<u>361</u>	<u>108,381</u>
<u>\$ 221,896</u>	<u>\$ 154,305</u>	<u>\$ 3,080</u>	<u>\$ 22,582</u>	<u>\$ 3,685</u>	<u>\$ 109,012</u>

City of Fenton

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2012

	Capital Projects Funds			
	Fire Equipment	C.I.P. Fund	Working Capital Fund	Library Fund
<b>ASSETS</b>				
Cash	\$ 288,012	\$ 1,445,362	\$ 166,688	\$ 12,231
Accounts receivable	-	-	-	-
Special assessments receivable	-	-	31,900	-
Due from other governmental units	-	-	-	-
Inventories	-	-	-	-
Assets held for resale	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 288,012</u>	<u>\$ 1,445,362</u>	<u>\$ 198,588</u>	<u>\$ 12,231</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	31,900	-
<b>TOTAL LIABILITIES</b>	-0-	-0-	31,900	-0-
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	288,012	1,445,362	166,688	12,231
<b>TOTAL FUND BALANCES</b>	<u>288,012</u>	<u>1,445,362</u>	<u>166,688</u>	<u>12,231</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 288,012</u>	<u>\$ 1,445,362</u>	<u>\$ 198,588</u>	<u>\$ 12,231</u>



Total

\$ 2,518,175  
124,424  
31,900  
122,490  
4,825  
104,601

\$ 2,906,415

\$ 96,171  
12,065  
108,373  
39,085

255,694

109,426  
306,634  
2,234,661

2,650,721

\$ 2,906,415

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2012

	Special			
	Major Street	Local Street	CDBG	Parks and Recreation
<b>REVENUES</b>				
Intergovernmental	\$ 609,665	\$ 229,570	\$ 8,501	\$ -
Charges for services	-	-	-	42,934
Interest and rents	145	371	-	5,437
Other	724	-	-	2,513
<b>TOTAL REVENUES</b>	<b>610,534</b>	<b>229,941</b>	<b>8,501</b>	<b>50,884</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	572,020	284,756	-	-
Community and economic development	-	-	8,501	-
Recreation and culture	-	-	-	160,842
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>572,020</b>	<b>284,756</b>	<b>8,501</b>	<b>160,842</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>38,514</b>	<b>(54,815)</b>	<b>-0-</b>	<b>(109,958)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	133,891	168,350	-	119,000
Transfers out	(121,150)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>12,741</b>	<b>168,350</b>	<b>-0-</b>	<b>119,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>51,255</b>	<b>113,535</b>	<b>-0-</b>	<b>9,042</b>
Fund balances, beginning of year	66,827	75,017	-	31,963
Fund balances, end of year	<u>\$ 118,082</u>	<u>\$ 188,552</u>	<u>\$ -0-</u>	<u>\$ 41,005</u>

Revenue Funds

Cemetery	Garbage Collection	Narcotics Enforcement	D.A.R.E	Emergency 911	Neighborhood Stabilization
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,716
20,167	456,451	-	-	151,979	-
919	-	7	51	-	3
-	-	2,843	-	2,425	-
21,086	456,451	2,850	51	154,404	22,719
54,892	-	-	-	-	-
-	-	544	1,641	231,051	-
-	419,756	-	-	-	-
-	-	-	-	-	37,654
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
54,892	419,756	544	1,641	231,051	37,654
(33,806)	36,695	2,306	(1,590)	(76,647)	(14,935)
43,300	-	-	-	77,000	-
-	-	-	-	-	-
43,300	-0-	-0-	-0-	77,000	-0-
9,494	36,695	2,306	(1,590)	353	(14,935)
200,959	9,237	774	24,172	8	123,316
<u>\$ 210,453</u>	<u>\$ 45,932</u>	<u>\$ 3,080</u>	<u>\$ 22,582</u>	<u>\$ 361</u>	<u>\$ 108,381</u>

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2012

	Capital Projects Funds			
	Fire Equipment	C.I.P. Fund	Working Capital Fund	Library Fund
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest and rents	656	3,368	3,736	28
Other	2,100	-	9,140	11,538
<b>TOTAL REVENUES</b>	<b>2,756</b>	<b>3,368</b>	<b>12,876</b>	<b>11,566</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Debt service				
Principal retirement	92,371	-	-	-
Interest and fiscal charges	16,259	-	-	-
Capital outlay	30,956	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>139,586</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(136,830)</b>	<b>3,368</b>	<b>12,876</b>	<b>11,566</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	275,000	465,000	-	-
Transfers out	-	(133,891)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>275,000</b>	<b>331,109</b>	<b>-0-</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>138,170</b>	<b>334,477</b>	<b>12,876</b>	<b>11,566</b>
Fund balances, beginning of year	149,842	1,110,885	153,812	665
Fund balances, end of year	<u>\$ 288,012</u>	<u>\$ 1,445,362</u>	<u>\$ 166,688</u>	<u>\$ 12,231</u>

Total

\$ 870,452  
671,531  
14,721  
31,283

1,587,987

54,892  
233,236  
1,276,532  
46,155  
160,842

92,371  
16,259  
30,956

1,911,243

(323,256)

1,281,541  
(255,041)

1,026,500

703,244

1,947,477

\$ 2,650,721

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Major Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 512,200	\$ 538,860	\$ 518,257	\$ (20,603)
Other	68,000	71,343	91,408	20,065
Interest	500	500	145	(355)
Other	-	69,569	724	(68,845)
	<u>580,700</u>	<u>680,272</u>	<u>610,534</u>	<u>(69,738)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	<u>959,550</u>	<u>1,141,400</u>	<u>572,020</u>	<u>569,380</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(378,850)	(461,128)	38,514	499,642
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	684,000	133,891	(550,109)
Transfers out	<u>(121,150)</u>	<u>(121,150)</u>	<u>(121,150)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
	<u>378,850</u>	<u>562,850</u>	<u>12,741</u>	<u>(550,109)</u>
NET CHANGE IN FUND BALANCE				
	-0-	101,722	51,255	(50,467)
Fund balance, beginning of year	<u>66,827</u>	<u>66,827</u>	<u>66,827</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 66,827</u>	<u>\$ 168,549</u>	<u>\$ 118,082</u>	<u>\$ (50,467)</u>

