

CITY OF FENTON, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2014

**Prepared by:
Treasurer's Department**

**Cynthia A. Shane
City Treasurer**

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letters of Transmittal	i-vi
GFOA Certificate of Achievement	vii
List of City Officials	viii
Organizational Chart	ix
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	
	x-xi
MANAGEMENT'S DISCUSSION AND ANALYSIS	
	xii-xix
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	6
Proprietary Funds	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9-10
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities	11
Component Unit Financial Statements	
Combining Statement of Net Position - Component Units	12
Combining Statement of Activities - Component Units	13
Notes to Financial Statements	14-37
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	38
Note to Required Supplementary Information	39
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	40-43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	44-47
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	48-53

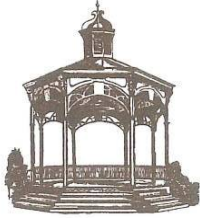
City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2014

TABLE OF CONTENTS - CONCLUDED

	<u>Page</u>
FINANCIAL SECTION - CONCLUDED	
OTHER SUPPLEMENTARY INFORMATION - CONCLUDED	
Internal Service Funds	
Combining Statement of Net Position	54
Combining Statement of Revenues, Expenses, and Changes in Net Position	55
Combining Statement of Cash Flows	56
Agency Funds	
Combining Statement of Fiduciary Assets and Liabilities	57
Statement of Changes in Assets and Liabilities	58-59
COMPONENT UNIT FUNDS	
Downtown Development Authority	
Combining Balance Sheet	60
Reconciliation of the Combining Balance Sheet to the Statement of Net Position	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	62
Reconciliation of the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	63
Local Development Finance Authority	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65
STATISTICAL SECTION (UNAUDITED)	
MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION	
Statistical Section	66
Financial Trend Information	
Net Position by Component	67-68
Changes in Governmental Net Position	69-70
Changes in Business-Type Net Position	71-72
Fund Balances - Governmental Funds	73-74
Changes in Fund Balances - Governmental Funds	75-76
Revenue Capacity Information	
Taxable value and actual value of taxable property	77-78
Direct and overlapping property tax rates	79-80
Principal property tax payers	81
Property tax levies and collections	82
Debt Capacity Information	
Ratios of outstanding debt	83-84
Ratios of general bonded debt outstanding	85-86
Direct and overlapping governmental activities debt	87
Legal debt margin	88-89
Pledged-revenue coverage	90
Demographic and Economic Information	
Demographic and economic statistics	91
Principal employment industries	92
Operating Information	
Full-time equivalent government employees	93-94
Operating indicators	95-96
Capital assets statistics	97-98

INTRODUCTORY SECTION



City of Fenton

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

December 16, 2014

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, 2014 (FY 14). 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-six consecutive years, beginning with Fiscal Year 1988, we have been the recipients of the GFOA's Certificate of Achievement. The City of Fenton celebrated the 26th consecutive annual award this year. Congratulations to the City Treasurer and her team for this accomplishment.

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 in the community has improved. Again this year, several businesses have remodeled or updated their facilities including Tim Horton's on Silver Lake Road and Lasco Ford. New businesses that have come into the community include LaFontaine Used Cars, Redfox Footware and several others. In the Industrial Park Creative Foam purchased another building for their engineering and research and development group.

Kuka had some internal remodeling for additional office space. A new rehabilitation center and nursing facility called Wellbridge is currently under construction. The construction cost of the project is \$9.8 million and they will create 75 new jobs. The continued investments by the business community represent a positive sign for the future of the local economy.

Member Michigan Municipal League

During this fiscal year the City of Fenton Downtown Development Authority (DDA) enjoyed some great success. The Old Fire Hall was renovated and converted to a restaurant. The restaurant has become another destination business in the downtown district. They also converted an old water pumphouse into a nitrogen infused ice cream shop. This was a total investment of \$3.5 million and created 90 new jobs. Construction has begun on a four-story 47,000 square foot building at the corner of Silver Lake Road and S. Leroy Street. The building will have a Japanese steakhouse, jewelry store, café and an upscale salon on the first floor. The remaining three floors will have 23 apartments where residents will be able to have a full experience of downtown residential living. The DDA and the State of Michigan have assisted with the financing of the \$4.5 million project.

Construction has also started on an addition to the Fenton Community and Cultural Center with a total cost of \$1.8 million. The DDA has committed \$1.3 million for the project along with several donations from business and individuals and many other donations; the Fenton Community & Cultural Center Board of Governors are preparing for an addition to the city-owned facility. These projects represent an investment of approximately \$10 million in downtown Fenton.

During the FY 2012 year the city began taking possession of tax reverted properties through Genesee County. This practice continued in 2013. In this fiscal year the practice is now back to a normal volume. The recovery of real estate values and home ownership has improved. The city is experiencing new homes being built, albeit on a low volume. New home construction is expected to increase in numbers as the economy continues to improve. From tax reversion during the recession, the city now has ownership of several parcels in new developments. These parcels represent an opportunity for new homes and additional income for the city from the sale of the property along with the increase in property taxes. The city will seek to package these properties for sale in hopes of finding suitable developer(s) and new homeowners.

The 2010 decennial census count showed a population gain of 11% in the last 10 years. The current population of the City of Fenton is 11,746. The City of Fenton's population growth is an unusual trend in 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 business and developers. 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, downtown development, and the overall quality of life improvements 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. 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 improvements and homeland security grants. The City has also worked with other outside organizations to help provide the infrastructure necessary to meet the City's current and future needs.

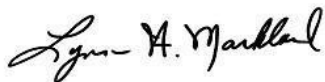
In December of 2013, the City of Fenton hosted a community forum to provide public input to develop a strategic plan for the City of Fenton. The public participation was excellent with a great turnout of residents and business related individuals. Several projects were identified for improvements. The areas identified by the City Council for implementation by the administration include downtown development, improvements to the Library, and improvements to the Parks. These projects were given priority in FY 14 budget. A number of these improvements are currently under construction.

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

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

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

Respectfully submitted,



Lynn Markland
City Manager



City of Fenton

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

December 16, 2014

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, 2014 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.

Fenton is located conveniently near the many terrific amenities of the Mid-Michigan area. The Genesee County city borders both Livingston and Oakland Counties, and its proximity to US-23 makes Fenton just a short drive from the major metropolitan areas of Ann Arbor, Lansing, Flint, Detroit and more.

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

Member Michigan Municipal League

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. The City is fortunate to have an abundance of park facilities scatter throughout the City ranging in size from 40 acres to less than one acre. The spatial distribution of parks within the City is such that the majority of residents are located within a 10 minute walk from a park or school facility. Silver Lake Park in Fenton is 35.4 acres, 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.

The Michigan Nature Association has a sanctuary located in the City limits. Visitors are able to walk down 4.5 miles of marked trails while gazing at hundreds of colorful wildflowers, indulging in bird watching and seeing plentiful deer. The sanctuary is 155 acres of land. The Michigan Nature Association is a non-profit statewide land conservation organization with a network of more than 170 nature sanctuaries across Michigan.

The Shiawassee River Heritage Trail is a major accomplishment of the Headwaters Trails, a non-profit group whose mission is to facilitate and promote the cooperation of local governments in Southeast Michigan to create new recreational opportunities including a creation of a network of trails for the area residents and visitors. The trail starts in Holly and goes to Byron, passing through Fenton. The Shiawassee River is now open for canoers and kayakers.

Fenton Area Public Schools is one of the finest school districts in the state, with three public elementary schools, a new middle school building which was built in 2000, and a high school. Fenton Area Public Schools is 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.

Fenton continues to grow and draw more new businesses to the area, including two new restaurants and a 68,000 sq. ft. senior extended care facility. Outside of its downtown is the commercial area 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. Creative Foam is relocating their global headquarters to Fenton.

Standard and Poor's 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.

As part of the ongoing community strategic planning, with emphasize on entertainment, recreational activities, downtown walkability and an improved or new library, the City has continued to meet these goals.

The Fenton Fire Hall Kitchen and Taproom opened to the public in December 2013. The proprietors transformed the old fire station into a one-of-a-kind restaurant. Build in 1938, the structure sits in the middle of Downtown Fenton with a view of the Shiawassee River and Dibbleville. Many of the old fire hall features were preserved. The project is privately funded with the DDA contributing \$100,000 to the project. The City is leasing the building to the proprietor for five years. In addition to unique food and atmosphere, this venture has provided jobs for 93 people.

The Fenton Fire Hall proprietors converted the old pump house located next to the restaurant into a custard stand. This custard stand is in the center of Mill Pond Park. Mill Pond Park hosts the summer concerts series funded by the DDA. In conjunction to the concerts is a DDA sponsored farmer's market. This area is the hub of many summer activities.

The City leased several outdoor sculptures from Midwest Sculpture Initiative and placed them in several community areas. Midwest Sculpture Initiative mission is to provide outdoor sculpture exhibitions throughout the Midwest, promote cooperation among art and civic organizations, advance the role that the visual arts play in the quality of life, and increase economic development. These sculptures have improved the aesthetics in the Downtown District.

Ground was broken on October 17, 2013 for the renovation and addition to the Community and Cultural Center. This project is funded by the DDA and private donations from the community. The construction has been progressing through the year. The addition includes two studios dedicated to arts and culture. Also included in the project, will be improved handicapped accessibility to the building and restroom facilities. 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 Cornerstone Project by Corlin Builders is nearing completion. The Cornerstone Project is a 4 story, 48,000 square foot building with an approximated cash value of \$5.2 million. The first floor will include retail and dining and 23 residential units on the upper floors. Corlin Builders will receive an \$880,000 Michigan Community Revitalization Program incentive, awarded through the Michigan Strategic Fund. The Corlin Builders have private investors for the remainder of the building project. The DDA has planned on funding \$1.2 million of improvements for this project. This project will create 80-100 new jobs in Fenton.

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 concerts 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 continued contracting with New Moon Visions marketing firm. New Moon Vision's general marketing plan covers monthly FentonBeCloser.com website; Fenton Focus online magazine which promotes individual merchant stories and events; the ongoing social media management for Facebook.com/FentonMichigan and Twitter.com/DowntownFenton, posting merchant promotions and community events. New Moon Vision creates ads for print and handles media buys for signature events.

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

The City has entered into an intergovernmental agreement with the City of Grand Blanc to provide assessing services. This agreement is for a two year period and the City of Fenton will provide assessing services for the fee of \$45,000 per year to the City of Grand Blanc.

The Police department purchased and installed an in-car camera system. Also the department upgraded the in-house camera system and purchased a digital mug shot system.

For July 1 2012 and Thereafter

The City has implemented significant changes in retiree health care benefits, reducing the annual premiums by 40%. These changes are reflected in the OPEB (Other Postemployment Benefits) actuarial completed as of December 31, 2010. 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.

All new hires in public works and clerical positions shall participate in a new MERS hybrid retirement plan with a 1.0 multiplier in the Defined Benefit portion and 1% employee/1% employer contribution to the Defined Contribution portion. Public Works employees hired before April 1, 2012 have a 2.0 multiplier defined benefit with a COLA for future retirees of 2.50%. Clerical staff employees hired before April 1, 2012 have a 2.0 multiplier defined benefit. The new MERS hybrid Plan offers the rewards of both plans to participants, while maintaining predictable costs for the City.

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.

A feasibility study was conducted by an architect firm of the library. Fixing all of the issues listed as first priority is estimated to cost \$261,430. The library receives about 387 visits daily while averaging 115,000 annually and is located in downtown Fenton. The DDA has budgeted \$300,000 FYE 2015 for Library improvements.

The DDA is planning a new downtown streetscape project in 2015. 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 Road. The City will be receiving \$2 million in grant funds for this project, total estimated cost of construction is 4.25 million.

Michigan Department of Transportation (MDOT) Local Bridge Program will be funding 95% of the 1.4 million construction costs for replacement of the Silver Lake Road Bridge in 2015. This project will be the third bridge in the City to have received the local bridge funding.

The City plans on addressing the improvement of local streets in 2015. Outer Drive, Vassar Drive, Summit Street, and Plateau Street will be resurfaced at a cost of \$680,634.

The City has entered into an intergovernmental agreement with the City of Linden to provide assessing services. This agreement is for a two year period and the City of Fenton will provide assessing services for the fee of \$20,000 per year to the City of Linden.

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. An online inquiry system is 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 "unmodified opinion" from Abraham & Gaffney, P.C. Certified Public Accountants. An unmodified 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, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The *City of Fenton* has received a Certificated of Achievement for the last twenty six 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



Government Finance Officers Association

**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, 2013

Executive Director/CEO

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2014

LIST OF CITY OFFICIALS

CITY COUNCIL

Barbara Sue Osborn, Mayor

Les Bland

Cheryl A. King

Patricia Lockwood

Scott Grossmeyer

Bradley Jacob

David McDermott

APPOINTED OFFICIALS

Lynn Markland, City Manager

Mike Burns, Assistant City Manager/
Director of Economic Development

Tonya Molloseau, City Assessor

Renee Wilson, City Clerk

Cynthia A. Shane, City Treasurer

Noel Brad Hissong, Building & Zoning Administrator

Robert Cairnduff, Fire Chief

Richard Aro, Police Chief

Daniel Czarnecki, Director of Public Works

**City of Fenton, Michigan
Organizational Chart**

Citizens of the City of Fenton

**Mayor and
City Council**

City Attorney

Planning Commission

Library Board

Local Development Finance Authority

Compensation Commission

Building Authority

Cemetery Board

Museum Board

Board of Review

Zoning Board of Appeals

Beautification Commission

Downtown Development Authority

Park And Recreation Board

City Manager

Police
Chief

Fire
Chief

City
Clerk

Building and
Zoning
Administrator

Treasurer

Assessor

Public Works
Director

Support Staff

FINANCIAL SECTION

Principals

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



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fenton, Michigan's basic financial statements. The introductory section, combining nonmajor fund financial statements, budgetary comparisons, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and budgetary comparisons are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic 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 16, 2014

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 vi and is intended to serve as an introduction to the City of Fenton's basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a board overview of the City of Fenton's finances, in a manner similar to a private sector business. The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 financial 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 17 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 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

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

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

The City of Fenton as a Whole

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

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current & other assets	\$ 6.9	\$ 7.2	\$ 6.2	\$ 6.5	\$ 13.1	\$ 13.7
Capital assets	15.5	14.8	36.1	35.1	51.6	49.9
Total assets	22.4	22.0	42.3	41.6	64.7	63.6
Long-term liabilities	1.4	1.5	12.9	11.3	14.3	12.8
Other liabilities	1.2	1.0	2.0	2.2	3.2	3.2
Total liabilities	2.6	2.5	14.9	13.5	17.5	16.0
Net position:						
Net investment in capital assets	15.2	14.6	22.3	22.9	37.5	37.5
Restricted	0.3	0.3	0.9	0.9	1.2	1.2
Unrestricted	4.3	4.6	4.2	4.3	8.5	8.9
Total net position	<u>\$ 19.8</u>	<u>\$ 19.5</u>	<u>\$ 27.4</u>	<u>\$ 28.1</u>	<u>\$ 47.2</u>	<u>\$ 47.6</u>

The City's combined net position increased 0.4 percent from a year ago, increasing from \$47.2 million to \$47.6 million. A review of the governmental activities, separate from the business-type activities, shows the net position decreased from \$19.8 million to \$19.5 million during fiscal year 2014. Unrestricted net position for the governmental activities, which is the portion of net position that is available to finance day-to-day operations and future growth, was \$4.6 million at June 30, 2014. The business-type activities experienced an increase in net position of approximately \$0.7 million or 2.6 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 position during the current year and as compared to the prior year (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenue						
Program revenue:						
Charges for services	\$ 1.4	\$ 1.6	\$ 5.4	\$ 5.5	\$ 6.8	\$ 7.1
Operating grants and Contributions	0.8	1.1	0.0	0.0	0.8	1.1
Capital grants and Contributions	0.4	0.1	0.0	0.0	0.4	0.1
General revenue:						
Property taxes	3.3	3.3	0.0	0.0	3.3	3.3
State-shared revenue	0.9	0.9	0.0	0.0	0.9	0.9
Unrestricted						
Miscellaneous	0.0	0.0	0.1	0.1	0.1	0.1
Investment earnings	0.0	0.0	0.1	0.0	0.1	0.0
Total revenue	6.8	7.0	5.6	5.6	12.4	12.6
Program Expenses						
General government	1.2	1.2	0.0	0.0	1.2	1.2
Public safety	3.5	3.9	0.0	0.0	3.5	3.9
Public works	1.6	1.9	0.0	0.0	1.6	1.9
Parks & recreation	0.2	0.2	0.0	0.0	0.2	0.2
Community service	0.2	0.1	0.0	0.0	0.2	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	2.5	2.5	2.5	2.5
Sewer	0.0	0.0	2.1	2.4	2.1	2.4
Total program expenses	6.7	7.3	4.6	4.9	11.3	12.2
Change in Net Position	0.1	(0.3)	1.0	0.7	1.1	0.4
Beginning Net Position	19.7	19.8	26.4	27.4	46.1	47.2
Ending Net Position	\$ 19.8	\$ 19.5	\$ 27.4	\$ 28.1	\$ 47.2	\$ 47.6

Governmental Activities

The City's total governmental revenues increased approximately \$0.2 million due to an increase in operating grants and contributions.

