

CITY OF FENTON, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2015

Prepared by:
Treasurer's Department

Cynthia A. Shane
City Treasurer

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2015

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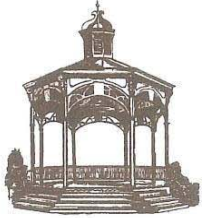
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INTRODUCTORY SECTION



City of Fenton

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

December 16, 2015

Honorable Mayor Osborn and 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, 2015 (FY 15). 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 and generally accepted accounting principles. We can point with some pride that for twenty-seven 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 27th 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.

Member Michigan Municipal League

The City of Fenton has ended the fiscal year in stable financial condition and the economy in the community has improved. Several businesses have remodeled or updated their facilities and new businesses come into the community including Wellbridge of Fenton, Rough Draft, Sawyers Jewelry, Sagano Japanese Bistro, Salon 416, 50 Sips of Wine and several others. In the Industrial Park Client Financial Services purchased and remodeled the old VG's office building they now employ approximately 160 people at that site.

During this fiscal year the City of Fenton Downtown Development Authority (DDA) was very active. Construction was completed on a four-story 47,000 square foot building at the corner of Silver Lake Road and S. Leroy Street. The building is occupied by a Japanese steakhouse, jewelry store, café and an upscale salon on the first floor. The remaining three floors has 23 condominiums.

Construction has also been completed on an addition to the Fenton Community and Cultural Center with a total cost of \$1.8 million. The DDA committed \$1.3 million for the project along with several donations from business and individuals and many other donations.

In spring of 2015, construction began on the Downtown Streetscape project. The project is anticipated to cost approximately \$5 million with 40% coming from federal grants and the remaining financed with the sale of bonds to be paid by the DDA. Once completed, the City of Fenton will have a more active, vibrant, and walkable downtown.

The recovery of real estate values and home ownership has continued to improve. New home construction has returned to the community. The number of new homes being built in the city will continue to increase as the economy continues to improve. The city has ownership of several parcels in some new developments. The city acquired these properties during the recession because of non-payment of property taxes. These parcels represent an opportunity for new homes and additional income for the city from the sale of the property. Once the properties are developed, the city will benefit from an increase in the collection of property taxes of the newly constructed homes. 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 cost reductions to address the economic challenges we face. Wherever possible the City has made use of grants, 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.

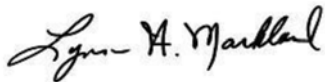
In December of 2013, the City of Fenton hosted a community forum to provide public input to develop a strategic plan for the City of Fenton. The public participation was excellent with a great turnout of residents and business related individuals. Several projects were identified for improvements. The 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 15 budget. The Library was improved during FY 15. The Downtown Development Authority invested over \$300,000 of improvements in the Library, which is located in the downtown district.

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,

A handwritten signature in cursive script that reads "Lynn A. Markland".

Lynn Markland
City Manager



City of Fenton

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

December 16, 2015

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, 2015 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.

Member Michigan Municipal League

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.

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.

Standard and Poor's reviewed the City of Fenton credit rating in 2014. The credit rating was remained at 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-Winegarden library underwent extensive renovations in FYE 15. The renovations consisted of new furnishings, shelving, painting, flooring, plumbing and electrical upgrades. The Downtown Development Authority (DDA) funded the majority of the upgrades. The library receives about 387 visits daily while averaging 115,000 annually and is located in downtown Fenton.

The Fenton Streetscape project began in April and will run through November. The project is a reconstruction of the downtown district's roads, sidewalks, and aesthetics. New water mains and storm sewers will be added. Forty percent of the \$5.2 million project is funded through grants from the State of Michigan and Federal Highway Fund. The DDA will fund \$3 million of the project's cost.

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.

The renovation and addition to the Community and Cultural Center was completed in FYE 15. This project cost 1.8 million, funded by the DDA and private donations from the community. The addition includes two studios dedicated to arts and culture. Also included in the project was 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 was completed. The Cornerstone Project is a 4 story, 48,000 square foot building with an approximated cash value of \$5.2 million. The first floor includes retail and dining and 23 residential units on the upper floors. Corlin Builders received 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 funded \$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 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 2014-15 Local Street Improvements consisted of resurfacing, curb and gutter for Outer, Vassar, Summit, and Plateau Drives at the cost of \$660,000. This was funded by the City of Fenton Capital Improvement Fund.

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.

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 2016. This project will be the third bridge in the City to have received the local bridge funding.

The City has ordered and placed a 50% deposit on a custom built mini fire pumper. The cost of the pumper is \$223,800 and is funded by the Fire Truck Capital Fund. The pumper should be completed in the fall of 2015.