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Local Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 186,000	\$ 194,710	\$ 187,147	\$ (7,563)
Other	38,200	38,200	42,423	4,223
Interest	500	500	371	(129)
	<u>224,700</u>	<u>233,410</u>	<u>229,941</u>	<u>(3,469)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	<u>391,900</u>	<u>376,900</u>	<u>284,756</u>	<u>92,144</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(167,200)	(143,490)	(54,815)	88,675
OTHER FINANCING SOURCES				
Transfers in	<u>168,350</u>	<u>168,350</u>	<u>168,350</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	1,150	24,860	113,535	88,675
Fund balance, beginning of year	<u>75,017</u>	<u>75,017</u>	<u>75,017</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 76,167</u>	<u>\$ 99,877</u>	<u>\$ 188,552</u>	<u>\$ 88,675</u>
<u>CDBG Fund</u>				
REVENUES				
Intergovernmental	\$ 62,000	\$ 8,501	\$ 8,501	\$ -0-
EXPENDITURES				
Current				
Community and Economic Development	<u>-</u>	<u>8,501</u>	<u>8,501</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	62,000	-0-	-0-	-0-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 62,000</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 BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2012

	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	\$ 42,934	\$ 12,934
Interest and rents	5,100	6,100	5,437	(663)
Other	-	-	2,513	2,513
TOTAL REVENUES	31,100	36,100	50,884	14,784
EXPENDITURES				
Current				
Recreation and culture	147,500	155,100	160,842	(5,742)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(116,400)	(119,000)	(109,958)	9,042
OTHER FINANCING SOURCES				
Transfer in	116,400	119,000	119,000	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	9,042	9,042
Fund balance, beginning of year	31,963	31,963	31,963	-0-
Fund balance, end of year	<u>\$ 31,963</u>	<u>\$ 31,963</u>	<u>\$ 41,005</u>	<u>\$ 9,042</u>
<u>Cemetery Fund</u>				
REVENUES				
Charges for services	\$ 19,100	\$ 19,150	\$ 20,167	\$ 1,017
Interest	100	-	919	919
TOTAL REVENUES	19,200	19,150	21,086	1,936
EXPENDITURES				
Current				
General government	61,950	61,450	54,892	6,558
EXCESS OF REVENUES (UNDER) EXPENDITURES	(42,750)	(42,300)	(33,806)	8,494
OTHER FINANCING SOURCES				
Transfers in	42,750	42,300	43,300	1,000
NET CHANGE IN FUND BALANCE	-0-	-0-	9,494	9,494
Fund balance, beginning of year	200,959	200,959	200,959	-0-
Fund balance, end of year	<u>\$ 200,959</u>	<u>\$ 200,959</u>	<u>\$ 210,453</u>	<u>\$ 9,494</u>



City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2012

	<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	\$ 440,000	\$ 456,451	\$ 16,451
EXPENDITURES				
Current				
Public works	<u>419,460</u>	<u>419,460</u>	<u>419,756</u>	<u>(296)</u>
NET CHANGE IN FUND BALANCE	34,540	20,540	36,695	16,155
Fund balance, beginning of year	<u>9,237</u>	<u>9,237</u>	<u>9,237</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 43,777</u></u>	<u><u>\$ 29,777</u></u>	<u><u>\$ 45,932</u></u>	<u><u>\$ 16,155</u></u>
<u>Narcotics Enforcement Fund</u>				
REVENUES				
Interest	\$ -	\$ -	\$ 7	\$ 7
Other	<u>500</u>	<u>3,000</u>	<u>2,843</u>	<u>(157)</u>
TOTAL REVENUES	500	3,000	2,850	(150)
EXPENDITURES				
Current				
Public safety	<u>500</u>	<u>500</u>	<u>544</u>	<u>(44)</u>
NET CHANGE IN FUND BALANCE	-0-	2,500	2,306	(194)
Fund balance, beginning of year	<u>774</u>	<u>774</u>	<u>774</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 774</u></u>	<u><u>\$ 3,274</u></u>	<u><u>\$ 3,080</u></u>	<u><u>\$ (194)</u></u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>D.A.R.E. Fund</u>				
REVENUES				
Interest	\$ -	\$ -	\$ 51	\$ 51
EXPENDITURES				
Current				
Public safety	<u>500</u>	<u>2,000</u>	<u>1,641</u>	<u>359</u>
NET CHANGE IN FUND BALANCE	(500)	(2,000)	(1,590)	410
Fund balance, beginning of year	<u>24,172</u>	<u>24,172</u>	<u>24,172</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 23,672</u>	<u>\$ 22,172</u>	<u>\$ 22,582</u>	<u>\$ 410</u>
<u>Emergency 911 Fund</u>				
REVENUES				
Charges for services	\$ 160,000	\$ 153,000	\$ 151,979	\$ (1,021)
Other	<u>-</u>	<u>2,425</u>	<u>2,425</u>	<u>-0-</u>
TOTAL REVENUES	160,000	155,425	154,404	(1,021)
EXPENDITURES				
Current				
Public safety	<u>223,100</u>	<u>222,700</u>	<u>231,051</u>	<u>(8,351)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(63,100)	(67,275)	(76,647)	(9,372)
OTHER FINANCING SOURCES				
Transfers in	<u>63,100</u>	<u>67,275</u>	<u>77,000</u>	<u>9,725</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	353	353
Fund balance, beginning of year	<u>8</u>	<u>8</u>	<u>8</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ 361</u>	<u>\$ 353</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2012

	<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	\$ -	\$ 77,800	\$ 22,716	\$ (55,084)
Interest	-	-	3	3
TOTAL REVENUES	-0-	77,800	22,719	(55,081)
EXPENDITURES				
Current				
Community and economic development	-	105,600	37,654	67,946
NET CHANGE IN FUND BALANCE	-0-	(27,800)	(14,935)	12,865
Fund balance, beginning of year	<u>123,316</u>	<u>123,316</u>	<u>123,316</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 123,316</u>	<u>\$ 95,516</u>	<u>\$ 108,381</u>	<u>\$ 12,865</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, 2012

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash	\$ 586,817	\$ 203,237	\$ 790,054
Due from other funds	<u>41,862</u>	<u>10,324</u>	<u>52,186</u>
Total current assets	628,679	213,561	842,240
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>189,092</u>	<u>-</u>	<u>189,092</u>
<b>TOTAL ASSETS</b>	<b>817,771</b>	<b>213,561</b>	<b>1,031,332</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	12,534	-	12,534
Current portion of compensated absences	<u>-</u>	<u>42,712</u>	<u>42,712</u>
Total current liabilities	12,534	42,712	55,246
Noncurrent liabilities			
Noncurrent portion of compensated absences	<u>-</u>	<u>170,848</u>	<u>170,848</u>
<b>TOTAL LIABILITIES</b>	<b>12,534</b>	<b>213,560</b>	<b>226,094</b>
<b>NET ASSETS</b>			
Invested in capital assets	189,092	-	189,092
Unrestricted	<u>616,145</u>	<u>1</u>	<u>616,146</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 805,237</u></b>	<b><u>\$ 1</u></b>	<b><u>\$ 805,238</u></b>