Expenses increased by approximately \$0.6 million, or nine (9) percent, from last fiscal year. This increase resulted from new construction in the city and more demand for building inspections. The Fire Department wages increases due to additional fire runs from the previous year.

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer Funds. The City provides water from wells located in the City. A new water treatment plant built in 2004 processes the water for all residents. The expenses for the Water Fund remained the same amount for FYE 14.

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 County raised the fees for operating the plant by 41% in FYE 14, thus raising the expenditures and resulting in a Sewer rate increase to the residents. During FY 2014, \$617,719 in operating income was incurred in the Sewer Fund and \$632,656 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 2014 was the General Fund.

The General Fund pays for most of the City's governmental services. The most significant of these are police and fire services, which incurred expenditures of \$2.7 million in 2014. The general operating millage levied by the City supports these two services. FY 2014 revenues increased in the General Fund by \$242,446. The increase resulted from the increases in building permits, building reviews and rental inspections fees of approximately \$100,000. The City's revenue sharing from the State of Michigan increased by \$35,000. The shared services contract for assessing with the City of Grand Blanc increased revenue by \$45,000. Police and Fire Department received grants of \$65,000. The General expenditures, excluding transfers out, increased by \$448,645. This increase was mainly from increased wages in Police, Fire and Inspection Departments. Police and Fire had capital outlay expenditures. Fund Balance in the General Fund increased by \$88,420.

General Fund Budgetary Highlights

Over the course of the year, City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. At year end, actual General Fund revenues were over budget by \$8,204. Expenditures were \$96,487 under budget. Various departments contributed to the positive budget variance.

Capital Assets and Debt Administration

At the end of fiscal 2014, the City had \$51.6 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 \$7.5 million and \$7.1 million for fiscal 2013 and 2014, respectively.

	Governmental Activities	Business- Type Activities	Component Unit Activities	Total
Land	\$ 1,605,104	\$ 190,930	\$ 425,000	\$ 2,221,034
Construction in progress	978,086	50,875	957,307	1,986,268
Buildings, net	3,655,739	-	308,077	3,963,816
Building and land improvements, net	70,124	7,090,370	-	7,160,494
Machinery, vehicles and equipment, net	1,376,616	24,237	4,088	1,404,941
Roads, lights, and bridges, net	7,109,835	-	-	7,109,835
Sewer and water lines, net	-	27,738,448	-	27,738,448
Capital assets, net	\$ 14,795,504	\$ 35,094,860	\$ 1,694,472	\$ 51,584,836

At the end of the 2014 fiscal year, the City of Fenton (primary government) had net outstanding debt of \$12,749,133. 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 \$1,818,773 during the fiscal year.

Standard and poor's reviewed the City of Fenton credit rating during FY 2014. The rating remained at AA-. The Financial Management Assessment (FMA) score is "good". The ratio of net general bonded debt to assessed valuation and the amount of net bonded debt per capita are as follows:

	<u>2013</u>	<u>2014</u>
Net direct bonded debt	\$ 4,319,825	\$ 3,385,039
Ratio of debt to assessed valuation	0.0059	0.0044
Debt per capita	\$ 368	\$ 288

Additional information on the City of Fenton's capital assets and long term debt can be found in note E on pages 24-26 and note F on pages 26-30, 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 thirteen years the Headlee Amendment has rolled the City's operating millage below 11 mills. For 2013 and 2014 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 2013 under Proposal A was only 2.4 percent. Property taxes make up 66 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 picking up.

The General Fund budget for 2014 is structured so that revenues exceed expenditures by \$43,936. The City makes an effort to operate with relative low personnel costs and an efficient labor force. Medical insurance costs continue to increase every year. The City prepares a Five Year Financial Plan for the General Fund, foreseeing the possible financial condition for more than just one year.

The percent of general fund revenue used to fund essential services for fiscal year 2012, as required by the Michigan Legislature for budgeting fiscal 2014-15 replacement funding of personal property taxes, was 46.3 percent.

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 POSITION

June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash	\$ 6,034,093	\$ 3,589,437	\$ 9,623,530	\$ 2,864,792
Cash - restricted	-	682,528	682,528	-
Investments	252,689	-	252,689	-
Investments - restricted	-	221,131	221,131	-
Receivables	528,170	1,855,185	2,383,355	200,000
Due from other governmental units	441,265	-	441,265	-
Internal balances	(141,953)	141,953	-0-	-
Inventories	41,289	31,451	72,740	-
Prepays	93,362	-	93,362	-
Total current assets	7,248,915	6,521,685	13,770,600	3,064,792
Noncurrent assets				
Capital assets not being depreciated	2,583,190	241,805	2,824,995	1,382,307
Capital assets, net of accumulated depreciation	12,212,314	34,853,055	47,065,369	312,165
Total noncurrent assets	14,795,504	35,094,860	49,890,364	1,694,472
TOTAL ASSETS	22,044,419	41,616,545	63,660,964	4,759,264
LIABILITIES				
Current liabilities				
Accounts payable	290,895	407,292	698,187	94,649
Accrued wages	122,615	16,542	139,157	2,156
Deposits payable	323,802	-	323,802	-
Due to other governmental units	91,041	-	91,041	8,536
Accrued interest payable	3,349	97,849	101,198	23,492
Unearned revenue	11,160	-	11,160	-
Current portion of compensated absences	50,057	13,594	63,651	-
Current portion of long-term debt	115,404	1,643,269	1,758,673	411,000
Total current liabilities	1,008,323	2,178,546	3,186,869	539,833
Noncurrent liabilities				
Meter deposits	-	4,378	4,378	-
Noncurrent portion of compensated absences	200,228	54,378	254,606	-
Noncurrent portion of long-term debt	84,643	10,587,560	10,672,203	2,742,000
Net other post-employment benefit obligation	1,266,826	623,834	1,890,660	-
Total noncurrent liabilities	1,551,697	11,270,150	12,821,847	2,742,000
TOTAL LIABILITIES	2,560,020	13,448,696	16,008,716	3,281,833
NET POSITION				
Net investment in capital assets	14,595,457	22,864,031	37,459,488	1,486,472
Restricted				
Highways and streets	325,746	-	325,746	-
Bond reserve	-	903,659	903,659	-
Unrestricted	4,563,196	4,400,159	8,963,355	(9,041)
TOTAL NET POSITION	\$ 19,484,399	\$ 28,167,849	\$ 47,652,248	\$ 1,477,431

See accompanying notes to financial statements.

City of Fenton

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			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	\$ 1,158,881	\$ 255,473	\$ 13,008	\$ -	\$ (890,400)	\$ -	\$ (890,400)	\$ -
Public safety	3,862,440	791,750	67,357	50,000	(2,953,333)	-	(2,953,333)	-
Public works	1,941,813	504,184	870,909	41,287	(525,433)	-	(525,433)	-
Community and economic development	146,317	-	41,710	-	(104,607)	-	(104,607)	-
Recreation and culture	235,592	35,040	1,188	5,203	(194,161)	-	(194,161)	-
Interest and fees on long-term debt	5,384	-	-	-	(5,384)	-	(5,384)	-
Total governmental activities	7,350,427	1,586,447	994,172	96,490	(4,673,318)	-0-	(4,673,318)	-0-
Business-type activities								
Sewer	2,350,065	2,701,837	-	-	-	351,772	351,772	-
Water	2,520,564	2,789,912	-	1,155	-	270,503	270,503	-
Total business-type activities	4,870,629	5,491,749	-0-	1,155	-0-	622,275	622,275	-0-
Total primary government	<u>\$ 12,221,056</u>	<u>\$ 7,078,196</u>	<u>\$ 994,172</u>	<u>\$ 97,645</u>	(4,673,318)	622,275	(4,051,043)	-0-
Component units								
Downtown development authority	\$ 596,694	\$ -	\$ -	\$ -	-	-	-0-	(596,694)
Local development finance authority	112,488	-	-	-	-	-	-0-	(112,488)
Total component units	<u>\$ 709,182</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(709,182)
General revenues								
Property taxes					3,322,738	-	3,322,738	1,559,533
State shared revenue					926,059	-	926,059	-
Investment earnings					5,537	69,254	74,791	3,286
Miscellaneous					24,711	122,872	147,583	477
Total general revenues					<u>4,279,045</u>	<u>192,126</u>	<u>4,471,171</u>	<u>1,563,296</u>
Change in net position					(394,273)	814,401	420,128	854,114
Restated net position, beginning of the year					<u>19,878,672</u>	<u>27,353,448</u>	<u>47,232,120</u>	<u>623,317</u>
Net position, end of the year					<u>\$ 19,484,399</u>	<u>\$ 28,167,849</u>	<u>\$ 47,652,248</u>	<u>\$ 1,477,431</u>

See accompanying notes to financial statements.

City of Fenton
Governmental Funds
BALANCE SHEET
June 30, 2014

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash	\$ 2,052,918	\$ 3,096,099	\$ 5,149,017
Investments	252,689	-	252,689
Receivables			
Accounts	215,428	111,363	326,791
Taxes	171,216	-	171,216
Special assessments	9,927	15,797	25,724
Due from other funds	35,919	9,061	44,980
Due from other governmental units	314,256	127,009	441,265
Inventories	35,174	6,115	41,289
Prepays	93,362	-	93,362
	\$ 3,180,889	\$ 3,365,444	\$ 6,546,333
TOTAL ASSETS			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 203,698	\$ 60,340	\$ 264,038
Accrued wages	105,779	16,679	122,458
Deposits payable	323,802	-	323,802
Due to other funds	84,601	115,092	199,693
Unearned revenue	-	11,160	11,160
Due to other governmental units	91,041	-	91,041
	808,921	203,271	1,012,192
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	171,215	15,797	187,012
FUND BALANCES			
Nonspendable	128,536	6,115	134,651
Restricted	-	325,746	325,746
Committed	-	2,814,515	2,814,515
Unassigned	2,072,217	-	2,072,217
	2,200,753	3,146,376	5,347,129
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	\$ 3,180,889	\$ 3,365,444	\$ 6,546,333

See accompanying notes to financial statements.

City of Fenton

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

June 30, 2014

Total fund balances - governmental funds **\$ 5,347,129**

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	\$ 23,409,020	
Accumulated depreciation is	<u>(8,613,516)</u>	
Capital assets, net		14,795,504

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 Position

Net position of governmental activities accounted for in Internal Service Funds	789,684	
Add: compensated absences included in total below	189,228	
Less: net capital assets included in totals above	<u>(103,651)</u>	
		875,261

Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds. 187,012

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:

Long-term debt	(200,047)	
Compensated absences	(250,285)	
Accrued interest payable	(3,349)	
Net other post-employment benefit obligation	<u>(1,266,826)</u>	
		<u>(1,720,507)</u>

Net position of governmental activities **\$ 19,484,399**

City of Fenton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

	General	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 3,322,738	\$ -	\$ 3,322,738
Licenses and permits	385,792	-	385,792
Intergovernmental	1,004,360	953,906	1,958,266
Charges for services	388,079	636,002	1,024,081
Fines and forfeits	86,273	-	86,273
Interest and rents	60,379	10,784	71,163
Other	41,930	65,911	107,841
	<u>5,289,551</u>	<u>1,666,603</u>	<u>6,956,154</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	923,741	54,793	978,534
Public safety	2,944,074	266,495	3,210,569
Public works	274,843	1,452,833	1,727,676
Community and economic development	44,750	76,003	120,753
Recreation and culture	51,803	145,444	197,247
Other	239,149	-	239,149
Debt service	11,086	108,630	119,716
	<u>4,489,446</u>	<u>2,104,198</u>	<u>6,593,644</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	800,105	(437,595)	362,510
OTHER FINANCING SOURCES (USES)			
Capital lease	41,315	-	41,315
Transfers in	-	835,500	835,500
Transfers out	(753,000)	(82,500)	(835,500)
	<u>(711,685)</u>	<u>753,000</u>	<u>41,315</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES			
	88,420	315,405	403,825
Fund balances, beginning of year	<u>2,112,333</u>	<u>2,830,971</u>	<u>4,943,304</u>
Fund balances, end of year	<u>\$ 2,200,753</u>	<u>\$ 3,146,376</u>	<u>\$ 5,347,129</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, 2014

Net change in fund balances - total governmental funds \$ 403,825

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	\$ 143,753	
Depreciation expense	<u>(885,515)</u>	
Excess of depreciation expense over capital outlay		(741,762)

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

Increase in Net Position of Internal Service Funds	24,162	
Add: Decrease in capital assets included above	60,559	
Less: Decrease in compensated absences included below	<u>(21,056)</u>	
		63,665

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 position. In the current year, these amounts consist of:

Debt retirement	113,136	
Capital lease	<u>(41,315)</u>	
		71,821

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	1,196	
Decrease in compensated absences	67,358	
Decrease in unavailable revenue	(39,328)	
(Increase) in net other post-employment benefit obligation	<u>(221,048)</u>	
		<u>(191,822)</u>

Change in net position of governmental activities \$ (394,273)