Fenton aims to develop a second Cornerstone-type building on downtown property. The City has requested proposals to redevelop property next to the Cornerstone Building. The City owns the property which is an old strip mall. The plan is to place a parking lot where the strip mall sits, while putting a new building toward the street of the 7,500-square-foot property, turning it into a multi-story, mixed-use building with retail or restaurant on the first floor and office and/or residential on the upper floors.

The improvements in the downtown area have sparked interest from private development. Skypoint Ventures purchased the Fenton Bean Co., built in 1856. They are renovating this building into an outfitter shop. Skypoint Ventures also purchased the strip mall next to the site of the second Cornerstone-type building. Plans are to remove the south end of the mall and expand Caroline Street through that property, connecting the east and west parts of that street. A former collision shop and gas station on the main intersection of Silver Lake Road and Leroy Street has been purchased and the building demolished by Skypoint Ventures. Plans to construct a new building on this property are underway.

LaJoice Properties have purchased the property at 225 West Caroline previously known as the Topps Market and Laundry King. The building has been demolished and plans to build a multi-floor, mixed-use development including residential space are underway. This development has been designed with the community in mind and will create many jobs and locations for new businesses in the City of Fenton.

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 "unqualified opinion" from Abraham & Gaffney, P.C. Certified Public Accountants. An unqualified opinion is the best opinion that an organization can receive on its financial statements. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects.


Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the *City of Fenton* for its comprehensive annual financial report for the fiscal year ended June 30, 2014. 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-seven 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, 2014

Executive Director/CEO

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2015

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

Mike Reilly, 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**

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

City Attorney

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



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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, 2015, 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, 2015, 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.

Change in Accounting Principles

As discussed in Note O to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note O to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension and OPEB schedules, 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'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, 2015

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 viii 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 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund and Local Street Fund which are considered to be major funds. Data for the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City of Fenton uses Enterprise Funds to account for its water and sewer operations. These funds are considered major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate cost internally among various functions. The City of Fenton uses an Internal Service Fund to account for its equipment usage and also to accumulate resources for employee sick pay. Because this program predominantly 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	
	2014	2015	2014	2015	2014	2015
Current & other assets	\$ 7.2	\$ 7.6	\$ 6.5	\$ 6.2	\$ 13.7	\$ 13.8
Capital assets	14.8	18.0	35.1	33.5	49.9	51.5
Total assets	22.0	25.6	41.6	39.7	63.6	65.3
Deferred outflows of resources	0.2	0.3	-	0.1	0.2	0.4
Long-term liabilities	4.9	5.5	12.2	10.6	17.1	16.1
Other liabilities	1.0	1.0	2.2	2.8	3.2	3.8
Total liabilities	5.9	6.5	14.4	13.4	20.3	19.9
Net position:						
Net investment in capital assets	14.6	18.0	22.9	22.9	37.5	40.9
Restricted	0.3	0.4	0.9	0.7	1.2	1.1
Unrestricted	1.4	1.0	3.4	2.8	4.8	3.8
Total net position	\$ 16.3	\$ 19.4	\$ 27.2	\$ 26.4	\$ 43.5	\$ 45.8

The City's combined net position increased 5.3 percent from a year ago, increasing from \$43.5 million to \$45.8 million. A review of the governmental activities, separate from the business-type activities, shows the net position increased from \$16.3 million to \$19.4 million during fiscal year 2015. The capital assets increased by 3.2 million, the improvements by the DDA to the Community Center and the Library were donated to the City. Local street improvements also increased these assets. 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 \$1.0 million at June 30, 2015. The business-type activities experienced a decrease in net position of approximately \$.8 million or 3.0 percent.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time.

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	
	2014	2015	2014	2015	2014	2015
Revenue						
Program revenue:						
Charges for services	\$ 1.6	\$ 1.5	\$ 5.5	\$ 5.5	\$ 7.1	\$ 7.0
Operating grants and Contributions	1.1	1.0	0.0	0.0	1.1	1.0
Capital grants and Contributions	0.1	2.3	0.0	0.0	0.1	2.3
General revenue:						
Property taxes	3.3	3.4	0.0	0.0	3.3	3.4
State-shared revenue	0.9	0.9	0.0	0.0	0.9	0.9
Unrestricted						
Miscellaneous	0.0	0.0	0.1	0.0	0.1	0.0
Investment earnings	0.0	0.0	0.0	0.1	0.0	0.1
Total revenue	7.0	9.1	5.6	5.6	12.6	14.7
Program Expenses						
General government	1.2	0.9	0.0	0.0	1.2	0.9
Public safety	3.9	3.4	0.0	0.0	3.9	3.4
Public works	1.9	1.7	0.0	0.0	1.9	1.7
Parks & recreation	0.2	0.2	0.0	0.0	0.2	0.2
Community service	0.1	0.0	0.0	0.0	0.1	0.0
Interest on long-term debt	0.0	0.0	0.0	0.0	0.0	0.0
Water	0.0	0.0	2.5	2.8	2.5	2.8
Sewer	0.0	0.0	2.4	2.4	2.4	2.4
Total program expenses	7.3	6.2	4.9	5.2	12.2	11.4
Change in Net Position	(0.3)	2.9	0.7	0.4	0.4	3.3
Net position						
Beginning of year, as previously stated	19.8	19.5	27.4	28.1	47.2	47.6
Restatement for GASB 68	0.0	(3.2)	0.0	(0.9)	0.0	(4.1)
Prior period adjustment	0.0	0.2	0.0	(1.2)	0.0	(1.0)
Ending Net Position	\$ 19.5	\$ 19.4	\$ 28.1	\$ 26.4	\$ 47.6	\$ 45.8