City of Fenton

Internal Service Funds

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

Year Ended June 30, 2012

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 178,297	\$ 11,069	\$ 189,366
Other	981	-	981
	<u>179,278</u>	<u>11,069</u>	<u>190,347</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
Personnel services	9,564	11,507	21,071
Operating supplies	24,355	-	24,355
Fuel and utilities	50,386	-	50,386
Repairs and maintenance	34,737	-	34,737
Equipment rent	23,685	-	23,685
Insurance	12,800	-	12,800
Depreciation	85,230	-	85,230
Other	241	-	241
	<u>240,998</u>	<u>11,507</u>	<u>252,505</u>
TOTAL OPERATING EXPENSES			
OPERATING (LOSS)	(61,720)	(438)	(62,158)
NONOPERATING REVENUES			
Interest earned	1,309	438	1,747
Gain on sale of assets	5,850	-	5,850
	<u>7,159</u>	<u>438</u>	<u>7,597</u>
TOTAL NONOPERATING REVENUES			
CHANGE IN NET ASSETS	(54,561)	-0-	(54,561)
Net assets, beginning of year	<u>859,798</u>	<u>1</u>	<u>859,799</u>
Net assets, end of year	<u>\$ 805,237</u>	<u>\$ 1</u>	<u>805,238</u>

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from interfund services provided	\$ 168,790	\$ 744	\$ 169,534
Cash paid to suppliers	(150,303)	-	(150,303)
Cash paid to employees	(9,564)	-	(9,564)
	<u>8,923</u>	<u>744</u>	<u>9,667</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(28,400)	-	(28,400)
Proceeds from sale of assets	5,850	-	5,850
	<u>(22,550)</u>	<u>-0-</u>	<u>(22,550)</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	1,309	438	1,747
	<u>(12,318)</u>	<u>1,182</u>	<u>(11,136)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>			
Cash, beginning of year	599,135	202,055	801,190
Cash, end of year	<u>\$ 586,817</u>	<u>\$ 203,237</u>	<u>\$ 790,054</u>
<b>Reconciliation of operating (loss) to net cash provided by operating activities</b>			
Operating (loss)	\$ (61,720)	\$ (438)	\$ (62,158)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	85,230	-	85,230
(Increase) decrease in:			
Due from other funds	10,482	(10,324)	158
Increase (decrease) in:			
Accounts payable	(4,099)	-	(4,099)
Compensated absences	-	11,506	11,506
Due to other funds	(20,970)	-	(20,970)
	<u>8,923</u>	<u>744</u>	<u>9,667</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			

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, 2012

	Tax Collection	Employees Union	Health Savings	Payroll	Total
<b>ASSETS</b>					
Cash	\$ 67,490	\$ 7,078	\$ 83,002	\$ 39,297	\$ 196,867
Taxes receivable	96	-	-	-	96
Due from other governmental units	-	-	-	3,343	3,343
<b>TOTAL ASSETS</b>	<b><u>\$ 67,586</u></b>	<b><u>\$ 7,078</u></b>	<b><u>\$ 83,002</u></b>	<b><u>\$ 42,640</u></b>	<b><u>\$ 200,306</u></b>
<b>LIABILITIES</b>					
Due to other governmental units	\$ 67,586	\$ -	\$ -	\$ -	\$ 67,586
Due to union groups	-	7,078	-	-	7,078
Due to individuals and agencies	-	-	83,002	42,640	125,642
<b>TOTAL LIABILITIES</b>	<b><u>\$ 67,586</u></b>	<b><u>\$ 7,078</u></b>	<b><u>\$ 83,002</u></b>	<b><u>\$ 42,640</u></b>	<b><u>\$ 200,306</u></b>

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Tax Collection Fund</u>				
ASSETS				
Cash	\$ 53,750	\$ 17,922,533	\$ 17,908,793	\$ 67,490
Taxes receivable	96	-	-	96
TOTAL ASSETS	<u>\$ 53,846</u>	<u>\$ 17,922,533</u>	<u>\$ 17,908,793</u>	<u>\$ 67,586</u>
LIABILITIES				
Due to other governmental units	<u>\$ 53,846</u>	<u>\$ 17,922,533</u>	<u>\$ 17,908,793</u>	<u>\$ 67,586</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>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 26,998</u>	<u>\$ 83,002</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 26,998</u>	<u>\$ 83,002</u>
<u>Payroll Fund</u>				
ASSETS				
Cash	\$ 39,592	\$ 3,838,215	\$ 3,838,510	\$ 39,297
Due from other governmental units	-	3,343	-	3,343
TOTAL ASSETS	<u>\$ 39,592</u>	<u>\$ 3,841,558</u>	<u>\$ 3,838,510</u>	<u>\$ 42,640</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 39,592</u>	<u>\$ 3,841,558</u>	<u>\$ 3,838,510</u>	<u>\$ 42,640</u>

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONCLUDED

Year Ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Total Agency Funds</u>				
<b>ASSETS</b>				
Cash	\$ 210,420	\$ 21,760,748	\$ 21,774,301	\$ 196,867
Taxes receivable	96	-	-	96
Due from other governmental units	-	3,343	-	3,343
<b>TOTAL ASSETS</b>	<u><u>\$ 210,516</u></u>	<u><u>\$ 21,764,091</u></u>	<u><u>\$ 21,774,301</u></u>	<u><u>\$ 200,306</u></u>
<b>LIABILITIES</b>				
Due to other governmental units	\$ 53,846	\$ 17,922,533	\$ 17,908,793	\$ 67,586
Due to union groups	7,078	-	-	7,078
Due to individuals and agencies	149,592	3,841,558	3,865,508	125,642
<b>TOTAL LIABILITIES</b>	<u><u>\$ 210,516</u></u>	<u><u>\$ 21,764,091</u></u>	<u><u>\$ 21,774,301</u></u>	<u><u>\$ 200,306</u></u>