City of Fenton

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2014

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Internal Service
ASSETS				
Current assets				
Cash	\$ 1,842,642	\$ 1,746,795	\$ 3,589,437	\$ 885,076
Cash - restricted	-	682,528	682,528	-
Investments - restricted	-	221,131	221,131	-
Accounts receivable	912,473	942,712	1,855,185	4,439
Due from other funds	158,196	20,717	178,913	12,760
Inventories	-	31,451	31,451	-
Total current assets	2,913,311	3,645,334	6,558,645	902,275
Noncurrent assets				
Capital assets not being depreciated	157,803	84,002	241,805	-
Capital assets, net of accumulated depreciation	20,235,149	14,617,906	34,853,055	103,651
Total noncurrent assets	20,392,952	14,701,908	35,094,860	103,651
TOTAL ASSETS	23,306,263	18,347,242	41,653,505	1,005,926
LIABILITIES				
Current liabilities				
Accounts payable	329,976	77,316	407,292	26,857
Accrued wages	2,596	13,946	16,542	157
Accrued interest payable	43,110	54,739	97,849	-
Due to other funds	18,708	18,252	36,960	-
Current portion of compensated absences	5,414	8,180	13,594	37,846
Current portion of long-term debt	1,028,269	615,000	1,643,269	-
Total current liabilities	1,428,073	787,433	2,215,506	64,860
Noncurrent liabilities				
Meter deposits	-	4,378	4,378	-
Noncurrent portion of compensated absences	21,656	32,722	54,378	151,382
Noncurrent portion of long-term debt	3,278,802	7,308,758	10,587,560	-
Net other post-employment benefit obligation	177,560	446,274	623,834	-
Total noncurrent liabilities	3,478,018	7,792,132	11,270,150	151,382
TOTAL LIABILITIES	4,906,091	8,579,565	13,485,656	216,242
NET POSITION				
Net investment in capital assets	16,085,881	6,778,150	22,864,031	103,651
Restricted for bond reserve	-	903,659	903,659	-
Unrestricted	2,314,291	2,085,868	4,400,159	686,033
TOTAL NET POSITION	\$ 18,400,172	\$ 9,767,677	\$ 28,167,849	\$ 789,684

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2014

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
OPERATING REVENUES				
Charges for services	\$ 2,701,837	\$ 2,789,912	\$ 5,491,749	\$ 314,164
Grants	-	1,155	1,155	-
Other	59,579	63,293	122,872	8,061
TOTAL OPERATING REVENUES	2,761,416	2,854,360	5,615,776	322,225
OPERATING EXPENSES				
Personnel services	209,602	931,041	1,140,643	20,300
Professional services	1,262,407	57,660	1,320,067	-
Operating supplies	16,219	455,564	471,783	26,701
Fuel and utilities	21,606	155,798	177,404	88,041
Repairs and maintenance	-	52,518	52,518	43,276
Equipment and building rent	37,162	39,629	76,791	52,277
Insurance	12,600	21,000	33,600	10,740
Depreciation	582,976	507,165	1,090,141	60,559
Other	1,125	1,329	2,454	52
TOTAL OPERATING EXPENSES	2,143,697	2,221,704	4,365,401	301,946
OPERATING INCOME	617,719	632,656	1,250,375	20,279
NONOPERATING REVENUES (EXPENSES)				
Interest earned	1,888	67,366	69,254	983
Gain on sale of assets	-	-	-0-	2,900
Interest expense and fees	(206,368)	(298,860)	(505,228)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(204,480)	(231,494)	(435,974)	3,883
CHANGE IN NET POSITION	413,239	401,162	814,401	24,162
Net position, beginning of year	17,986,933	9,366,515	27,353,448	765,522
Net position, end of year	<u>\$ 18,400,172</u>	<u>\$ 9,767,677</u>	<u>\$ 28,167,849</u>	<u>\$ 789,684</u>

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 2,683,315	\$ 2,877,555	\$ 5,560,870	\$ -
Cash receipts from interfund services provided	17,393	-	17,393	353,026
Cash payments for interfund services used	(49,823)	(44,655)	(94,478)	-
Cash paid to suppliers	(1,284,629)	(768,209)	(2,052,838)	(216,042)
Cash paid to employees	(183,453)	(888,641)	(1,072,094)	(41,381)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,182,803	1,176,050	2,358,853	95,603
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(9,708)	(65,411)	(75,119)	-
Proceeds from sale of assets	-	-	-0-	2,900
Interest and fees paid	(216,990)	(305,248)	(522,238)	-
Payments on borrowings	(984,785)	(595,000)	(1,579,785)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,211,483)	(965,659)	(2,177,142)	2,900
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,888	67,366	69,254	983
NET INCREASE (DECREASE) IN CASH	(26,792)	277,757	250,965	99,486
Cash, beginning of year	1,869,434	2,151,566	4,021,000	785,590
Cash, end of year	<u>\$ 1,842,642</u>	<u>\$ 2,429,323</u>	<u>\$ 4,271,965</u>	<u>\$ 885,076</u>

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended June 30, 2014

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Activities Internal Service
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 617,719	\$ 632,656	\$ 1,250,375	\$ 20,279
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	582,976	507,165	1,090,141	60,559
(Increase) decrease in:				
Accounts receivable	(78,101)	23,195	(54,906)	(4,399)
Due from other funds	(49,823)	(20,717)	(70,540)	35,200
Inventories	-	1,743	1,743	-
Increase (decrease) in:				
Accounts payable	66,490	13,546	80,036	5,045
Accrued wages	81	2,449	2,530	(25)
Compensated absences	5,521	2,462	7,983	(21,056)
Net other post-employment benefit obligation	20,547	37,489	58,036	-
Due to other funds	17,393	(23,938)	(6,545)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,182,803	\$ 1,176,050	\$ 2,358,853	\$ 95,603

See accompanying notes to financial statements.

City of Fenton

Fiduciary Funds

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 88,857
Due from other governmental units	<u>4,006</u>
TOTAL ASSETS	<u>\$ 92,863</u>
LIABILITIES	
Due to other governmental units	\$ 15,485
Due to union groups	7,827
Due to individuals and agencies	<u>69,551</u>
TOTAL LIABILITIES	<u>\$ 92,863</u>

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF NET POSITION

June 30, 2014

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash	\$ 1,791,639	\$ 1,073,153	\$ 2,864,792
Note receivable	200,000	-	200,000
Total current assets	1,991,639	1,073,153	3,064,792
Noncurrent assets			
Capital assets not being depreciated	1,382,307	-	1,382,307
Capital assets, net of accumulated depreciation	312,165	-	312,165
Total noncurrent assets	1,694,472	-0-	1,694,472
TOTAL ASSETS	3,686,111	1,073,153	4,759,264
LIABILITIES			
Current liabilities			
Accounts payable	94,334	315	94,649
Accrued wages	1,267	889	2,156
Due to other governmental units	6,953	1,583	8,536
Accrued interest payable	23,492	-	23,492
Current portion of long-term debt	411,000	-	411,000
Total current liabilities	537,046	2,787	539,833
Noncurrent liabilities			
Noncurrent portion of long-term debt	2,742,000	-	2,742,000
TOTAL LIABILITIES	3,279,046	2,787	3,281,833
NET POSITION			
Net investment in capital assets	1,486,472	-	1,486,472
Unrestricted	(1,079,407)	1,070,366	(9,041)
TOTAL NET POSITION	\$ 407,065	\$ 1,070,366	\$ 1,477,431

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Net (Expense) Revenues and Changes in Net Position		
		Downtown Development Authority	Local Development Finance Authority	Total
Downtown Development Authority				
Community and economic development	\$ 596,694	\$ (596,694)	\$ -	\$ (596,694)
Local Development Finance Authority				
Community and economic development	112,488	-	(112,488)	(112,488)
TOTAL	\$ 709,182	(596,694)	(112,488)	(709,182)
General revenues				
Property taxes		1,378,699	180,834	1,559,533
Investment earnings		2,362	924	3,286
Miscellaneous		429	48	477
Total general revenues		1,381,490	181,806	1,563,296
CHANGE IN NET POSITION		784,796	69,318	854,114
Restated net position, beginning of year		(377,731)	1,001,048	623,317
Net position, end of year		\$ 407,065	\$ 1,070,366	\$ 1,477,431

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fenton, Michigan (the City), 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 on 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, these financial statements present the financial activities of the City (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, 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 2014.

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, 2014, 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, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial 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 financial 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 fund:

- 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) are 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) are 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 on cost reimbursement basis.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: DESCRIPTION OF CITY AND 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 financial 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 fund balance.

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 sixty (60) days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable 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.

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 proprietary funds are charges to customers for sales and services. Operating expenses for proprietary 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, 2014

NOTE A: DESCRIPTION OF CITY AND 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 ninety (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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Receivables

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

10. Property Tax

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

Property taxes are levied by the City of Fenton on July 1 and December 1 and are payable without penalty through September 15 and February 28, respectively. The July 1 levy is composed of the County's levy, the State Education Tax assessment, 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, 2014, the City levied 10.6226 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2013 levy for property within the City was \$354,718,688.

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 fund balance.

13. Capital Assets

Capital assets, which include land, construction in progress, buildings, building and land improvements, machinery, vehicles, and equipment, infrastructure assets (e.g., roads, lights, and bridges), and sewer and water lines and are reported in the applicable governmental or business-type activities and component units columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two (2) 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, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

14. Compensated Absences

a. *Accumulated unpaid sick pay*

Substantially all City employees are paid for unused sick days upon termination of employment. Accumulated vested unpaid sick pay at June 30, 2014, 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, 2014, the unused vacation days are recorded in the government-wide financial statements of the City.

15. Long-Term Obligations

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

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

16. Unearned/Unavailable Revenue

Governmental funds report unavailable 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 also report unearned revenue for amounts received but not yet earned.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

17. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet, when applicable, will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City does not report any deferred outflows of resources.

In addition to liabilities, the statement of net position and the governmental funds balance sheet when applicable will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has one (1) item of this type, uncollected taxes and special assessment receivables, which qualifies as a deferred inflow of resources.

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 Position

Restrictions of net position 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. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

21. Comparative Data

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

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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.

Deposits

As of June 30, 2014, the carrying amounts and bank balances for each type of bank account are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 10,305,888	\$ 10,281,870
Certificates of deposit	<u>473,820</u>	<u>473,820</u>
Total primary government	10,779,708	10,755,690
FIDUCIARY FUNDS		
Checking and savings	88,857	213,785
COMPONENT UNITS		
Checking and savings	<u>2,864,792</u>	<u>2,885,518</u>
TOTAL REPORTING ENTITY	<u><u>\$ 13,733,357</u></u>	<u><u>\$ 13,854,993</u></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, 2014, the City did not have any investments that would be subject to rating.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B: CASH AND INVESTMENTS - CONCLUDED

Interest rate risk

The City has not adopted a policy that indicates how it 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 it will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of an 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, 2014, the City accounts were insured by the FDIC for \$979,075 and the amount of \$12,875,918 was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

The following summarizes the categorization of these amounts as of June 30, 2014:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash	\$ 9,623,530	\$ 2,864,792	\$ 88,857	\$ 12,577,179
Cash - restricted	682,528	-	-	682,528
Investments	252,689	-	-	252,689
Investments - restricted	221,131	-	-	221,131
	<u>\$ 10,779,878</u>	<u>\$ 2,864,792</u>	<u>\$ 88,857</u>	<u>\$ 13,733,527</u>

The primary government cash caption on the financial statements includes \$170 in imprest cash.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2014, are as follows:

Due to General Fund from:	
Sewer Fund	\$ 14,600
Water Fund	14,600
Nonmajor governmental funds	<u>6,719</u>
	<u>\$ 35,919</u>
Due to Sewer Fund from:	
General Fund	\$ 49,823
Nonmajor governmental funds	<u>108,373</u>
	<u>\$ 158,196</u>
Due to Water Fund from:	
General Fund	<u>\$ 20,717</u>
Due to nonmajor governmental fund from:	
General Fund	<u>\$ 9,061</u>
Due to Internal Service Funds from:	
General Fund	\$ 5,000
Sewer Fund	4,108
Water Fund	<u>3,652</u>
	<u>\$ 12,760</u>

Amounts appearing as interfund payables and receivables arise from two (2) types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

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

The transfers from the General Fund to the nonmajor governmental funds were to fund current year operations. Transfers between the nonmajor governmental funds were to fund capital projects.

Transfers to nonmajor governmental funds from:	
General Fund	\$ 753,000
Nonmajor governmental funds	<u>42,500</u>
	<u>\$ 835,500</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

Primary Government

	Restated Balance July 1, 2013	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2014
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,605,104	\$ -	\$ -	\$ 1,605,104
Construction in progress - roads	924,543	60,342	(6,799)	978,086
Total capital assets not being depreciated	2,529,647	60,342	(6,799)	2,583,190
Capital assets, being depreciated				
Buildings	6,007,171	-	(87,000)	5,920,171
Building and land improvements	552,838	-	-	552,838
Machinery, vehicles, and equipment	4,937,119	83,411	-	5,020,530
Roads, lights, and bridges	9,325,492	6,799	-	9,332,291
Total capital assets being depreciated	20,822,620	90,210	(87,000)	20,825,830
Less accumulated depreciation for:				
Buildings	(2,205,565)	(145,867)	87,000	(2,264,432)
Building and land improvements	(469,113)	(13,601)	-	(482,714)
Machinery, vehicles, and equipment	(3,389,764)	(254,150)	-	(3,643,914)
Roads, lights, and bridges	(1,750,559)	(471,897)	-	(2,222,456)
Total accumulated depreciation	(7,815,001)	(885,515)	87,000	(8,613,516)
Total capital assets being depreciated, net	13,007,619	(795,305)	-0-	12,212,314
Net capital assets	\$ 15,537,266	\$ (734,963)	\$ (6,799)	\$ 14,795,504

Depreciation expense was charged to the following governmental activities:

General government	\$ 75,250
Public safety	270,700
Public works	532,456
Recreation and culture	7,109
Total depreciation expense	\$ 885,515

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - Concluded

	Balance July 1, 2013	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2014
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 190,930	\$ -	\$ -	\$ 190,930
Construction in progress	111,455	57,392	(117,972)	50,875
Total capital assets not being depreciated	302,385	57,392	(117,972)	241,805
Capital assets, being depreciated				
Building improvements	8,859,988	-	-	8,859,988
Sewer and water lines	40,693,999	129,317	-	40,823,316
Machinery and equipment	671,280	6,382	-	677,662
Total capital assets being depreciated	50,225,267	135,699	-0-	50,360,966
Less accumulated depreciation for:				
Building improvements	(1,548,122)	(221,496)	-	(1,769,618)
Sewer and water lines	(12,228,035)	(856,833)	-	(13,084,868)
Machinery and equipment	(641,613)	(11,812)	-	(653,425)
Total accumulated depreciation	(14,417,770)	(1,090,141)	-0-	(15,507,911)
Total capital assets being depreciated, net	35,807,497	(954,442)	-0-	34,853,055
Net capital assets	<u>\$ 36,109,882</u>	<u>\$ (897,050)</u>	<u>\$ (117,972)</u>	<u>\$ 35,094,860</u>

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

Sewer	\$ 582,976
Water	507,165
Total depreciation expense	<u>\$ 1,090,141</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E: CAPITAL ASSETS - CONCLUDED