Governmental Activities

The City's total governmental revenues increased due to fixed asset contributions received from the Downtown Development Authority.

Expenses decreased by approximately \$1.1 million, or fifteen (15) percent, from last fiscal year. This decrease resulted from fewer fire runs from the previous year. A milder winter reduced winter maintenance to streets and utility expenses for heating buildings. Also the falling of the price of gasoline for vehicles reduced the City's operating expenses.

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 increased by 12% this fiscal year due to the increased costs of the chemicals to treat the water and a lagoon was drained at the water plant.

The City is a participant in a county-wide sanitary sewer construction program under Act 342 Michigan Compiled Laws. The City contracts with Genesee County Water and Waste Services for the operation of the plant. The City has pledged the full faith and credit of the City for the payment of the City's share of principal and interest payments. The assets and liabilities relating to those contracts have been recorded in the Sewer Fund. The City of Fenton, Fenton Township, and City of Linden share a plant located in Fenton Township. The City's proportionate share of the operating costs of the plant is covered by our sewer rates. The expenses for the Sewer Fund remained the same FYE 15. During FY 2015, \$546,425 in operating income was incurred in the Sewer Fund and \$225,464 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 funds for 2015 were the General Fund and Local Street Fund.

The General Fund pays for most of the City's governmental services. The most significant of these are police and fire services, which incurred expenditures of \$2.8 million in 2015. The general operating millage levied by the City supports these two services. FY 2015 revenues decreased in the General Fund by \$60,118. The decrease resulted from the decreases in building permits of \$48,000 and the Fire Run revenue from Tyrone Township decreased by \$52,000. The General expenditures, excluding transfers out, decreased by \$23,192. This decrease was mainly from decreased wages in the Fire Department. Fund Balance in the General Fund increased by \$68,296.

General Fund Budgetary Highlights

Over the course of the year, City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. At year end, actual General Fund revenues were under budget by \$(25,221). Expenditures were \$151,570 under budget. Various departments contributed to the positive budget variance.

Capital Assets and Debt Administration

At the end of fiscal 2015, the City had \$52.2 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 \$7.1 million and \$7.2 million for fiscal 2014 and 2015, respectively.

	Governmental Activities	Business-Type Activities	Component Unit Activities	Total
Land	\$ 1,605,104	\$ 190,930	\$ 425,000	\$ 2,221,034
Construction in progress	1,951,064	699,057	-	2,650,121
Buildings, net	5,892,710	-	289,447	6,182,157
Building and land improvements, net	60,070	6,868,871	-	6,928,941
Machinery, vehicles and equipment, net	1,339,380	44,156	-	1,383,536
Roads, lights, and bridges, net	7,227,554	-	-	7,227,554
Sewer and water lines, net	-	25,654,905	-	25,654,905
Capital assets, net	\$ 18,075,882	\$ 33,457,919	\$ 714,447	\$ 52,248,248

At the end of the 2015 fiscal year, the City of Fenton (primary government) had net outstanding debt of \$10,948,501. 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 \$1,800,632 during the fiscal year.

Standard and poor's reviewed the City of Fenton credit rating during FY 2015. 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:

	2014	2015
Net direct bonded debt	\$ 3,385,039	\$ 2,406,770
Ratio of debt to assessed valuation	0.0044	0.0031
Debt per capita	\$ 288	\$ 205

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 2014 and 2015 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 2014 under Proposal A was only 1.6 percent. Property taxes make up 65 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 2016 is structured so that revenues exceed expenditures by \$11,930. 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, 2015