## **COMPONENT UNIT FUNDS**

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2012

	Special Revenue Fund	Capital Projects Fund	Total
<b>ASSETS</b>			
Cash	\$ 2,059,314	\$ 53,604	\$ 2,112,918
Accounts receivable	-	15,082	15,082
Due from other funds	-	103,150	103,150
Due from other governmental units	-	20,493	20,493
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 2,059,314</u>	<u>\$ 192,329</u>	<u>\$ 2,251,643</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 167,695	\$ 167,695
Accrued wages	-	1,015	1,015
Due to other funds	103,150	-	103,150
Due to other governmental units	-	1,997	1,997
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	103,150	170,707	273,857
<b>FUND BALANCES</b>			
Assigned	<u>1,956,164</u>	<u>21,622</u>	<u>1,977,786</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,059,314</u>	<u>\$ 192,329</u>	<u>\$ 2,251,643</u>

City of Fenton

Component Unit Funds

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

June 30, 2012

**Total fund balances - governmental funds** \$ 1,977,786

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	\$ 1,514,422	
Accumulated depreciation is	<u>(56,156)</u>	
Capital assets, net		1,458,266

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	(3,675,000)	
Accrued interest payable	<u>(27,563)</u>	
		<u>(3,702,563)</u>

**Net assets of governmental activities** \$ (266,511)

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2012

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 1,501,881	\$ -	\$ 1,501,881
Interest	6,907	-	6,907
<b>TOTAL REVENUES</b>	<b>1,508,788</b>	<b>-0-</b>	<b>1,508,788</b>
EXPENDITURES			
Current			
Community and economic development	-	1,374,964	1,374,964
Debt service			
Principal	310,000	-	310,000
Interest and fiscal charges	229,116	-	229,116
<b>TOTAL EXPENDITURES</b>	<b>539,116</b>	<b>1,374,964</b>	<b>1,914,080</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>969,672</b>	<b>(1,374,964)</b>	<b>(405,292)</b>
OTHER FINANCING SOURCES (USES)			
Debt proceeds	3,985,000	-	3,985,000
Transfers in	-	1,394,601	1,394,601
Underwriter discount	(5,000)	-	(5,000)
Transfer to escrow agent	(3,932,211)	-	(3,932,211)
Transfers out	(1,394,601)	-	(1,394,601)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,346,812)</b>	<b>1,394,601</b>	<b>47,789</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(377,140)</b>	<b>19,637</b>	<b>(357,503)</b>
Fund balances, beginning of year	2,333,304	1,985	2,335,289
Fund balances, end of year	<u>\$ 1,956,164</u>	<u>\$ 21,622</u>	<u>\$ 1,977,786</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, 2012

**Net change in fund balances - total governmental funds** \$ (357,503)

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	\$ 704,444	
Depreciation expense	<u>(28,705)</u>	
Excess of capital outlay over depreciation expense		675,739

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	4,250,000	
Bond proceeds	<u>(3,985,000)</u>	
		265,000

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

Decrease in accrued interest payable		<u>16,043</u>
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**Change in net assets of governmental activities** \$ 599,279



City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2012

	Special Revenue Fund	Capital Projects Fund	Total
<b>ASSETS</b>			
Cash	\$ 812,765	\$ 130,906	\$ 943,671
Due from other governmental units	26,000	24,017	50,017
<b>TOTAL ASSETS</b>	<b><u>\$ 838,765</u></b>	<b><u>\$ 154,923</u></b>	<b><u>\$ 993,688</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 7,978	\$ 7,978
Accrued wages	-	686	686
Due to other governmental units	-	1,346	1,346
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>10,010</b>	<b>10,010</b>
<b>FUND BALANCES</b>			
Committed	<u>838,765</u>	<u>144,913</u>	<u>983,678</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 838,765</u></b>	<b><u>\$ 154,923</u></b>	<b><u>\$ 993,688</u></b>

Note: Reconciliation of the governmental fund balance sheet to the statement of net assets for this component unit is not required as the fund balances were equal to the net assets as of June 30, 2012.

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2012

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 180,664	\$ -	\$ 180,664
Intergovernmental	-	11,390	11,390
Interest	2,311	-	2,311
	<u>182,975</u>	<u>11,390</u>	<u>194,365</u>
TOTAL REVENUES	182,975	11,390	194,365
EXPENDITURES			
Current			
Community and economic development	-	102,491	102,491
	<u>-</u>	<u>102,491</u>	<u>102,491</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	182,975	(91,101)	91,874
OTHER FINANCING SOURCES (USES)			
Transfers in	-	233,182	233,182
Transfers out	(233,182)	-	(233,182)
	<u>(233,182)</u>	<u>233,182</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	(233,182)	233,182	-0-
NET CHANGE IN FUND BALANCES	(50,207)	142,081	91,874
Fund balances, beginning of year	<u>888,972</u>	<u>2,832</u>	<u>891,804</u>
Fund balances, end of year	<u>\$ 838,765</u>	<u>\$ 144,913</u>	<u>\$ 983,678</u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balances of this component unit to the statement of activities is not required as the net change in fund balances were equal to the change in net assets for the year ended June 30, 2012.

**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)

2004-2012

	<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>	<u>2012</u>
\$ 11,468,410	\$ 13,330,319	\$ 15,330,866	\$ 15,477,218	\$ 15,323,859	\$ 14,984,354
347,552	410,856	265,457	317,283	141,844	306,634
<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>4,536,097</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>	<u>\$ 19,827,085</u>
\$ 19,711,079	\$ 20,116,220	\$ 20,620,459	\$ 21,492,609	\$ 21,994,491	\$ 22,430,452
815,410	855,831	887,139	894,335	897,379	899,207
<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>3,061,763</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>	<u>\$ 26,391,422</u>
\$ 31,179,489	\$ 33,446,539	\$ 35,951,325	\$ 36,969,827	\$ 37,318,350	\$ 37,414,806
1,162,962	1,266,687	1,152,596	1,211,618	1,039,223	1,205,841
<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>7,597,860</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>	<u>\$ 46,218,507</u>

City of Fenton

CHANGES IN GOVERNMENTAL NET ASSETS (UNAUDITED)