Component Unit

	Restated Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Downtown Development Authority				
Capital assets, not being depreciated				
Land	\$ 425,000	\$ -	\$ -	\$ 425,000
Construction in progress	570,444	386,863	-	957,307
	995,444	386,863	-0-	1,382,307
Capital assets, being depreciated				
Buildings	372,688	87,000	-	459,688
Equipment	20,440	-	-	20,440
Total capital assets being depreciated	393,128	87,000	-0-	480,128
Less accumulated depreciation for:				
Buildings	(45,981)	(105,630)	-	(151,611)
Equipment	(12,264)	(4,088)	-	(16,352)
Total accumulated depreciation	(58,245)	(109,718)	-0-	(167,963)
Total capital assets being depreciated, net	334,883	(22,718)	-0-	312,165
Net capital assets	\$ 1,330,327	\$ 364,145	\$ -0-	\$ 1,694,472

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, 2014:

Primary Government

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year
Governmental Activities					
Installment purchase agreements	\$ 263,965	\$ -	\$ (99,170)	\$ 164,795	\$ 102,756
Capital lease - copier	7,903	-	(2,880)	5,023	2,880
Capital lease - in-car cameras	-	41,315	(11,086)	30,229	9,768
Compensated absences	317,643	100,992	(168,350)	250,285	50,057
Total	589,511	142,307	(281,486)	450,332	165,461

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - Concluded

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year
Business-type Activities					
2005 Sewage Refunding Bonds	\$ 2,107,599	\$ -	\$ (708,681)	\$ 1,398,918	\$ 700,777
2006 Sewage Disposal Bonds	2,212,225	-	(226,104)	1,986,121	277,492
1999 Michigan Municipal Bond Authority	503,759	-	(75,000)	428,759	80,000
2002 Michigan Municipal Bond Authority	5,390,000	-	(480,000)	4,910,000	495,000
2009 Michigan Municipal Bond Authority	972,031	-	(50,000)	922,031	50,000
2010 Capital Improvement Bonds	2,625,000	-	(40,000)	2,585,000	40,000
Compensated absences	59,988	15,575	(7,591)	67,972	13,594
Total	13,870,602	15,575	(1,587,376)	12,298,801	1,656,863
TOTAL PRIMARY GOVERNMENT	\$ 14,460,113	\$ 157,882	\$ (1,868,862)	\$ 12,749,133	\$ 1,822,324

Component Unit

Component Unit (DDA)					
2012 DDA Dispatch Loan	\$ 234,000	\$ -	\$ (26,000)	\$ 208,000	\$ 26,000
2011 GOLT Development Refunding Bonds	3,315,000	-	(370,000)	2,945,000	385,000
	\$ 3,549,000	\$ -0-	\$ (396,000)	\$ 3,153,000	\$ 411,000

Primary Government

Installment Purchase Agreements

\$630,000 Installment Purchase Agreement on Magnum fire truck dated March 1, 2005, due in an annual installment of \$75,982, including interest payable on March 1, 2015, at 3.67 percent. \$ 73,292

\$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, at 3.48 percent. 91,503

\$ 164,795

Capital Lease - Copier

Capital Lease Agreement for a copier dated February 26, 2013, due in monthly installments of \$246, including interest through March 1, 2016, with interest of 2.70 percent. The cost of the copier under the lease agreement amounted to \$8,886. The lease qualifies as a capital lease for accounting purposes because the City can purchase this copier at the end of the lease for \$1. \$ 5,023

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - Continued

Capital Lease - In-Car Cameras

Capital Lease Agreement for in-car cameras for police vehicles dated December 1, 2013, due in annual installments of \$11,086, including interest through January 15, 2017, at 2.70 percent. The cost of the in-car cameras under the lease agreement amounted to \$41,315. \$ 30,229

General Obligation Bonds

\$6,818,086 2005 Sewage Refunding Bonds dated February 1, 2005, due in annual installments ranging from \$698,143 to \$700,777 through April 1, 2016, with interest ranging from 4.75 to 5.00 percent, payable semi-annually. \$ 1,398,918

\$2,885,399 2007 Sewage Disposal Bonds dated November 16, 2007, due in annual installments ranging from \$277,492 to \$470,194 through April 1, 2019, with interest of 4.00 percent, payable semi-annually. 1,986,121

\$ 3,385,039

Revenue Bonds

\$1,413,759 Michigan Municipal Bond Authority Series 1999 dated April 1, 1999, due in annual installments ranging from \$80,000 to \$98,759 through April 1, 2019, with an interest rate of 2.50 percent, payable semi-annually. \$ 428,759

\$9,600,000 Michigan Municipal Bond Authority Series 2002 dated December 19, 2002, due in annual installments ranging from \$495,000 to \$600,000 through April 1, 2023, with an interest rate of 2.50 percent, payable semi-annually. 4,910,000

\$1,419,839 Michigan Municipal Bond Authority Series 2009 (only \$1,118,031 drawn to date), dated September 21, 2009, due in annual installments ranging from \$50,000 to \$72,031 through April 1, 2030, with an interest rate of 2.50 percent, payable semi-annually. 922,031

\$ 6,260,790

Capital Improvement Bonds

\$2,690,000 2010 Capital Improvement Bonds dated August 17, 2010, due in annual installments ranging from \$40,000 to \$195,000 through April 1, 2035, with an interest rate ranging from 3.75 to 6.375 percent, payable semi-annually. \$ 2,585,000

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 \$250,285 for governmental activities and \$67,972 for business-type activities at June 30, 2014. Of these amounts, \$50,057 and \$13,594 have been recorded as current liabilities, and \$200,228 and \$54,378 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, 2014

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - Concluded

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 expenses, 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 \$7,134,324. During the current year, net revenues of the system were \$632,656 compared to the annual debt requirements of \$776,645.

Component Unit (DDA)

Installment Purchase Agreement

\$260,000 Installment Purchase Agreement for Dispatch Equipment dated September 20, 2012, due in annual installments of ranging from \$26,702 to \$31,616, including interest through April 1, 2022, at 2.70 percent. \$ 208,000

General Obligation Bond

\$3,985,000 2011 General Obligation Limited Tax Development Refunding Bonds dated July 12, 2011, due in annual installments ranging from \$385,000 to \$460,000 through April 1, 2021, with interest of 3.00 percent, payable semi-annually. \$ 2,945,000

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

Primary Government

Year Ending June 30,	Installment Purchase Agreements and Capital Leases		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 115,404	\$ 7,263	\$ 978,269	\$ 149,391
2016	42,588	3,361	1,003,897	103,252
2017	42,055	1,678	467,624	56,115
2018	-	-	470,194	37,410
2019	-	-	465,055	18,602
	<u>\$ 200,047</u>	<u>\$ 12,302</u>	<u>\$ 3,385,039</u>	<u>\$ 364,770</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE F: LONG-TERM DEBT - CONCLUDED

Primary Government - Concluded

Year Ending June 30,	Revenue Bonds		Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 625,000	\$ 156,520	\$ 40,000	\$ 155,431
2016	635,000	140,895	40,000	153,931
2017	655,000	125,020	40,000	152,231
2018	665,000	108,645	45,000	150,331
2019	698,759	92,020	45,000	148,081
2020-2024	2,600,000	215,879	585,000	668,339
2025-2029	310,000	32,754	725,000	477,194
2030-2034	72,031	1,801	870,000	232,169
2035	-	-	195,000	12,431
	<u>\$ 6,260,790</u>	<u>\$ 873,534</u>	<u>\$ 2,585,000</u>	<u>\$ 2,150,138</u>

Component Unit (DDA)

Year Ending June 30,	Installment Purchase Agreement		General Obligation Limited Tax Development Refunding Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 26,000	\$ 5,616	\$ 385,000	\$ 88,350
2016	26,000	4,914	395,000	76,800
2017	26,000	4,212	405,000	64,950
2018	26,000	3,510	420,000	52,800
2019	26,000	2,808	435,000	40,200
2020-2022	78,000	4,212	905,000	40,950
	<u>\$ 208,000</u>	<u>\$ 25,272</u>	<u>\$ 2,945,000</u>	<u>\$ 364,050</u>

NOTE G: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefit claims and participates in the Michigan Municipal League (MML) risk pool for claims relating to worker's compensation; the City is uninsured for acts of God and environmental cleanup loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

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

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System (MERS, the System), 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 6.59% of annual covered payroll for the clerical unit to 21.51% 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, 2014, the City's annual pension cost of \$451,834 for the plan was equal to the City's required and actual contribution. The required contribution was determined as part of the December 31, 2011 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 3.0% per year for merit and longevity, and an asset valuation method that smoothed fair value of assets over five (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, 2012, the date of the latest actuarial valuation, was twenty-six (26) years.

Three (3) year trend information

	Year Ended December 31,		
	2010	2011	2012
Actuarial value of assets	\$ 9,395,038	\$ 9,614,275	\$ 9,791,561
Actuarial accrued liability (AAL) (entry age)	12,546,115	13,095,179	13,854,387
Unfunded AAL	3,151,077	3,480,904	4,062,826
Funded ratio	75 %	73 %	71 %
Covered payroll	2,648,146	2,475,217	2,334,584
UAAL as a percentage of covered payroll	119 %	141 %	174 %

	Year Ended June 30,		
	2012	2013	2014
Annual pension cost (APC)	\$ 347,790	\$ 387,872	\$ 451,834
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The City provides post-employment health care benefits in accordance with a Council resolution to covered employees who retire on or after age 55 with at least 10 years of service and Police Local 214 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, 2014, the City made estimated payments of \$273,047 for other post-employment health care benefits (OPEB). The plan does not issue separate stand-alone financial statements.

In June 2014, the City revised the eligibility for retiree healthcare participants. If a retired employee receives or is eligible to receive health insurance that is reasonably equivalent to that provided by the City, whether it be through an employer or former employer of the retiree or the retiree's spouse, the retired employee shall not receive health insurance from the City. This change has not yet been reflected in the actuarial valuation information used to calculate the OPEB obligation.

The following are the GASB Statement No. 45 required disclosures. Membership in the plan at December 31, 2010 (latest actuarial report) is as follows:

Retires 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.

For the year ended June 30, 2014, 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 of twenty-seven (27) years.

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

Annual required contribution (ARC)	\$ 518,153
Interest on net OPEB obligation	72,521
Adjustment to annual required contribution	<u>(38,543)</u>
Annual OPEB cost	552,131
Contributions made	<u>273,047</u>
Increase in net OPEB obligation	279,084
Net OPEB obligation - beginning of year	<u>1,611,576</u>
Net OPEB obligation - end of year	<u><u>\$ 1,890,660</u></u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

Funded Status and Funding Progress - Concluded

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>
2012	\$ 504,063	44.08%	\$ 1,326,825
2013	527,711	46.04%	1,611,576
2014	552,131	49.45%	1,890,660

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

	<u>December 31,</u>	
	<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 covered payroll information was not available from the most recent valuations above.

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 (30) 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.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONCLUDED

Actuarial Methods and Assumptions - Concluded

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	26 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, 2014 is as follows:

REVENUES	
Building permits	\$ 157,054
Zoning permits	10,813
	<hr/>
TOTAL REVENUES	167,867
EXPENDITURES	
Salaries and fringes	159,027
Supplies and other	16,319
Professional services	40,836
	<hr/>
TOTAL EXPENDITURES	216,182
EXCESS OF REVENUES (UNDER) EXPENDITURES	(48,315)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<hr/> (1,469,147)
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<hr/> <hr/> \$ (1,517,462)

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE K: CONTINGENT LIABILITIES

At times, the City may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City and its attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The following are the five (5) classifications of fund balance under this standard:

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED

Fund Balance	General Fund	Nonmajor Governmental Funds	Total
Nonspendable			
Inventories	\$ 35,174	\$ 6,115	\$ 41,289
Prepays	93,362	-	93,362
Restricted			
Streets and highways	-	325,746	325,746
Committed			
Parks and recreation	-	71,962	71,962
Cemetery	-	227,003	227,003
Garbage collection	-	15,790	15,790
Narcotics enforcement	-	5,871	5,871
D.A.R.E.	-	36,213	36,213
Emergency 911	-	468	468
Neighborhood stabilization	-	1,216	1,216
Fire equipment	-	271,518	271,518
Fire ladder truck	-	100,111	100,111
Capital projects	-	2,084,363	2,084,363
Unassigned	2,072,217	-	2,072,217
TOTAL FUND BALANCE	\$ 2,200,753	\$ 3,146,376	\$ 5,347,129

NOTE M: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position of the governmental activities was restated by \$51,268 to reflect an increase in net capital assets from the prior year's audited financial statements due to the incorrect useful life that had previously been used to depreciate an asset. This resulted in a restated beginning net position in the governmental activities of \$19,878,672.

Beginning net position of the component unit activities was restated by \$119,980 to reflect an increase in net capital assets from the prior year's audited financial statements due to construction in progress that was not previously included. This resulted in a restated beginning net position in the component unit activities of \$623,317.

NOTE N: UPCOMING PRONOUNCEMENTS

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.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE O: SUBSEQUENT EVENTS

Subsequent to year end, the City issued general obligation limited tax development bonds dated December 9, 2014 in the amount of \$3,650,000. The bonds were issued in anticipation of the collection of certain tax increment revenue payments from the City of Fenton Downtown Development Authority for the purpose of financing improvements in the Downtown Development Area. The bonds pledge full faith and credit of the City as additional security for payment of the principal and interest thereon.

On December 15, 2014, the City closed on State Revolving Fund bonds through the Department of Environmental Quality in an amount of up to \$935,000. The final amount of the bonds will be determined by ultimate project costs, less a loan forgiveness component. The anticipated loan amount to be forgiven if the maximum funds are drawn down is \$100,000 leaving a loan amount to be repaid of \$835,000.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fenton

BUDGETARY COMPARISON SCHEDULE

Fund Description

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,435,900	\$ 3,400,700	\$ 3,322,738	\$ (77,962)
Licenses and permits	238,500	325,570	385,792	60,222
Intergovernmental	933,860	1,005,427	1,004,360	(1,067)
Charges for services	311,000	396,800	388,079	(8,721)
Fines and forfeits	60,500	65,500	86,273	20,773
Interest and rents	64,350	62,350	60,379	(1,971)
Other	24,000	25,000	41,930	16,930
TOTAL REVENUES	5,068,110	5,281,347	5,289,551	8,204
EXPENDITURES				
Current				
General government	899,930	936,800	923,741	13,059
Public safety				
Police department	1,974,570	2,026,714	2,036,682	(9,968)
Fire department	613,135	705,386	691,210	14,176
Building inspection	214,720	198,620	216,182	(17,562)
Total public safety	2,802,425	2,930,720	2,944,074	(13,354)
Public works	243,900	286,809	274,843	11,966
Community and economic development	53,415	56,835	44,750	12,085
Recreation and culture	119,475	110,035	51,803	58,232
Other	234,690	251,582	239,149	12,433
Debt service	-	13,152	11,086	2,066
TOTAL EXPENDITURES	4,353,835	4,585,933	4,489,446	96,487
EXCESS OF REVENUES OVER EXPENDITURES	714,275	695,414	800,105	104,691
OTHER FINANCING (USES)				
Capital lease	-	-	41,315	41,315
Transfer in	-	40,000	-	(40,000)
Transfers out	(40,000)	(779,350)	(753,000)	26,350
TOTAL OTHER FINANCING SOURCES (USES)	(40,000)	(739,350)	(711,685)	27,665
NET CHANGE IN FUND BALANCE	674,275	(43,936)	88,420	132,356
Fund balance, beginning of year	2,112,333	2,112,333	2,112,333	-0-
Fund balance, end of year	<u>\$ 2,786,608</u>	<u>\$ 2,068,397</u>	<u>\$ 2,200,753</u>	<u>\$ 132,356</u>

City of Fenton

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

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, 2014, the City incurred expenditures in the General Fund and five (5) Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
Current			
Public safety			
Police department	\$ 2,026,714	\$ 2,036,682	\$ 9,968
Building inspection	198,620	216,182	17,562
Local Street Fund	465,750	467,650	1,900
Garbage Collection Fund	448,000	450,567	2,567
Narcotics Enforcement Fund	500	537	37
Emergency 911 Fund	257,500	264,681	7,181
Neighborhood Stabilization Fund	1,825	34,863	33,038

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 (CDBG) 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 partially 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 (D.A.R.E.) 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.

Fire Ladder Truck Fund - To account for revenues earmarked for the purchase of a fire ladder truck.

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, 2014

	Special			
	Major Street	Local Street	CDBG	Parks and Recreation
ASSETS				
Cash	\$ 139,309	\$ 97,630	\$ -	\$ 90,564
Accounts receivable	199	-	7,245	-
Special assessments receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	93,324	33,685	-	-
Inventories	-	-	-	-
TOTAL ASSETS	\$ 232,832	\$ 131,315	\$ 7,245	\$ 90,564
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 6,725	\$ 24,758	\$ 526	\$ 13,191
Accrued wages	3,860	3,058	-	5,411
Due to other funds	-	-	6,719	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	10,585	27,816	7,245	18,602
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	222,247	103,499	-	-
Committed	-	-	-	71,962
TOTAL FUND BALANCES	222,247	103,499	-0-	71,962
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 232,832	\$ 131,315	\$ 7,245	\$ 90,564

Revenue Funds

Cemetery	Garbage Collection	Narcotics Enforcement	D.A.R.E.	Emergency 911	Neighborhood Stabilization
\$ 232,083	\$ 30,778	\$ 5,931	\$ 36,213	\$ 6,383	\$ 1,216
13,738	90,015	-	-	166	-
-	-	-	-	-	-
-	9,061	-	-	-	-
-	-	-	-	-	-
-	6,115	-	-	-	-
<u>\$ 245,821</u>	<u>\$ 135,969</u>	<u>\$ 5,931</u>	<u>\$ 36,213</u>	<u>\$ 6,549</u>	<u>\$ 1,216</u>
\$ 7,658	\$ 5,691	\$ 60	\$ -	\$ 1,731	\$ -
-	-	-	-	4,350	-
-	108,373	-	-	-	-
11,160	-	-	-	-	-
<u>18,818</u>	<u>114,064</u>	<u>60</u>	<u>-0-</u>	<u>6,081</u>	<u>-0-</u>
-	-	-	-	-	-
-	6,115	-	-	-	-
-	-	-	-	-	-
<u>227,003</u>	<u>15,790</u>	<u>5,871</u>	<u>36,213</u>	<u>468</u>	<u>1,216</u>
<u>227,003</u>	<u>21,905</u>	<u>5,871</u>	<u>36,213</u>	<u>468</u>	<u>1,216</u>
<u>\$ 245,821</u>	<u>\$ 135,969</u>	<u>\$ 5,931</u>	<u>\$ 36,213</u>	<u>\$ 6,549</u>	<u>\$ 1,216</u>

City of Fenton

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2014

	Capital Projects		
	Fire Equipment	Fire Ladder Truck	C.I.P.
ASSETS			
Cash	\$ 271,518	\$ 100,111	\$ 1,878,727
Accounts receivable	-	-	-
Special assessments receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Inventories	-	-	-
TOTAL ASSETS	<u>\$ 271,518</u>	<u>\$ 100,111</u>	<u>\$ 1,878,727</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	271,518	100,111	1,878,727
TOTAL FUND BALANCES	<u>271,518</u>	<u>100,111</u>	<u>1,878,727</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 271,518</u>	<u>\$ 100,111</u>	<u>\$ 1,878,727</u>

Funds

Working Capital	Library	Total
\$ 188,120	\$ 17,516	\$ 3,096,099
-	-	111,363
15,797	-	15,797
-	-	9,061
-	-	127,009
-	-	6,115
<u>\$ 203,917</u>	<u>\$ 17,516</u>	<u>\$ 3,365,444</u>
-	-	60,340
-	-	16,679
-	-	115,092
-	-	11,160
-0-	-0-	203,271
15,797	-	15,797
-	-	6,115
-	-	325,746
<u>188,120</u>	<u>17,516</u>	<u>2,814,515</u>
<u>188,120</u>	<u>17,516</u>	<u>3,146,376</u>
<u>\$ 203,917</u>	<u>\$ 17,516</u>	<u>\$ 3,365,444</u>

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2014

	Special			
	Major Street	Local Street	CDBG	Parks and Recreation
REVENUES				
Intergovernmental	\$ 642,312	\$ 269,884	\$ 41,140	\$ -
Charges for services	-	-	-	29,834
Interest and rents	183	152	-	5,330
Other	-	-	-	1,189
TOTAL REVENUES	642,495	270,036	41,140	36,353
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	534,616	467,650	-	-
Community and economic development	-	-	41,140	-
Recreation and culture	-	-	-	145,444
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	534,616	467,650	41,140	145,444
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	107,879	(197,614)	-0-	(109,091)
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	92,500	-	110,500
Transfers out	(40,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	92,500	-0-	110,500
NET CHANGE IN FUND BALANCES	87,879	(105,114)	-0-	1,409
Fund balances, beginning of year	134,368	208,613	-	70,553
Fund balances, end of year	<u>\$ 222,247</u>	<u>\$ 103,499</u>	<u>\$ -0-</u>	<u>\$ 71,962</u>

Revenue Funds

Cemetery	Garbage Collection	Narcotics Enforcement	D.A.R.E.	Emergency 911	Neighborhood Stabilization
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 570
21,668	445,784	-	-	138,716	-
257	-	7	40	71	1
-	-	1,611	-	-	-
21,925	445,784	1,618	40	138,787	571
54,793	-	-	-	-	-
-	-	537	1,277	264,681	-
-	450,567	-	-	-	-
-	-	-	-	-	34,863
-	-	-	-	-	-
-	-	-	-	-	-
54,793	450,567	537	1,277	264,681	34,863
(32,868)	(4,783)	1,081	(1,237)	(125,894)	(34,292)
36,500	-	-	-	126,000	-
-	-	-	-	-	-
36,500	-0-	-0-	-0-	126,000	-0-
3,632	(4,783)	1,081	(1,237)	106	(34,292)
223,371	26,688	4,790	37,450	362	35,508
\$ 227,003	\$ 21,905	\$ 5,871	\$ 36,213	\$ 468	\$ 1,216

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2014

	Capital Projects		
	Fire Equipment	Fire Equipment	C.I.P.
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Interest and rents	301	111	2,083
Other	-	50,000	-
TOTAL REVENUES	301	50,111	2,083
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Debt service			
Principal retirement	99,170	-	-
Interest and fiscal charges	9,460	-	-
TOTAL EXPENDITURES	108,630	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(108,329)	50,111	2,083
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	-	350,000
Transfers out	-	-	(42,500)
TOTAL OTHER FINANCING SOURCES (USES)	100,000	-0-	307,500
NET CHANGE IN FUND BALANCES	(8,329)	50,111	309,583
Fund balances, beginning of year	279,847	50,000	1,569,144
Fund balances, end of year	\$ 271,518	\$ 100,111	\$ 1,878,727

Funds		
Working Capital	Library	Total
\$ -	\$ -	\$ 953,906
-	-	636,002
2,228	20	10,784
7,908	5,203	65,911
10,136	5,223	1,666,603
-	-	54,793
-	-	266,495
-	-	1,452,833
-	-	76,003
-	-	145,444
-	-	99,170
-	-	9,460
-0-	-0-	2,104,198
10,136	5,223	(437,595)
-	-	835,500
-	-	(82,500)
-0-	-0-	753,000
10,136	5,223	315,405
177,984	12,293	2,830,971
<u>\$ 188,120</u>	<u>\$ 17,516</u>	<u>\$ 3,146,376</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Major Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 538,000	\$ 543,656	\$ 568,100	\$ 24,444
Other	72,000	74,167	74,212	45
Interest	500	-	183	183
	<u>610,500</u>	<u>617,823</u>	<u>642,495</u>	<u>24,672</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	719,235	707,500	534,616	172,884
	<u>719,235</u>	<u>707,500</u>	<u>534,616</u>	<u>172,884</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(108,735)	(89,677)	107,879	197,556
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	20,000	(130,000)
Transfers out	(40,000)	(40,000)	(40,000)	-0-
	<u>110,000</u>	<u>110,000</u>	<u>(20,000)</u>	<u>(130,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
	110,000	110,000	(20,000)	(130,000)
NET CHANGE IN FUND BALANCE				
	1,265	20,323	87,879	67,556
Fund balance, beginning of year	<u>134,368</u>	<u>134,368</u>	<u>134,368</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 135,633</u>	<u>\$ 154,691</u>	<u>\$ 222,247</u>	<u>\$ 67,556</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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Local Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 196,000	\$ 230,900	\$ 228,597	\$ (2,303)
Other	38,200	38,800	41,287	2,487
Interest	-	-	152	152
	<u>234,200</u>	<u>269,700</u>	<u>270,036</u>	<u>336</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	<u>710,975</u>	<u>465,750</u>	<u>467,650</u>	<u>(1,900)</u>
	(476,775)	(196,050)	(197,614)	(1,564)
EXCESS OF REVENUES (UNDER) EXPENDITURES				
OTHER FINANCING SOURCES				
Transfers in	<u>370,000</u>	<u>110,000</u>	<u>92,500</u>	<u>(17,500)</u>
NET CHANGE IN FUND BALANCE				
Fund balance, beginning of year	<u>208,613</u>	<u>208,613</u>	<u>208,613</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 101,838</u>	<u>\$ 122,563</u>	<u>\$ 103,499</u>	<u>\$ (19,064)</u>
<u>CDBG Fund</u>				
REVENUES				
Intergovernmental	\$ 84,630	\$ 41,385	\$ 41,140	\$ (245)
EXPENDITURES				
Current				
Community and economic development	<u>84,630</u>	<u>41,385</u>	<u>41,140</u>	<u>245</u>
NET CHANGE IN FUND BALANCE				
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Parks and Recreation Fund</u>				
REVENUES				
Charges for services	\$ 30,000	\$ 30,000	\$ 29,834	\$ (166)
Interest and rents	5,100	5,100	5,330	230
Other	1,000	1,200	1,189	(11)
TOTAL REVENUES	36,100	36,300	36,353	53
EXPENDITURES				
Current				
Recreation and culture	176,900	172,750	145,444	27,306
EXCESS OF REVENUES (UNDER) EXPENDITURES	(140,800)	(136,450)	(109,091)	27,359
OTHER FINANCING SOURCES				
Transfers in	141,800	136,450	110,500	(25,950)
NET CHANGE IN FUND BALANCE	1,000	-0-	1,409	1,409
Fund balance, beginning of year	70,553	70,553	70,553	-0-
Fund balance, end of year	<u>\$ 71,553</u>	<u>\$ 70,553</u>	<u>\$ 71,962</u>	<u>\$ 1,409</u>
<u>Cemetery Fund</u>				
REVENUES				
Charges for services	\$ 19,100	\$ 21,600	\$ 21,668	\$ 68
Interest	100	100	257	157
TOTAL REVENUES	19,200	21,700	21,925	225
EXPENDITURES				
Current				
General government	65,600	64,100	54,793	9,307
EXCESS OF REVENUES (UNDER) EXPENDITURES	(46,400)	(42,400)	(32,868)	9,532
OTHER FINANCING SOURCES				
Transfers in	45,000	45,000	36,500	(8,500)
NET CHANGE IN FUND BALANCE	(1,400)	2,600	3,632	1,032
Fund balance, beginning of year	223,371	223,371	223,371	-0-
Fund balance, end of year	<u>\$ 221,971</u>	<u>\$ 225,971</u>	<u>\$ 227,003</u>	<u>\$ 1,032</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, 2014

	<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	\$ 448,600	\$ 445,784	\$ (2,816)
EXPENDITURES				
Current				
Public works	<u>450,000</u>	<u>448,000</u>	<u>450,567</u>	<u>(2,567)</u>
NET CHANGE IN FUND BALANCE	4,000	600	(4,783)	(5,383)
Fund balance, beginning of year	<u>26,688</u>	<u>26,688</u>	<u>26,688</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 30,688</u></u>	<u><u>\$ 27,288</u></u>	<u><u>\$ 21,905</u></u>	<u><u>\$ (5,383)</u></u>
<u>Narcotics Enforcement Fund</u>				
REVENUES				
Interest	\$ -	\$ -	\$ 7	\$ 7
Other	<u>3,000</u>	<u>3,000</u>	<u>1,611</u>	<u>(1,389)</u>
TOTAL REVENUES	3,000	3,000	1,618	(1,382)
EXPENDITURES				
Current				
Public safety	<u>500</u>	<u>500</u>	<u>537</u>	<u>(37)</u>
NET CHANGE IN FUND BALANCE	2,500	2,500	1,081	(1,419)
Fund balance, beginning of year	<u>4,790</u>	<u>4,790</u>	<u>4,790</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 7,290</u></u>	<u><u>\$ 7,290</u></u>	<u><u>\$ 5,871</u></u>	<u><u>\$ (1,419)</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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>D.A.R.E. Fund</u>				
REVENUES				
Interest	\$ -0-	\$ -0-	\$ 40	\$ 40
EXPENDITURES				
Current				
Public safety	<u>500</u>	<u>2,000</u>	<u>1,277</u>	<u>723</u>
NET CHANGE IN FUND BALANCE	(500)	(2,000)	(1,237)	763
Fund balance, beginning of year	<u>37,450</u>	<u>37,450</u>	<u>37,450</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 36,950</u>	<u>\$ 35,450</u>	<u>\$ 36,213</u>	<u>\$ 763</u>
<u>Emergency 911 Fund</u>				
REVENUES				
Charges for services	\$ 153,000	\$ 140,600	\$ 138,716	\$ (1,884)
Interest	<u>-</u>	<u>-</u>	<u>71</u>	<u>71</u>
TOTAL REVENUES	153,000	140,600	138,787	(1,813)
EXPENDITURES				
Current				
Public safety	<u>246,500</u>	<u>257,500</u>	<u>264,681</u>	<u>(7,181)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(93,500)	(116,900)	(125,894)	(8,994)
OTHER FINANCING SOURCES				
Transfers in	<u>93,500</u>	<u>116,900</u>	<u>126,000</u>	<u>9,100</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	106	106
Fund balance, beginning of year	<u>362</u>	<u>362</u>	<u>362</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 362</u>	<u>\$ 362</u>	<u>\$ 468</u>	<u>\$ 106</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, 2014