2004-2012

	2004	2005	2006
<b>Expenses</b>			
General government	\$ 1,355,486	\$ 1,489,855	\$ 1,420,465
Public safety	2,751,891	2,966,655	3,128,752
Public works	1,545,260	1,753,694	2,345,278
Community and economic development	135,106	142,844	139,098
Recreation and culture	200,848	202,809	243,015
Interest on long-term debt	354,504	3,305	34,296
	<u>6,343,095</u>	<u>6,559,162</u>	<u>7,310,904</u>
<b>Total governmental activities expenses</b>			
<b>Program revenues</b>			
Charges for services			
General government	\$ 10,438	\$ 99,340	\$ 89,408
Public safety	584,786	505,469	601,299
Public works	457,505	419,347	441,473
Recreation and culture	55,505	42,282	56,746
	<u>1,108,234</u>	<u>1,066,438</u>	<u>1,188,926</u>
<b>Total charges for services</b>			
Operating grants and contributions	732,282	892,297	893,444
Capital grants and contributions	208,061	307,150	1,303,418
	<u>2,048,577</u>	<u>2,265,885</u>	<u>3,385,788</u>
<b>Total program revenue</b>			
<b>Net (expense) revenue</b>	<u>\$ (4,294,518)</u>	<u>\$ (4,293,277)</u>	<u>\$ (3,925,116)</u>
<b>General revenues</b>			
Property taxes	\$ 3,471,199	\$ 3,945,739	\$ 4,230,989
State-shared revenues	911,537	898,721	891,252
Investment earnings	63,613	92,820	158,579
Miscellaneous	11,616	10,583	30,564
	<u>4,457,965</u>	<u>4,947,863</u>	<u>5,311,384</u>
<b>Total general revenues</b>			
<b>Change in net assets</b>	<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	2012
\$ 1,648,574	\$ 1,439,316	\$ 1,010,207	\$ 1,106,229	\$ 1,177,043	\$ 1,113,243
3,642,615	3,414,988	3,629,441	3,522,764	3,354,743	3,193,232
1,725,658	1,665,853	1,135,807	1,836,728	1,637,839	1,714,085
107,223	75,288	49,423	46,800	118,270	81,215
309,018	296,654	338,235	270,807	250,303	247,276
57,766	27,104	9,162	19,866	18,035	14,838
<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>	<u>\$ 6,363,889</u>
\$ 81,528	\$ 80,681	\$ 164,739	\$ 172,299	\$ 189,867	\$ 202,365
609,998	647,191	666,916	533,197	581,059	660,348
432,625	444,049	494,407	511,425	500,429	514,795
50,012	50,237	45,507	34,062	41,434	48,239
1,174,163	1,222,158	1,371,569	1,250,983	1,312,789	1,425,747
1,138,543	2,399,695	1,104,536	853,593	812,924	848,615
30,551	15,185	640,093	41,482	37,659	53,961
<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>2,328,323</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>	<u>\$ (4,035,566)</u>
\$ 4,385,154	\$ 4,496,996	\$ 4,460,368	\$ 4,339,222	\$ 3,802,193	\$ 3,363,316
867,264	862,880	811,891	721,565	793,649	878,056
211,208	189,044	80,634	17,360	22,824	11,975
11,100	10,740	23,849	79,972	30,281	29,561
<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>4,282,908</u>
<u>\$ 327,129</u>	<u>\$ 2,277,495</u>	<u>\$ 2,320,665</u>	<u>\$ 500,983</u>	<u>\$ 256,086</u>	<u>\$ 247,342</u>



City of Fenton

CHANGES IN BUSINESS-TYPE NET ASSETS (UNAUDITED)

2003-2012

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Water	\$ 1,044,064	\$ 1,270,492	\$ 1,806,817	\$ 2,057,635
Sewer	<u>2,350,102</u>	<u>2,423,351</u>	<u>2,423,654</u>	<u>2,286,890</u>
Total expenses	<u>\$ 3,394,166</u>	<u>\$ 3,693,843</u>	<u>\$ 4,230,471</u>	<u>\$ 4,344,525</u>
Program revenues				
Charges for services				
Water	\$ 1,236,190	\$ 1,410,117	\$ 1,748,795	\$ 2,133,655
Sewer	<u>1,809,840</u>	<u>1,794,138</u>	<u>1,669,022</u>	<u>1,640,425</u>
Total charges for services	3,046,030	3,204,255	3,417,817	3,774,080
Capital grants and contributions				
Water	132,523	154,665	133,070	149,488
Sewer	<u>450,660</u>	<u>413,085</u>	<u>305,060</u>	<u>469,600</u>
Total capital grants and contributions	583,183	567,750	438,130	619,088
Total program revenue	<u>3,629,213</u>	<u>3,772,005</u>	<u>3,855,947</u>	<u>4,393,168</u>
Net (expense) revenue	<u>\$ 235,047</u>	<u>\$ 78,162</u>	<u>\$ (374,524)</u>	<u>\$ 48,643</u>
General revenues				
Investment earnings	\$ 133,246	\$ 122,291	\$ 113,604	\$ 128,526
Miscellaneous	<u>33,230</u>	<u>33,257</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>166,476</u>	<u>155,548</u>	<u>113,604</u>	<u>128,526</u>
Change in net assets	<u>\$ 401,523</u>	<u>\$ 233,710</u>	<u>\$ (260,920)</u>	<u>\$ 177,169</u>

2007	2008	2009	2010	2011	2012
\$ 2,334,328	\$ 2,179,363	\$ 2,402,112	\$ 2,302,524	\$ 2,697,917	\$ 2,295,676
2,344,030	2,215,830	2,063,615	2,114,313	2,145,302	2,082,283
<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>	<u>\$ 4,377,959</u>
\$ 2,263,120	\$ 2,198,405	\$ 2,091,329	\$ 2,415,330	\$ 2,779,345	\$ 2,817,673
2,108,018	2,156,951	2,260,702	2,257,131	2,465,111	2,506,911
4,371,138	4,355,356	4,352,031	4,672,461	5,244,456	5,324,584
51,000	3,050	-	-	-	-
117,395	16,190	-	1,054,000	-	-
168,395	19,240	-0-	1,054,000	-0-	-0-
4,539,533	4,374,596	4,352,031	5,726,461	5,244,456	5,324,584
<u>\$ (138,825)</u>	<u>\$ (20,597)</u>	<u>\$ (113,696)</u>	<u>\$ 1,309,624</u>	<u>\$ 401,237</u>	<u>\$ 946,625</u>
\$ 139,616	\$ 105,532	\$ 53,855	\$ 10,042	\$ 16,270	\$ 80,003
-	-	48,343	94,065	99,360	109,536
139,616	105,532	102,198	104,107	115,630	189,539
<u>\$ 791</u>	<u>\$ 84,935</u>	<u>\$ (11,498)</u>	<u>\$ 1,413,731</u>	<u>\$ 516,867</u>	<u>\$ 1,136,164</u>