	<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	\$ 4,000	\$ 450	\$ 570	\$ 120
Interest	-	-	1	1
TOTAL REVENUES	4,000	450	571	121
EXPENDITURES				
Current				
Community and economic development	4,000	1,825	34,863	(33,038)
NET CHANGE IN FUND BALANCE	-0-	(1,375)	(34,292)	(32,917)
Fund balance, beginning of year	35,508	35,508	35,508	-0-
Fund balance, end of year	<u>\$ 35,508</u>	<u>\$ 34,133</u>	<u>\$ 1,216</u>	<u>\$ (32,917)</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 POSITION

June 30, 2014

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 699,905	\$ 185,171	\$ 885,076
Accounts receivable	4,439	-	4,439
Due from other funds	<u>7,760</u>	<u>5,000</u>	<u>12,760</u>
Total current assets	712,104	190,171	902,275
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>103,651</u>	<u>-</u>	<u>103,651</u>
TOTAL ASSETS	815,755	190,171	1,005,926
LIABILITIES			
Current liabilities			
Accounts payable	26,857	-	26,857
Accrued wages payable	157	-	157
Current portion of compensated absences	<u>-</u>	<u>37,846</u>	<u>37,846</u>
Total current liabilities	27,014	37,846	64,860
Noncurrent liabilities			
Noncurrent portion of compensated absences	<u>-</u>	<u>151,382</u>	<u>151,382</u>
TOTAL LIABILITIES	27,014	189,228	216,242
NET POSITION			
Investment in capital assets	103,651	-	103,651
Unrestricted	<u>685,090</u>	<u>943</u>	<u>686,033</u>
TOTAL NET POSITION	<u>\$ 788,741</u>	<u>\$ 943</u>	<u>\$ 789,684</u>

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2014

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 314,164	\$ -	\$ 314,164
Other	8,061	-	8,061
	<u>322,225</u>	<u>-0-</u>	<u>322,225</u>
TOTAL OPERATING REVENUES	322,225	-0-	322,225
OPERATING EXPENSES			
Personnel services	20,300	-	20,300
Operating supplies	26,701	-	26,701
Fuel and utilities	88,041	-	88,041
Repairs and maintenance	43,276	-	43,276
Equipment rent	52,277	-	52,277
Insurance	10,740	-	10,740
Depreciation	60,559	-	60,559
Other	52	-	52
	<u>301,946</u>	<u>-0-</u>	<u>301,946</u>
TOTAL OPERATING EXPENSES	301,946	-0-	301,946
OPERATING INCOME	20,279	-0-	20,279
NONOPERATING REVENUES			
Interest earned	778	205	983
Gain on sale of capital assets	2,900	-	2,900
	<u>3,678</u>	<u>205</u>	<u>3,883</u>
TOTAL NONOPERATING REVENUES	3,678	205	3,883
CHANGE IN NET POSITION	23,957	205	24,162
Net position, beginning of year	<u>764,784</u>	<u>738</u>	<u>765,522</u>
Net position, end of year	<u>\$ 788,741</u>	<u>\$ 943</u>	<u>\$ 789,684</u>

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from interfund services provided	\$ 353,026	\$ -	\$ 353,026
Cash paid to suppliers	(216,042)	-	(216,042)
Cash paid to employees	<u>(20,325)</u>	<u>(21,056)</u>	<u>(41,381)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	116,659	(21,056)	95,603
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of assets	2,900	-	2,900
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>778</u>	<u>205</u>	<u>983</u>
NET INCREASE (DECREASE) IN CASH	120,337	(20,851)	99,486
Cash, beginning of year	<u>579,568</u>	<u>206,022</u>	<u>785,590</u>
Cash, end of year	<u>\$ 699,905</u>	<u>\$ 185,171</u>	<u>\$ 885,076</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 20,279	\$ -	\$ 20,279
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	60,559	-	60,559
(Increase) decrease in:			
Accounts receivable	(4,399)	-	(4,399)
Due from other funds	35,200	-	35,200
Increase (decrease) in:			
Accounts payable	5,045	-	5,045
Accrued wages payable	(25)	-	(25)
Compensated absences	<u>-</u>	<u>(21,056)</u>	<u>(21,056)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 116,659</u>	<u>\$ (21,056)</u>	<u>\$ 95,603</u>

City of Fenton

AGENCY FUNDS

Fund Descriptions

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

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

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

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

City of Fenton

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2014

	Tax Collection	Employees Union	Health Savings	Payroll	Total
ASSETS					
Cash	\$ 15,485	\$ 7,827	\$ 65,545	\$ -	\$ 88,857
Due from other governmental units	-	-	-	4,006	4,006
TOTAL ASSETS	<u>\$ 15,485</u>	<u>\$ 7,827</u>	<u>\$ 65,545</u>	<u>\$ 4,006</u>	<u>\$ 92,863</u>
LIABILITIES					
Due to other governmental units	\$ 15,485	\$ -	\$ -	\$ -	\$ 15,485
Due to union groups	-	7,827	-	-	7,827
Due to individuals and agencies	-	-	65,545	4,006	69,551
TOTAL LIABILITIES	<u>\$ 15,485</u>	<u>\$ 7,827</u>	<u>\$ 65,545</u>	<u>\$ 4,006</u>	<u>\$ 92,863</u>

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<u>Tax Collection Fund</u>				
ASSETS				
Cash	\$ 12,296	\$ 17,030,565	\$ 17,027,376	\$ 15,485
LIABILITIES				
Due to other governmental units	\$ 12,296	\$ 17,030,565	\$ 17,027,376	\$ 15,485
<u>Employees Union Fund</u>				
ASSETS				
Cash	\$ 7,806	\$ 21	\$ -0-	\$ 7,827
LIABILITIES				
Due to union groups	\$ 7,806	\$ 21	\$ -0-	\$ 7,827
<u>Health Savings Fund</u>				
ASSETS				
Cash	\$ 36,672	\$ 91,444	\$ 62,571	\$ 65,545
Due from other governmental units	90,000	-	90,000	-0-
TOTAL ASSETS	<u>\$ 126,672</u>	<u>\$ 91,444</u>	<u>\$ 152,571</u>	<u>\$ 65,545</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 126,672</u>	<u>\$ 91,444</u>	<u>\$ 152,571</u>	<u>\$ 65,545</u>
<u>Payroll Fund</u>				
ASSETS				
Due from other governmental units	<u>\$ 3,412</u>	<u>\$ 4,111,710</u>	<u>\$ 4,111,116</u>	<u>\$ 4,006</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 3,412</u>	<u>\$ 4,111,710</u>	<u>\$ 4,111,116</u>	<u>\$ 4,006</u>

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONCLUDED

Year Ended June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash	\$ 56,774	\$ 17,122,030	\$ 17,089,947	\$ 88,857
Due from other governmental units	93,412	4,111,710	4,201,116	4,006
TOTAL ASSETS	<u>\$ 150,186</u>	<u>\$ 21,233,740</u>	<u>\$ 21,291,063</u>	<u>\$ 92,863</u>
LIABILITIES				
Due to other governmental units	\$ 12,296	\$ 17,030,565	\$ 17,027,376	\$ 15,485
Due to union groups	7,806	21	-	7,827
Due to individuals and agencies	130,084	4,203,154	4,263,687	69,551
TOTAL LIABILITIES	<u>\$ 150,186</u>	<u>\$ 21,233,740</u>	<u>\$ 21,291,063</u>	<u>\$ 92,863</u>

COMPONENT UNIT FUNDS

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2014

	Special Revenue Fund	Capital Projects Fund	2013 Bond Construction Fund	Total
ASSETS				
Cash	\$ 1,732,237	\$ 59,402	\$ -	\$ 1,791,639
Other receivables	-	200,000	-	200,000
Due from other funds	-	75,248	129,170	204,418
TOTAL ASSETS	<u>\$ 1,732,237</u>	<u>\$ 334,650</u>	<u>\$ 129,170</u>	<u>\$ 2,196,057</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 39,662	\$ 54,672	\$ 94,334
Accrued wages	-	1,267	-	1,267
Due to other funds	129,920	-	74,498	204,418
Due to other governmental units	4,530	2,423	-	6,953
TOTAL LIABILITIES	134,450	43,352	129,170	306,972
FUND BALANCES				
Assigned	<u>1,597,787</u>	<u>291,298</u>	<u>-</u>	<u>1,889,085</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,732,237</u>	<u>\$ 334,650</u>	<u>\$ 129,170</u>	<u>\$ 2,196,057</u>

City of Fenton

Component Unit Funds

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

June 30, 2014

Total fund balances - governmental funds \$ 1,889,085

Amounts reported for the governmental activities in the statement of net position 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	\$ 1,862,435	
Accumulated depreciation is	<u>(167,963)</u>	
Capital assets, net		1,694,472

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	(3,153,000)	
Accrued interest payable	<u>(23,492)</u>	
		<u>(3,176,492)</u>

Net position of governmental activities \$ 407,065

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2014

	Special Revenue Fund	Capital Projects Fund	2013 Bond Construction Fund	Total
REVENUES				
Taxes	\$ 1,378,699	\$ -	\$ -	\$ 1,378,699
Interest	2,362	-	-	2,362
Other	-	429	-	429
TOTAL REVENUES	1,381,061	429	-0-	1,381,490
EXPENDITURES				
Current				
Community and economic development	-	728,071	129,170	857,241
Debt service				
Principal	396,000	-	-	396,000
Interest and fiscal charges	106,548	-	-	106,548
TOTAL EXPENDITURES	502,548	728,071	129,170	1,359,789
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	878,513	(727,642)	(129,170)	21,701
OTHER FINANCING SOURCES (USES)				
Transfers in	-	948,781	129,170	1,077,951
Transfers out	(1,077,951)	-	-	(1,077,951)
TOTAL OTHER FINANCING SOURCES (USES)	(1,077,951)	948,781	129,170	-0-
NET CHANGE IN FUND BALANCES	(199,438)	221,139	-0-	21,701
Fund balances, beginning of year	1,797,225	70,159	-	1,867,384
Fund balances, end of year	<u>\$ 1,597,787</u>	<u>\$ 291,298</u>	<u>\$ -0-</u>	<u>\$ 1,889,085</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, 2014

Net change in fund balances - total governmental funds \$ 21,701

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	\$ 473,863
Depreciation expense	<u>(109,718)</u>

Excess of capital outlay over depreciation expense 364,145

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Borrowing is shown as an other financing source. In the current year, these amounts consist of:

Bond principal retirement	396,000
---------------------------	---------

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>2,950</u>
--------------------------------------	--------------

Change in net position of governmental activities \$ 784,796

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2014

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 1,013,033	\$ 60,120	\$ 1,073,153
Due from other funds	-	20,000	20,000
TOTAL ASSETS	<u>\$ 1,013,033</u>	<u>\$ 80,120</u>	<u>\$ 1,093,153</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 315	\$ 315
Accrued wages	-	889	889
Due to other funds	20,000	-	20,000
Due to other governmental units	-	1,583	1,583
TOTAL LIABILITIES	20,000	2,787	22,787
FUND BALANCES			
Committed	<u>993,033</u>	<u>77,333</u>	<u>1,070,366</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,013,033</u>	<u>\$ 80,120</u>	<u>\$ 1,093,153</u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balances were equal to the net position as of June 30, 2014.

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2014

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 180,834	\$ -	\$ 180,834
Interest	924	-	924
Other	-	48	48
TOTAL REVENUES	181,758	48	181,806
EXPENDITURES			
Current			
Community and economic development	-	112,488	112,488
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	181,758	(112,440)	69,318
OTHER FINANCING SOURCES (USES)			
Transfers in	-	9,509	9,509
Transfers out	(9,509)	-	(9,509)
TOTAL OTHER FINANCING SOURCES (USES)	(9,509)	9,509	-0-
NET CHANGE IN FUND BALANCES	172,249	(102,931)	69,318
Fund balances, beginning of year	820,784	180,264	1,001,048
Fund balances, end of year	<u>\$ 993,033</u>	<u>\$ 77,333</u>	<u>\$ 1,070,366</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 position for the year ended June 30, 2014.

**STATISTICAL SECTION
(UNAUDITED)**

City of Fenton

Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trend Information:	
Net Position by Component	67-68
Changes in Governmental Net Position	69-70
Changes in Business-Type Net Position	71-72
Fund Balances, Governmental Funds	73-74
Changes in Fund Balances, Governmental Funds	75-76
Revenue Capacity Information:	
Taxable value and actual value of taxable property	77-78
Direct and overlapping property tax rates	79-80
Principal property tax payers	81
Property tax levies and collections	82
Debt Capacity Information:	
Ratios of outstanding debt	83-84
Ratios of general bonded debt outstanding	85-86
Direct and overlapping governmental activities debt	87
Legal debt margin	88-89
Pledged-revenue coverage	90
Demographic and Economic Information:	
Demographic and economic statistics	91
Principal employers	92
Operating Information:	
Full-time equivalent government employees	93-94
Operating indicators	95-96
Capital asset statistics	97-98

City of Fenton

NET POSITION BY COMPONENT (UNAUDITED)

2005-2014

	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 9,544,656	\$ 11,081,127	\$ 11,468,410	\$ 13,330,319
Restricted	1,885,510	713,626	347,552	410,856
Unrestricted	<u>1,190,951</u>	<u>2,212,632</u>	<u>2,518,552</u>	<u>2,870,834</u>
Total governmental activities net position	<u>\$ 12,621,117</u>	<u>\$ 14,007,385</u>	<u>\$ 14,334,514</u>	<u>\$ 16,612,009</u>
Business-type activities				
Net investment in capital assets	\$ 18,676,883	\$ 19,387,156	\$ 19,711,079	\$ 20,116,220
Restricted	891,239	919,808	815,410	855,831
Unrestricted	<u>3,505,141</u>	<u>2,943,468</u>	<u>2,724,734</u>	<u>2,364,107</u>
Total business-type activities net position	<u>\$ 23,073,263</u>	<u>\$ 23,250,432</u>	<u>\$ 23,251,223</u>	<u>\$ 23,336,158</u>
Primary government in total				
Net investment in capital assets	\$ 28,221,539	\$ 30,468,283	\$ 31,179,489	\$ 33,446,539
Restricted	2,776,749	1,633,434	1,162,962	1,266,687
Unrestricted	<u>4,696,092</u>	<u>5,156,100</u>	<u>5,243,286</u>	<u>5,234,941</u>
Total primary government net position	<u>\$ 35,694,380</u>	<u>\$ 37,257,817</u>	<u>\$ 37,585,737</u>	<u>\$ 39,948,167</u>

2009	2010	2011	2012	2013	2014
\$ 15,330,866	\$ 15,477,218	\$ 15,323,859	\$ 14,984,354	\$ 15,214,130	\$ 14,595,457
265,457	317,283	141,844	306,634	342,981	325,746
<u>3,336,351</u>	<u>3,639,156</u>	<u>4,224,040</u>	<u>4,536,097</u>	<u>4,270,293</u>	<u>4,563,196</u>
<u>\$ 18,932,674</u>	<u>\$ 19,433,657</u>	<u>\$ 19,689,743</u>	<u>\$ 19,827,085</u>	<u>\$ 19,827,404</u>	<u>\$ 19,484,399</u>
\$ 20,620,459	\$ 21,492,609	\$ 21,994,491	\$ 22,430,452	\$ 22,299,268	\$ 22,864,031
887,139	894,335	897,379	899,207	902,777	903,659
<u>1,817,062</u>	<u>2,351,447</u>	<u>2,363,388</u>	<u>3,061,763</u>	<u>4,151,403</u>	<u>4,400,159</u>
<u>\$ 23,324,660</u>	<u>\$ 24,738,391</u>	<u>\$ 25,255,258</u>	<u>\$ 26,391,422</u>	<u>\$ 27,353,448</u>	<u>\$ 28,167,849</u>
\$ 35,951,325	\$ 36,969,827	\$ 37,318,350	\$ 37,414,806	\$ 37,513,398	\$ 37,459,488
1,152,596	1,211,618	1,039,223	1,205,841	1,245,758	1,229,405
<u>5,153,413</u>	<u>5,990,603</u>	<u>6,587,428</u>	<u>7,597,860</u>	<u>8,421,696</u>	<u>8,963,355</u>
<u>\$ 42,257,334</u>	<u>\$ 44,172,048</u>	<u>\$ 44,945,001</u>	<u>\$ 46,218,507</u>	<u>\$ 47,180,852</u>	<u>\$ 47,652,248</u>

City of Fenton

CHANGES IN GOVERNMENTAL NET POSITION (UNAUDITED)

2005-2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses				
General government	\$ 1,489,855	\$ 1,420,465	\$ 1,648,574	\$ 1,439,316
Public safety	2,966,655	3,128,752	3,642,615	3,414,988
Public works	1,753,694	2,345,278	1,725,658	1,665,853
Community and economic development	142,844	139,098	107,223	75,288
Recreation and culture	202,809	243,015	309,018	296,654
Interest on long-term debt	3,305	34,296	57,766	27,104
Total governmental activities expenses	<u>\$ 6,559,162</u>	<u>\$ 7,310,904</u>	<u>\$ 7,490,854</u>	<u>\$ 6,919,203</u>
Program revenues				
Charges for services				
General government	\$ 99,340	\$ 89,408	\$ 81,528	\$ 80,681
Public safety	505,469	601,299	609,998	647,191
Public works	419,347	441,473	432,625	444,049
Recreation and culture	42,282	56,746	50,012	50,237
Total charges for services	1,066,438	1,188,926	1,174,163	1,222,158
Operating grants and contributions	892,297	893,444	1,138,543	2,399,695
Capital grants and contributions	307,150	1,303,418	30,551	15,185
Total program revenue	<u>2,265,885</u>	<u>3,385,788</u>	<u>2,343,257</u>	<u>3,637,038</u>
Net (expense) revenue	<u>\$ (4,293,277)</u>	<u>\$ (3,925,116)</u>	<u>\$ (5,147,597)</u>	<u>\$ (3,282,165)</u>
General revenues				
Property taxes	\$ 3,945,739	\$ 4,230,989	\$ 4,385,154	\$ 4,496,996
State-shared revenues	898,721	891,252	867,264	862,880
Investment earnings	92,820	158,579	211,208	189,044
Miscellaneous	10,583	30,564	11,100	10,740
Total general revenues	<u>4,947,863</u>	<u>5,311,384</u>	<u>5,474,726</u>	<u>5,559,660</u>
Change in net position	654,586	1,386,268	327,129	2,277,495
Net position, beginning of the year	<u>11,966,531</u>	<u>12,621,117</u>	<u>14,007,385</u>	<u>14,334,514</u>
Net position, end of the year	<u>\$ 12,621,117</u>	<u>\$ 14,007,385</u>	<u>\$ 14,334,514</u>	<u>\$ 16,612,009</u>

2009	2010	2011	2012	2013	2014
\$ 1,010,207	\$ 1,106,229	\$ 1,177,043	\$ 1,113,243	\$ 1,187,672	\$ 1,158,881
3,629,441	3,522,764	3,354,743	3,193,232	3,537,017	3,862,440
1,135,807	1,836,728	1,637,839	1,714,085	1,617,226	1,941,813
49,423	46,800	118,270	81,215	148,585	146,317
338,235	270,807	250,303	247,276	233,723	235,592
9,162	19,866	18,035	14,838	10,728	5,384
<u>\$ 6,172,275</u>	<u>\$ 6,803,194</u>	<u>\$ 6,556,233</u>	<u>\$ 6,363,889</u>	<u>\$ 6,734,951</u>	<u>\$ 7,350,427</u>
\$ 164,739	\$ 172,299	\$ 189,867	\$ 202,365	\$ 208,100	\$ 255,473
666,916	533,197	581,059	660,348	657,777	791,750
494,407	511,425	500,429	514,795	482,083	504,184
45,507	34,062	41,434	48,239	36,439	35,040
1,371,569	1,250,983	1,312,789	1,425,747	1,384,399	1,586,447
1,104,536	853,593	812,924	848,615	853,534	994,172
640,093	41,482	37,659	53,961	369,868	96,490
3,116,198	2,146,058	2,163,372	2,328,323	2,607,801	2,677,109
<u>\$ (3,056,077)</u>	<u>\$ (4,657,136)</u>	<u>\$ (4,392,861)</u>	<u>\$ (4,035,566)</u>	<u>\$ (4,127,150)</u>	<u>\$ (4,673,318)</u>
\$ 4,460,368	\$ 4,339,222	\$ 3,802,193	\$ 3,363,316	\$ 3,262,058	\$ 3,322,738
811,891	721,565	793,649	878,056	891,798	926,059
80,634	17,360	22,824	11,975	8,650	5,537
23,849	79,972	30,281	29,561	39,777	24,711
5,376,742	5,158,119	4,648,947	4,282,908	4,202,283	4,279,045
2,320,665	500,983	256,086	247,342	75,133	(394,273)
16,612,009	18,932,674	19,433,657	19,579,743	19,752,271	19,878,672
<u>\$ 18,932,674</u>	<u>\$ 19,433,657</u>	<u>\$ 19,689,743</u>	<u>\$ 19,827,085</u>	<u>\$ 19,827,404</u>	<u>\$ 19,484,399</u>

City of Fenton

CHANGES IN BUSINESS-TYPE NET POSITION (UNAUDITED)

2005-2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses				
Water	\$ 1,806,817	\$ 2,057,635	\$ 2,334,328	\$ 2,179,363
Sewer	<u>2,423,654</u>	<u>2,286,890</u>	<u>2,344,030</u>	<u>2,215,830</u>
Total expenses	<u>\$ 4,230,471</u>	<u>\$ 4,344,525</u>	<u>\$ 4,678,358</u>	<u>\$ 4,395,193</u>
Program revenues				
Charges for services				
Water	\$ 1,748,795	\$ 2,133,655	\$ 2,263,120	\$ 2,198,405
Sewer	<u>1,669,022</u>	<u>1,640,425</u>	<u>2,108,018</u>	<u>2,156,951</u>
Total charges for services	3,417,817	3,774,080	4,371,138	4,355,356
Capital grants and contributions				
Water	133,070	149,488	51,000	3,050
Sewer	<u>305,060</u>	<u>469,600</u>	<u>117,395</u>	<u>16,190</u>
Total capital grants and contributions	438,130	619,088	168,395	19,240
Total program revenue	<u>3,855,947</u>	<u>4,393,168</u>	<u>4,539,533</u>	<u>4,374,596</u>
Net (expense) revenue	<u>\$ (374,524)</u>	<u>\$ 48,643</u>	<u>\$ (138,825)</u>	<u>\$ (20,597)</u>
General revenues				
Investment earnings	\$ 113,604	\$ 128,526	\$ 139,616	\$ 105,532
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>113,604</u>	<u>128,526</u>	<u>139,616</u>	<u>105,532</u>
Change in net position	<u>\$ (260,920)</u>	<u>\$ 177,169</u>	<u>\$ 791</u>	<u>\$ 84,935</u>

2009	2010	2011	2012	2013	2014
\$ 2,402,112	\$ 2,302,524	\$ 2,697,917	\$ 2,295,676	\$ 2,550,571	\$ 2,520,564
2,063,615	2,114,313	2,145,302	2,082,283	2,120,388	2,350,065
<u>\$ 4,465,727</u>	<u>\$ 4,416,837</u>	<u>\$ 4,843,219</u>	<u>\$ 4,377,959</u>	<u>\$ 4,670,959</u>	<u>\$ 4,870,629</u>
\$ 2,091,329	\$ 2,415,330	\$ 2,779,345	\$ 2,817,673	\$ 2,902,028	\$ 2,789,912
2,260,702	2,257,131	2,465,111	2,506,911	2,530,529	2,701,837
4,352,031	4,672,461	5,244,456	5,324,584	5,432,557	5,491,749
-	-	-	-	-	1,155
-	1,054,000	-	-	-	-
-0-	1,054,000	-0-	-0-	-0-	1,155
4,352,031	5,726,461	5,244,456	5,324,584	5,432,557	5,492,904
<u>\$ (113,696)</u>	<u>\$ 1,309,624</u>	<u>\$ 401,237</u>	<u>\$ 946,625</u>	<u>\$ 761,598</u>	<u>\$ 622,275</u>
\$ 53,855	\$ 10,042	\$ 16,270	\$ 80,003	\$ 81,470	\$ 69,254
48,343	94,065	99,360	109,536	118,958	122,872
102,198	104,107	115,630	189,539	200,428	192,126
<u>\$ (11,498)</u>	<u>\$ 1,413,731</u>	<u>\$ 516,867</u>	<u>\$ 1,136,164</u>	<u>\$ 962,026</u>	<u>\$ 814,401</u>

City of Fenton

FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2005-2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund				
Reserved	\$ 360,433	\$ 97,770	\$ 203,361	\$ 98,144
Unreserved	1,184,321	1,260,154	1,095,887	1,293,699
Nondspendable	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 1,544,754</u>	<u>\$ 1,357,924</u>	<u>\$ 1,299,248</u>	<u>\$ 1,391,843</u>
All other governmental funds				
Reserved	\$ -	\$ 5,875	\$ 7,643	\$ 5,986
Unreserved, reported in:				
Special revenue funds	575,654	567,913	761,036	780,578
Capital project funds	1,274,366	536,764	300,565	479,862
Debt service funds	1,231	-	-	-
Nondspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Total all other governmental funds	<u>\$ 1,851,251</u>	<u>\$ 1,110,552</u>	<u>\$ 1,069,244</u>	<u>\$ 1,266,426</u>

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

2009	2010	2011	2012	2013	2014
\$ 82,747	\$ 233,423	\$ -	\$ -	\$ -	\$ -
1,424,971	1,360,450	-	-	-	-
-	-	34,333	259,318	114,866	128,536
-	-	2,020,003	1,824,928	1,997,467	2,072,217
<u>\$ 1,507,718</u>	<u>\$ 1,593,873</u>	<u>\$ 2,054,336</u>	<u>\$ 2,084,246</u>	<u>\$ 2,112,333</u>	<u>\$ 2,200,753</u>
\$ 2,513	\$ 131,659	\$ -	\$ -	\$ -	\$ -
671,323	699,293	-	-	-	-
466,694	891,260	-	-	-	-
-	-	-	-	-	-
-	-	124,116	109,426	34,844	6,115
-	-	141,844	306,634	342,981	325,746
-	-	1,681,517	2,234,661	2,453,146	2,814,515
<u>\$ 1,140,530</u>	<u>\$ 1,722,212</u>	<u>\$ 1,947,477</u>	<u>\$ 2,650,721</u>	<u>\$ 2,830,971</u>	<u>\$ 3,146,376</u>

City of Fenton

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2005-2014

	2005	2006	2007	2008
Revenues				
Property taxes	\$ 3,962,679	\$ 4,240,619	\$ 4,371,523	\$ 4,469,408
Licenses and permits	188,548	219,417	183,527	192,848
Intergovernmental	1,636,084	1,641,769	1,856,088	2,409,873
Charges for services	850,713	929,924	953,140	990,606
Fines and forfeits	75,657	100,282	98,361	113,225
Interest and rents	72,177	136,634	182,900	165,142
Other	90,817	54,986	70,498	704,615
Total revenues	6,876,675	7,323,631	7,716,037	9,045,717
Expenditures				
Current				
General government	1,368,110	1,480,678	1,545,582	1,351,239
Public safety	2,871,127	3,223,832	3,126,586	3,443,691
Public works	2,109,046	2,058,361	2,301,573	3,492,752
Community and economic development	-	-	-	-
Recreation and culture	225,450	283,553	228,712	229,526
Other	190,793	176,138	172,734	127,621
Capital outlay	62,203	836,131	291,316	18,486
Debt service				
Principal	36,954	145,778	106,933	110,779
Interest and fiscal charges	3,305	30,289	28,766	24,920
Total Expenditures	6,866,988	8,234,760	7,802,202	8,799,014
Excess of revenues over (under) expenditures	9,687	(911,129)	(86,165)	246,703
Other Financing Sources (Uses)				
Debt issuance	900,000	-	-	-
Sale of fixed assets	8,600	-	-	9,100
Transfers in	1,432,490	1,514,587	1,716,000	1,430,197
Transfers out	(1,449,716)	(1,530,987)	(1,729,819)	(1,396,223)
Total other financing sources (uses)	891,374	(16,400)	(13,819)	43,074
Net change in fund balances	901,061	(927,529)	(99,984)	289,777
Fund Balances - Beginning of year	2,494,944	3,396,005	2,468,476	2,368,492
Fund Balances - End of year	<u>\$ 3,396,005</u>	<u>\$ 2,468,476</u>	<u>\$ 2,368,492</u>	<u>\$ 2,658,269</u>
Debt service as a percentage of noncapital expenditures	0.75%	0.64%	3.20%	1.96%

2009	2010	2011	2012	2013	2014
\$ 4,460,368	\$ 4,393,964	\$ 3,911,729	\$ 3,385,278	\$ 3,348,895	\$ 3,322,738
202,728	184,494	218,991	241,133	261,742	385,792
2,224,266	1,614,485	1,642,926	1,763,701	1,770,023	1,958,266
942,784	918,363	949,460	1,017,853	956,694	1,024,081
82,639	60,189	62,174	63,386	69,385	86,273
149,780	87,911	90,649	78,983	75,167	71,163
104,936	88,880	45,928	82,860	138,420	107,841
8,167,501	7,348,286	6,921,857	6,633,194	6,620,326	6,956,154
968,649	983,435	976,708	897,923	931,392	978,534
3,465,217	3,009,260	2,903,285	2,751,813	2,887,330	3,210,569
2,984,733	1,820,818	1,617,583	1,492,077	1,866,562	1,727,676
-	-	107,135	76,674	121,515	120,753
312,942	231,720	217,033	215,869	193,117	197,247
308,798	321,552	305,755	216,098	312,066	239,149
11,498	377,966	-	30,956	-	-
114,763	118,892	89,372	92,371	95,710	110,023
20,936	16,806	19,258	16,259	12,920	9,693
8,187,536	6,880,449	6,236,129	5,790,040	6,420,612	6,593,644
(20,035)	467,837	685,728	843,154	199,714	362,510
-	200,000	-	-	8,623	41,315
-	-	-	-	-	-
1,806,490	1,644,475	1,203,172	1,281,541	1,397,520	835,500
(1,796,476)	(1,644,475)	(1,203,172)	(1,281,541)	(1,397,520)	(835,500)
10,014	200,000	-0-	-0-	8,623	41,315
(10,021)	667,837	685,728	843,154	208,337	403,825
2,658,269	2,648,248	3,316,085	3,891,813	4,734,967	4,943,304
<u>\$ 2,648,248</u>	<u>\$ 3,316,085</u>	<u>\$ 4,001,813</u>	<u>\$ 4,734,967</u>	<u>\$ 4,943,304</u>	<u>\$ 5,347,129</u>
2.16%	1.66%	2.06%	1.85%	1.77%	1.81%

City of Fenton

TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)

2005-2014

Taxable Value by Property Type						
Tax Year	Fiscal Year Ended June 30,	Residential	Commercial	Industrial	Personal Property	Total Value
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
2012	2013	167,761,995	140,539,194	20,001,157	28,211,700	356,514,046
2013	2014	168,560,791	133,698,994	18,859,238	29,956,905	351,075,928

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.