City of Fenton

FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2003-2012

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved	\$ -	\$ -	\$ 360,433	\$ 97,770
Unreserved	1,137,215	1,192,859	1,184,321	1,260,154
Nonspendable	-	-	-	-
Unassigned	-	-	-	-
	<u>1,137,215</u>	<u>1,192,859</u>	<u>1,544,754</u>	<u>1,357,924</u>
Total General Fund	<u>\$ 1,137,215</u>	<u>\$ 1,192,859</u>	<u>\$ 1,544,754</u>	<u>\$ 1,357,924</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ 5,875
Unreserved, reported in:				
Special revenue funds	709,924	693,125	575,654	567,913
Capital project funds	381,480	607,729	1,274,366	536,764
Debt service funds	1,231	1,231	1,231	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
	<u>1,092,635</u>	<u>1,302,085</u>	<u>1,851,251</u>	<u>1,110,552</u>
Total all other governmental funds	<u>\$ 1,092,635</u>	<u>\$ 1,302,085</u>	<u>\$ 1,851,251</u>	<u>\$ 1,110,552</u>

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 203,361	\$ 98,144	\$ 82,747	\$ 233,423	\$ -	\$ -
1,095,887	1,293,699	1,424,971	1,360,450	-	-
-	-	-	-	34,333	259,318
-	-	-	-	<u>2,020,003</u>	<u>1,824,928</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>	<u>\$ 2,084,246</u>
\$ 7,643	\$ 5,986	\$ 2,513	\$ 131,659	\$ -	\$ -
761,036	780,578	671,323	699,293	-	-
300,565	479,862	466,694	891,260	-	-
-	-	-	-	-	-
-	-	-	-	124,116	109,426
-	-	-	-	141,844	306,634
-	-	-	-	<u>1,681,517</u>	<u>2,234,661</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>	<u>\$ 2,650,721</u>

City of Fenton

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2003-2012

	2003	2004	2005	2006
<b>Revenues</b>				
Property taxes	\$ 3,362,554	\$ 3,492,791	\$ 3,962,679	\$ 4,240,619
Licenses and permits	207,890	199,950	188,548	219,417
Intergovernmental	1,745,502	1,643,819	1,636,084	1,641,769
Charges for services	853,325	890,454	850,713	929,924
Fines and forfeits	52,113	87,889	75,657	100,282
Interest and rents	41,026	57,980	72,177	136,634
Other	137,620	120,172	90,817	54,986
<b>Total revenues</b>	<b>6,400,030</b>	<b>6,493,055</b>	<b>6,876,675</b>	<b>7,323,631</b>
<b>Expenditures</b>				
Current				
General government	1,280,168	1,278,641	1,368,110	1,480,678
Public safety	2,594,115	2,686,839	2,871,127	3,223,832
Public works	2,163,482	1,771,524	2,109,046	2,058,361
Community and economic development	-	-	-	-
Recreation and culture	266,667	196,359	225,450	283,553
Other	177,293	186,713	190,793	176,138
Capital outlay	31,570	49,995	62,203	836,131
Debt service				
Principal	84,519	35,405	36,954	145,778
Interest and fiscal charges	8,495	4,853	3,305	30,289
<b>Total Expenditures</b>	<b>6,606,309</b>	<b>6,210,329</b>	<b>6,866,988</b>	<b>8,234,760</b>
Excess of revenues over (under) expenditures	(206,279)	282,726	9,687	(911,129)
<b>Other Financing Sources (Uses)</b>				
Debt issuance	-	-	900,000	-
Sale of fixed assets	-	-	8,600	-
Transfers in	1,484,847	604,492	1,432,490	1,514,587
Transfers out	(1,545,622)	(622,120)	(1,449,716)	(1,530,987)
<b>Total other financing sources (uses)</b>	<b>(60,775)</b>	<b>(17,628)</b>	<b>891,374</b>	<b>(16,400)</b>
<b>Net change in fund balances</b>	<b>(267,054)</b>	<b>265,098</b>	<b>901,061</b>	<b>(927,529)</b>
Fund Balances - Beginning of year	2,378,045	2,110,991	2,494,944	3,396,005
Fund Balances - End of year	<u>\$ 2,110,991</u>	<u>\$ 2,376,089</u>	<u>\$ 3,396,005</u>	<u>\$ 2,468,476</u>
Debt service as a percentage of noncapital expenditures	2.08%	0.75%	0.64%	3.20%

2007	2008	2009	2010	2011	2012
\$ 4,371,523	\$ 4,469,408	\$ 4,460,368	\$ 4,393,964	\$ 3,911,729	\$ 3,385,278
183,527	192,848	202,728	184,494	218,991	241,133
1,856,088	2,409,873	2,224,266	1,614,485	1,642,926	1,763,701
953,140	990,606	942,784	918,363	949,460	1,017,853
98,361	113,225	82,639	60,189	62,174	63,386
182,900	165,142	149,780	87,911	90,649	78,983
70,498	704,615	104,936	88,880	45,928	82,860
7,716,037	9,045,717	8,167,501	7,348,286	6,921,857	6,633,194
1,545,582	1,351,239	968,649	983,435	976,708	897,923
3,126,586	3,443,691	3,465,217	3,009,260	2,903,285	2,751,813
2,301,573	3,492,752	2,984,733	1,820,818	1,617,583	1,492,077
-	-	-	-	107,135	76,674
228,712	229,526	312,942	231,720	217,033	215,869
172,734	127,621	308,798	321,552	305,755	216,098
291,316	18,486	11,498	377,966	-	30,956
106,933	110,779	114,763	118,892	89,372	92,371
28,766	24,920	20,936	16,806	19,258	16,259
7,802,202	8,799,014	8,187,536	6,880,449	6,236,129	5,790,040
(86,165)	246,703	(20,035)	467,837	685,728	843,154
-	-	-	200,000	-	-
-	9,100	-	-	-	-
1,716,000	1,430,197	1,806,490	1,644,475	1,203,172	1,281,541
(1,729,819)	(1,396,223)	(1,796,476)	(1,644,475)	(1,203,172)	(1,281,541)
(13,819)	43,074	10,014	200,000	-0-	-0-
(99,984)	289,777	(10,021)	667,837	685,728	843,154
2,468,476	2,368,492	2,658,269	2,648,248	3,316,085	3,891,813
<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>	<u>\$ 4,734,967</u>
1.96%	2.16%	1.66%	2.29%	1.85%	1.98%

City of Fenton

TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)

2003-2012

Taxable Value by Property Type						
Tax Year	Fiscal Year Ended June 30,	Residential	Commercial	Industrial	Personal Property	Total Value
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
2011	2012	169,690,591	143,874,004	22,724,472	30,994,650	367,283,717

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>
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%
10.62	821,974,414	44.68%



City of Fenton

DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)

2003-2012

Tax Year	Millage Rates - Direct City Taxes			County	Community College	Intermediate School District
	General Operating	Debt	Total Direct Taxes			
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
2011	10.62	0.00	10.62	10.46	2.86	3.53

Overlapping taxes					
<u>Regional</u>	<u>School</u>	<u>School:</u>	<u>School:</u>	<u>Total tax rate:</u>	
<u>Parks</u>	<u>Debt</u>	<u>Homestead</u>	<u>Non-homestead</u>	<u>Homestead</u>	<u>Non-homestead</u>
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
0.37	6.35	6.00	18.00	40.19	58.19

City of Fenton

PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)

June 30, 2012 and 2003

<u>Taxpayer</u>	<u>2012 Taxable Value</u>	<u>Percentage of Total</u>	<u>2003 Taxable Value</u>	<u>Percentage of Total</u>	<u>2002 Rank</u>
Georgetown	\$ 8,111,592	2.20%	\$ 7,807,400	2.20%	1
Creative Foam Corporation	6,560,628	1.78%	4,201,640	1.18%	3
Consumers Energy	6,488,903	1.76%	5,475,500	1.54%	5
Silver Lake Hills Apartments	5,717,500	1.55%	7,732,610	2.18%	2
Walmart	5,508,582	1.49%	5,028,550	1.42%	7
Regency Realty Group	5,323,232	1.44%	5,073,200	1.43%	6
Home Depot	4,795,700	1.30%	4,552,520	1.28%	9
Target Corporation	4,603,479	1.25%	vacant land	N/A	N/A
Centro NP Holdings	3,902,515	1.06%	4,624,180	1.30%	8
New Plan Excel Realty	3,436,250	0.93%	vacant land	N/A	N/A

Note:

Source: Data provided by local assessment records.

City of Fenton

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

2003-2012

<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>
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%
2011	2012	3,841,135	3,566,001	92.8%	255,883	3,821,884	99.5%

Note:

Source: Data provided from local Treasurer's Department.

City of Fenton

RATIOS OF OUTSTANDING DEBT (UNAUDITED)

2003-2012

	2003	2004	2005	2006
<b>Governmental Activities</b>				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Installment purchase agreements	110,930	75,525	938,571	792,784
Special assessment bonds	-	-	-	-
Capital leases	-	-	84,350	64,707
<b>Total</b>	<b>110,930</b>	<b>75,525</b>	<b>1,022,921</b>	<b>857,491</b>
<b>Business-type Activities</b>				
General obligation bonds	11,639,255	11,162,245	11,558,781	9,882,525
Installment purchase agreements	49,725	-	-	-
Capital improvement bonds	-	-	-	-
Revenue bonds	10,840,000	10,400,000	9,888,759	9,433,759
<b>Total</b>	<b>22,528,980</b>	<b>21,562,245</b>	<b>21,447,540</b>	<b>19,316,284</b>
<b>Component Unit Activities</b>				
General obligation bonds	7,345,000	6,960,000	5,790,000	5,490,000
<b>Total debt of the government</b>	<b>\$ 29,984,910</b>	<b>\$ 28,597,770</b>	<b>\$ 28,260,461</b>	<b>\$ 25,663,775</b>
<b>Total Taxable Value</b>	<b>\$ 354,017,480</b>	<b>\$ 370,133,310</b>	<b>\$ 393,100,010</b>	<b>\$ 420,817,204</b>
Ratio of total debt to taxable value	8.47%	7.73%	7.19%	6.10%
Total Population <sup>(1)</sup>	10,582	10,582	10,582	10,582
Total debt per capita	\$ 2,834	\$ 2,702	\$ 2,671	\$ 2,425
Personal Income <sup>(2)</sup>	\$ 26,707	\$ 28,277	\$ 28,130	\$ 28,803
Ratio of total debt to personal income	0.09%	0.10%	0.10%	0.11%

Note:

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

(2) Source: Bureau of Economic Analysis. Information is not yet available for 2012.

2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
685,851	575,072	460,309	541,417	452,045	359,675
-	-	-	-	-	-
147,562	75,738	-	-	-	-
833,413	650,810	460,309	541,417	452,045	359,675
9,170,166	8,470,799	7,701,561	6,903,343	6,076,538	5,216,199
-	-	-	-	-	-
-	-	-	-	2,690,000	2,660,000
8,963,759	8,483,759	7,993,759	8,426,110	7,987,142	7,402,142
18,133,925	16,954,558	15,695,320	15,329,453	16,753,680	15,278,341
5,185,000	4,870,000	4,535,000	4,245,000	3,940,000	3,675,000
<u>\$ 24,152,338</u>	<u>\$ 22,475,368</u>	<u>\$ 20,690,629</u>	<u>\$ 20,115,870</u>	<u>\$ 21,145,725</u>	<u>\$ 19,313,016</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>	<u>\$ 407,727,266</u>
5.46%	4.80%	4.46%	4.40%	5.19%	4.74%
10,582	10,582	10,582	10,582	11,746	11,746
\$ 2,282	\$ 2,124	\$ 1,955	\$ 1,713	\$ 1,800	\$ 1,644
\$ 29,347	\$ 29,488	\$ 29,526	\$ 26,319	\$ 22,435	\$ -
0.12%	0.13%	0.14%	0.13%	0.11%	-

City of Fenton

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)

2003-2012

<u>Fiscal Year</u>	<u>Limited-Tax General Obligation Bonds (LTGO)</u>	<u>Tax Supported Bonds (UTGO)</u>	<u>Less Pledged Debt Service Funds</u>	<u>Other General Obligation Debt</u>
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
2012	-	-	-	359,675

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 <sup>(1)</sup></u>	<u>Debt Per Capita</u>
\$ 110,930	\$ 354,017,480	-	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
359,675	367,283,717	0.0010	11,746	31



City of Fenton

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

June 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable <sup>(1)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Genesee County	\$ 39,665,000	3.93%	\$ 1,558,835
Mott Community College	56,945,000	3.93%	2,237,939
Holly School District	62,465,000	0.01%	6,247
Fenton School District	43,720,000	48.55%	21,226,060
Lake Fenton School District	23,460,387	4.73%	1,109,676
Bishop Airport Authority	<u>10,910,000</u>	3.93%	<u>428,763</u>
Total Overlapping Debt	237,165,387		26,567,520
Direct City Debt	<u>432,787</u>	100.00%	<u>432,787</u>
Total Direct and Overlapping Debt	<u>\$ 237,598,174</u>		<u>\$ 27,000,307</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)