Tax Rate (mills)	Estimated Actual Value	Taxable Value % of Actual
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%
10.62	728,190,650	48.96%
10.62	771,926,770	45.48%

City of Fenton

DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)

2004-2013

Tax Year	Millage Rates - Direct City Taxes			County	Community College	Intermediate School District
	General Operating	Debt	Total Direct Taxes			
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
2012	10.62	0.00	10.62	10.56	2.86	3.53
2013	10.62	0.00	10.62	10.56	2.86	3.53

<u>Overlapping taxes</u>					
<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>
0.39	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
0.37	7.29	6.00	18.00	41.23	59.23
0.37	7.88	6.00	18.00	41.82	59.82

City of Fenton

PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)

June 30, 2014 and 2005

<u>Taxpayer</u>	<u>2014 Taxable Value</u>	<u>Percentage of Total</u>	<u>2005 Taxable Value</u>	<u>Percentage of Total</u>	<u>2005 Rank</u>
Georgetown	\$ 8,668,139	2.43%	\$ 8,247,460	2.09%	1
Walmart	7,352,888	2.06%	4,419,650	1.12%	7
Consumers Energy	6,418,846	1.80%	7,770,210	1.97%	2
Creative Foam	5,398,082	1.51%	4,384,050	1.11%	9
Silver Lake Hills	4,225,900	1.18%	6,095,600	1.55%	4
Centrro Holdings	4,104,071	1.15%	4,468,660	1.13%	14
Regency Realty	4,080,300	1.14%	5,160,400	1.31%	6
New Plan Excel Realty	3,233,800	0.90%	6,055,100	1.54%	5
Target Corporation	2,719,166	0.76%	1,407,280	0.35%	n/a
Kmart Corporation	2,527,132	0.70%	4,415,320	1.12%	8

Note:

Source: Data provided by local assessment records.

City of Fenton

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

2005-2014

<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>
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	92.80%	255,883	3,821,884	99.5%
2012	2013	3,721,272	3,478,670	93.48%	227,994	3,706,664	99.6%
2013	2014	3,668,395	3,468,400	94.55%	192,217	3,660,617	99.8%

Note:

Source: Data provided from local Treasurer's Department.

City of Fenton

RATIOS OF OUTSTANDING DEBT (UNAUDITED)

2005-2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Business-type Activities				
General obligation bonds	11,558,781	9,882,525	9,170,166	8,470,799
Capital improvement bonds	-	-	-	-
Revenue bonds	<u>9,888,759</u>	<u>9,433,759</u>	<u>8,963,759</u>	<u>8,483,759</u>
Total	21,447,540	19,316,284	18,133,925	16,954,558
Component Unit Activities				
General obligation bonds	<u>5,790,000</u>	<u>5,490,000</u>	<u>5,185,000</u>	<u>4,870,000</u>
Total debt of the government	<u>\$ 27,237,540</u>	<u>\$ 24,806,284</u>	<u>\$ 23,318,925</u>	<u>\$ 21,824,558</u>
Total Taxable Value	<u>\$ 393,100,010</u>	<u>\$ 420,817,204</u>	<u>\$ 442,552,747</u>	<u>\$ 468,527,910</u>
Ratio of total debt to taxable value	6.93%	5.89%	5.27%	4.66%
Total debt per capita	\$ 2,574	\$ 2,344	\$ 2,204	\$ 2,062
Personal Income ⁽¹⁾	\$ 28,130	\$ 28,803	\$ 29,347	\$ 29,488
Ratio of total debt to personal income	0.10%	0.12%	0.13%	0.14%

Note:

Source: Actual 2000 and 2010 Census Reports.

(1) Source: Bureau of Economic Analysis. Information is not yet available for 2014.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,701,561	6,903,343	6,076,538	5,216,199	4,319,824	3,385,039
-	-	2,690,000	2,660,000	2,625,000	2,585,000
<u>7,993,759</u>	<u>8,426,110</u>	<u>7,987,142</u>	<u>7,402,142</u>	<u>6,865,790</u>	<u>6,260,790</u>
15,695,320	15,329,453	16,753,680	15,278,341	13,810,614	12,230,829
<u>4,535,000</u>	<u>4,245,000</u>	<u>3,940,000</u>	<u>3,675,000</u>	<u>3,315,000</u>	<u>2,945,000</u>
<u>\$ 20,230,320</u>	<u>\$ 19,574,453</u>	<u>\$ 20,693,680</u>	<u>\$ 18,953,341</u>	<u>\$ 17,125,614</u>	<u>\$ 15,175,829</u>
<u>\$ 463,525,458</u>	<u>\$ 456,841,113</u>	<u>\$ 407,727,266</u>	<u>\$ 367,283,717</u>	<u>\$ 356,514,046</u>	<u>\$ 351,075,928</u>
4.36%	4.28%	5.08%	5.16%	4.92%	4.93%
\$ 1,912	\$ 1,666	\$ 1,762	\$ 1,614	\$ 1,495	\$ 1,292
\$ 29,526	\$ 29,060	\$ 30,542	\$ 31,639	\$ 32,421	N/A
0.15%	0.15%	0.15%	0.17%	0.19%	N/A

City of Fenton

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)

2005-2014

<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>
2005	\$ -	\$ -	\$ -	\$ 11,558,781
2006	-	-	-	9,882,525
2007	-	-	-	9,170,166
2008	-	-	-	8,470,799
2009	-	-	-	7,701,561
2010	-	-	-	6,903,343
2011	-	-	-	6,076,537
2012	-	-	-	5,216,199
2013	-	-	-	4,319,825
2014	-	-	-	3,385,039

Note:

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

<u>Net General Bonded Debt</u>	<u>Estimated Actual Value</u>	<u>Debt as a Percentage of Estimated Actual Value</u>	<u>Population ⁽¹⁾</u>	<u>Debt Per Capita</u>
\$ 11,558,781	\$ 991,013,200	0.0117	10,582	\$ 1,092
9,882,525	1,111,149,236	0.0089	10,582	934
9,170,166	1,158,011,328	0.0079	10,582	867
8,470,799	1,190,025,534	0.0071	10,582	800
7,701,561	1,130,479,218	0.0068	10,582	728
6,903,343	1,062,174,098	0.0065	10,582	652
6,076,537	919,502,852	0.0066	11,746	517
5,216,199	821,974,414	0.0063	11,746	444
4,319,825	728,190,650	0.0059	11,746	368
3,385,039	771,926,770	0.0044	11,746	288

City of Fenton

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

June 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Genesee County	\$ 72,796,764	3.93%	\$ 2,860,913
Mott Community College	46,125,000	3.93%	1,812,713
Holly School District	59,880,107	0.01%	5,988
Fenton School District	42,364,019	48.55%	20,567,731
Lake Fenton School District	18,875,000	4.73%	892,788
Bishop Airport Authority	<u>10,430,000</u>	3.93%	<u>409,899</u>
Total Overlapping Debt	250,470,890		26,550,032
Direct City Debt	<u>3,385,039</u>	100.00%	<u>3,385,039</u>
Total Direct and Overlapping Debt	<u>\$ 253,855,929</u>		<u>\$ 29,935,071</u>

City of Fenton

LEGAL DEBT MARGIN (UNAUDITED)

2005-2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Calculation of debt limit:				
State equalized valuation	\$ 495,506,600	\$ 555,574,618	\$ 579,005,664	\$ 595,012,767
10% of taxable value	49,550,660	55,557,461	57,900,566	59,501,276
Calculation of debt subject to limit:				
Total debt	28,260,461	25,834,772	24,413,373	22,636,714
Less: debt not subject to limit:				
Revenue bonds	<u>9,888,759</u>	<u>9,433,759</u>	<u>8,963,759</u>	<u>8,470,799</u>
Net debt subject to limit	<u>18,371,702</u>	<u>16,401,013</u>	<u>15,449,614</u>	<u>14,165,915</u>
Legal debt margin	<u>\$ 49,550,660</u>	<u>\$ 55,557,461</u>	<u>\$ 57,900,566</u>	<u>\$ 59,501,276</u>
Net debt subject to limit as % of debt limit	37.08%	29.52%	26.68%	23.81%

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 567,344,609	\$ 531,087,049	\$ 459,751,426	\$ 410,987,207	\$ 364,095,325	\$ 385,963,385
56,734,460	53,108,705	45,975,143	41,098,720	36,409,532	38,596,338
21,057,956	20,480,464	21,455,285	19,313,016	17,125,615	15,584,110
<u>7,701,561</u>	<u>8,426,110</u>	<u>7,987,142</u>	<u>7,402,142</u>	<u>6,865,790</u>	<u>6,260,790</u>
<u>13,356,395</u>	<u>12,054,354</u>	<u>13,468,143</u>	<u>11,910,874</u>	<u>10,259,825</u>	<u>9,323,320</u>
<u>\$ 56,734,460</u>	<u>\$ 53,108,705</u>	<u>\$ 45,975,143</u>	<u>\$ 41,098,720</u>	<u>\$ 36,409,532</u>	<u>\$ 38,596,338</u>
23.54%	22.70%	29.29%	28.98%	28.18%	24.16%

City of Fenton

PLEGGED-REVENUE COVERAGE (UNAUDITED)

2005-2014

Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Water Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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	216,257	1.17
2012	2,950,604	1,513,113	1,437,491	565,000	329,463	1.61
2013	3,045,284	1,726,019	1,319,265	580,000	315,762	1.47
2014	2,921,725	1,714,538	1,207,187	595,000	305,115	1.34

Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Sewer Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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	324,935	1.05
2012	2,563,519	1,209,474	1,354,045	910,339	286,531	1.13
2013	2,587,701	1,233,798	1,353,903	946,375	248,044	1.13
2014	2,763,304	1,556,720	1,206,584	984,785	206,368	1.01

City of Fenton

DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)

2005-2014

<u>Fiscal Year</u>	<u>Population ⁽¹⁾</u>	<u>Personal* Income (in thousands)</u>	<u>Per Capita ⁽²⁾ Personal Income</u>	<u>Unemployment Rate ⁽³⁾</u>
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	29,060	14.1
2011	11,746	13,004,500	30,542	11.4
2012	11,746	13,406,200	31,639	8.7
2013	11,746	13,565,279	32,421	6.2
2014	11,746	N/A	N/A	N/A

Note:

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

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

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

City of Fenton

PRINCIPAL EMPLOYMENT INDUSTRIES (UNAUDITED)

June 30, 2014

Industry	2014 Number of Jobs ⁽¹⁾	Percentage of Total	2004 Number of Jobs ⁽¹⁾	Percentage of Total
Trade, Transportation, and Utilities	29,800	21.88%	31,800	20.27%
Education and Health Services	26,000	19.09%	25,000	15.93%
Government	18,700	13.73%	24,500	15.62%
Manufacturing	11,900	8.74%	23,500	14.98%
Leisure and Hospitality	14,800	10.87%	15,500	9.88%
Professional and Business Services	14,700	10.79%	13,300	8.48%
Natural Resources, Mining, and Construction	4,200	3.08%	6,700	4.27%
Other Services	5,500	4.04%	7,000	4.46%
Financial Activities	6,300	4.63%	7,400	4.72%
Information	4,300	3.15%	2,200	1.39%
Total	136,200	1.00	156,900	1.00

Note:

Source: Michigan Department of Technology, Management & Budget
Data for Genesee County

City of Fenton

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES (UNAUDITED)

2005-2014

Function/Program	2005	2006	2007	2008
General government	14	14	14	13
Public safety:				
Police	21	21	21	21
Building inspection	2	2	2	2
Fire	1	1	1	1
Public works:				
DPW	8	8	8	8
Water and sewer	10	10	10	10
Total	56	56	56	55

2009	2010	2011	2012	2013	2014
11	10	11	10	13	12
19	18	16	15	15	17
1	1	1	1	1	1
1	1	1	1	1	1
7	8	8	8	8	8
9	8	8	8	8	8
48	46	45	43	46	47

City of Fenton

OPERATING INDICATORS (UNAUDITED)

2005-2014

Function/ program	2005	2006	2007	2008
Election data				
Registered voters	8,887	8,768	9,094	8,783
Voters (at the polls or absentee)	939	4,207	721	1,005
Percent voting	10.57%	47.98%	7.93%	11.44%
Police				
Physical arrests	866	985	1,162	1,175
Traffic violations	2,207	2,046	2,019	2,020
Investigations	8,690	8,623	9,144	9,100
Fire				
Fire runs	333	360	381	389
Emergency medical runs	128	133	141	162
Inspections	30	25	30	500
Public works				
Miles of street resurfaced	1.75	0.43	1.10	1.40
Water				
Number of customers billed	3,655	3,700	3,746	3,759
Total consumption*	402,686	356,301	361,320	360,325
Average consumption per user	110	96	96	96
Sewer				
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

2009	2010	2011	2012	2013	2014
8,882	8,812	9,211	9,198	9,407	9,438
1,437	2,346	2,148	2,146	5,852	1,105
16.18%	26.62%	23.32%	23.33%	62.20%	11.71%
813	870	633	481	664	470
1,596	1,429	1,368	1,808	2,140	1,675
9,635	9,725	10,458	9,603	8,818	10,767
412	497	326	304	259	298
170	147	140	150	181	198
250	50	50	125	100	200
1.16	1.8	1.8	1.80	1.60	-0-
3,480	3,485	3,469	3,501	3,494	3,509
313,909	299,308	295,980	307,881	320,124	287,802
90	86	85	88	91	82
N/A	N/A	N/A	N/A	N/A	N/A

City of Fenton

CAPITAL ASSETS STATISTICS (UNAUDITED)

2005-2014

Function/ program	2005	2006	2007	2008
Police				
Stations	1	1	1	1
Patrol units	9	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)	64	64	64	64
Fire hydrants				
Storage capacity	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.
Sewer				
Miles of sanitary sewers	56	56	56	56
Miles of storm sewers	39	39	39	39

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
9	9	9	9	9	9
1	1	1	1	1	1
8	8	8	8	8	8
15.22	18.69	18.69	18.69	18.69	18.69
31.60	35.05	35.05	35.05	35.05	35.05
172	172	172	172	172	172
17	17	17	17	17	17
1	1	1	1	1	1
64	64	64	64	64	64
1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal.
56	56	56	56	56	56
39	39	39	39	39	39