2003-2012

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Calculation of debt limit:				
State equalized valuation	\$ 441,511,500	\$ 482,335,300	\$ 495,506,600	\$ 555,574,618
10% of taxable value	44,151,150	48,233,530	49,550,660	55,557,461
Calculation of debt subject to limit:				
Total debt	29,984,910	28,597,770	28,260,461	25,834,772
Less: debt not subject to limit:				
Revenue bonds	10,840,000	10,400,000	9,888,759	9,433,759
Net debt subject to limit	<u>19,144,910</u>	<u>18,197,770</u>	<u>18,371,702</u>	<u>16,401,013</u>
Legal debt margin	<u>\$ 25,006,240</u>	<u>\$ 30,035,760</u>	<u>\$ 31,178,958</u>	<u>\$ 39,156,448</u>
Net debt subject to limit as % of debt limit	76.56%	60.59%	58.92%	41.89%

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 579,005,664	\$ 595,012,767	\$ 567,344,609	\$ 531,087,049	\$ 459,751,426	\$ 410,987,207
57,900,566	59,501,276	56,734,460	53,108,705	45,975,143	41,098,720
24,413,373	22,636,714	21,057,956	20,480,464	21,455,285	15,911,876
8,963,759	8,470,799	7,701,561	8,426,110	7,987,142	7,402,142
<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>8,509,734</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>	<u>\$ 32,588,986</u>
36.39%	31.25%	30.79%	29.36%	41.43%	26.11%

City of Fenton

PLEGGED-REVENUE COVERAGE (UNAUDITED)

2003-2012

Fiscal Year	Gross Revenues <sup>(1)</sup>	Applicable Expenses <sup>(2)</sup>	Net Revenues	Water Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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
2012	2,950,604	1,513,113	1,437,491	565,000	329,463	1.61

Fiscal Year	Gross Revenues <sup>(1)</sup>	Applicable Expenses <sup>(2)</sup>	Net Revenues	Sewer Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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
2012	2,563,519	1,209,474	1,354,045	910,339	286,531	1.13

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

2003-2012

<u>Fiscal Year</u>	<u>Population <sup>(1)</sup></u>	<u>Personal Income <sup>(2)</sup></u> <u>(in thousands)</u>	<u>Per Capita</u> <u>Personal Income</u>	<u>Unemployment</u> <u>Rate <sup>(3)</sup></u>
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	8.0
2008	10,582	12,648,248	29,488	9.7
2009	10,582	12,520,000	29,526	15.8
2010	11,746	12,373,500	26,319	14.1
2011	11,746	13,004,500	22,435	11.4
2012	11,746	N/A	N/A	8.7

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 2012.

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

City of Fenton

PRINCIPAL EMPLOYMENT INDUSTRIES (UNAUDITED)

June 30, 2012

Industry	2012 Number of Jobs <sup>(1)</sup>	Percentage of Total	2003 Number of Jobs <sup>(1)</sup>	Percentage of Total
Trade, Transportation, and Utilities	29,900	21.67%	32,200	20.28%
Education and Health Services	25,900	18.77%	24,800	15.62%
Government	20,700	15.00%	24,900	15.68%
Manufacturing	10,900	7.90%	24,700	15.55%
Leisure and Hospitality	14,600	10.58%	15,600	9.82%
Professional and Business Services	16,600	12.03%	12,900	8.12%
Natural Resources, Mining, and Construction	3,500	2.54%	7,400	4.66%
Other Services	6,100	4.42%	6,600	4.16%
Financial Activities	6,500	4.71%	7,500	4.72%
Information	3,300	2.39%	2,200	1.39%
Total	138,000	1.00	158,800	1.00

Note:

(1) Source: Bureau of Labor Statistics.

City of Fenton

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES (UNAUDITED)

2003-2012

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government	13	13	14	14
Public safety:				
Police	20	19	21	21
Building inspection	2	2	2	2
Fire	1	1	1	1
Public works:				
DPW	8	8	8	8
Water and sewer	5	9	10	10
Total	49	52	56	56

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
14	13	11	10	11	10
21	21	19	18	16	15
2	2	1	1	1	1
1	1	1	1	1	1
8	8	7	8	8	8
<u>10</u>	<u>10</u>	<u>9</u>	<u>8</u>	<u>8</u>	<u>8</u>
56	55	48	46	45	43



City of Fenton

OPERATING INDICATORS (UNAUDITED)

2003-2012

Function/ program	2003	2004	2005	2006
<b>Election data</b>				
Registered voters	8,397	8,793	8,887	8,768
Voters (at the polls or absentee)	531	5,604	939	4,207
Percent voting	6.32%	63.73%	10.57%	47.98%
<b>Police</b>				
Physical arrests	570	616	866	985
Traffic violations	N/A	N/A	2,207	2,046
Investigations	8,608	8,459	8,690	8,623
<b>Fire</b>				
Fire runs	346	357	333	360
Emergency medical runs	226	213	128	133
Inspections	25	25	30	25
<b>Public works</b>				
Miles of street resurfaced	2.35	2.50	1.75	0.43
<b>Water</b>				
Number of customers billed	3,500	3,531	3,655	3,700
Total consumption*	431,825	419,271	402,686	356,301
Average consumption per user	123	119	110	96
<b>Sewer</b>				
Average daily sewage treatment**	N/A	N/A	N/A	N/A

\*Water consumption in thousand gallons

\*\*Sewer Plant is shared with other communities

N/A - data not available

2007	2008	2009	2010	2011	2012
9,094	8,783	8,882	8,812	9,211	9,198
721	1,005	1,437	2,346	2,148	2,146
7.93%	11.00%	16.18%	26.62%	23.31%	23.33%
1,162	1,175	813	870	633	481
2,019	2,020	1,596	1,429	1,368	1,808
9,144	9,100	9,635	9,725	10,458	9,603
381	389	412	497	326	304
141	162	170	147	140	150
30	500	250	50	50	125
1.10	1.40	1.16	1.8	1.8	1.80
3,746	3,759	3,480	3,485	3,469	3,501
361,320	360,325	313,909	299,308	295,980	307,881
96	96	90	86	85	85
N/A	N/A	N/A	N/A	N/A	N/A

City of Fenton

CAPITAL ASSETS STATISTICS (UNAUDITED)

2003-2012

Function/ program	2003	2004	2005	2006
Police				
Stations	1	1	1	1
Patrol units	10	9	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)	63	64	64	64
Fire hydrants				
Storage capacity	1 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.
Sewer				
Miles of sanitary sewers	53	56	56	56
Miles of storm sewers	38	39	39	39

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</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	18.69 35.05	18.69 35.05	18.69 35.05	19 35
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