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets				
Cash	\$ 5,403,384	\$ 3,521,161	\$ 8,924,545	\$ 4,598,449
Cash - restricted	-	496,760	496,760	-
Investments	253,042	-	253,042	-
Investments - restricted	-	221,381	221,381	-
Receivables	1,199,444	1,809,769	3,009,213	370,487
Due from other governmental units	444,728	-	444,728	18,474
Internal balances	(127,533)	127,533	-0-	-
Inventories	46,746	32,472	79,218	-
Prepays	287,322	37,510	324,832	14,250
Assets held for resale	65,432	-	65,432	-
Total current assets	7,572,565	6,246,586	13,819,151	5,001,660
Noncurrent assets				
Capital assets not being depreciated	3,556,168	889,987	4,446,155	425,000
Capital assets, net of accumulated depreciation	14,519,714	32,567,932	47,087,646	289,447
Total noncurrent assets	18,075,882	33,457,919	51,533,801	714,447
TOTAL ASSETS	25,648,447	39,704,505	65,352,952	5,716,107
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	292,769	83,396	376,165	-
Deferred charges on refunding of bonds	-	-	-0-	52,327
TOTAL DEFERRED OUTFLOWS OF RESOURCES	292,769	83,396	376,165	52,327
LIABILITIES				
Current liabilities				
Accounts payable	303,200	954,758	1,257,958	599,816
Accrued wages	146,494	33,204	179,698	2,602
Deposits payable	331,512	-	331,512	-
Due to other governmental units	117,697	-	117,697	970
Accrued interest payable	1,722	82,203	83,925	47,471
Unearned revenue	10,160	-	10,160	-
Current portion of compensated absences	48,861	6,399	55,260	-
Current portion of long-term debt	42,400	1,678,897	1,721,297	554,915
Total current liabilities	1,002,046	2,755,461	3,757,507	1,205,774
Noncurrent liabilities				
Meter deposits	-	4,628	4,628	-
Noncurrent portion of compensated absences	195,443	25,595	221,038	-
Noncurrent portion of long-term debt	42,243	8,908,663	8,950,906	5,899,732
Net pension liability	3,665,254	1,044,054	4,709,308	-
Net other post-employment benefit obligation	1,610,367	666,370	2,276,737	-
Total noncurrent liabilities	5,513,307	10,649,310	16,162,617	5,899,732
TOTAL LIABILITIES	6,515,353	13,404,771	19,920,124	7,105,506
NET POSITION				
Net investment in capital assets	17,991,239	22,870,359	40,861,598	714,447
Restricted				
Highways and streets	444,723	-	444,723	-
Public safety	22,246	-	22,246	-
Bond reserve	-	718,141	718,141	-
Unrestricted	967,655	2,794,630	3,762,285	(2,051,519)
TOTAL NET POSITION	\$ 19,425,863	\$ 26,383,130	\$ 45,808,993	\$ (1,337,072)

See accompanying notes to financial statements.

City of Fenton
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

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	\$ 901,765	\$ 276,839	\$ 13,985	\$ -	\$ (610,941)	\$ -	\$ (610,941)	\$ -
Public safety	3,435,808	640,201	45,227	50,000	(2,700,380)	-	(2,700,380)	-
Public works	1,674,754	515,954	836,225	108,197	(214,378)	-	(214,378)	-
Community and economic development	80,389	-	130,597	-	50,208	-	50,208	-
Recreation and culture	197,997	33,609	1,826	2,141,974	1,979,412	-	1,979,412	-
Interest and fees on long-term debt	2,685	-	-	-	(2,685)	-	(2,685)	-
Total governmental activities	6,293,398	1,466,603	1,027,860	2,300,171	(1,498,764)	-0-	(1,498,764)	-0-
Business-type activities								
Sewer	2,443,606	2,775,942	-	-	-	332,336	332,336	-
Water	2,798,558	2,682,329	-	-	-	(116,229)	(116,229)	-
Total business-type activities	5,242,164	5,458,271	-0-	-0-	-0-	216,107	216,107	-0-
Total primary government	\$ 11,535,562	\$ 6,924,874	\$ 1,027,860	\$ 2,300,171	(1,498,764)	216,107	(1,282,657)	-0-
Component units								
Downtown development authority	\$ 4,656,650	\$ -	\$ 718,917	\$ -	-	-	-0-	(3,937,733)
Local development finance authority	109,079	-	-	-	-	-	-0-	(109,079)
Total component units	\$ 4,765,729	\$ -0-	\$ 718,917	\$ -0-	-0-	-0-	-0-	(4,046,812)
General revenues								
Property taxes					3,424,206	-	3,424,206	1,414,616
State shared revenue					934,921	-	934,921	-
Investment earnings					865	68,472	69,337	5,795
Miscellaneous					79,943	106,024	185,967	-
Total general revenues					4,439,935	174,496	4,614,431	1,420,411
Change in net position					2,941,171	390,603	3,331,774	(2,626,401)
Restated net position, beginning of the year					16,235,542	27,242,407	43,477,949	1,538,479
Prior period adjustments					249,150	(1,249,880)	(1,000,730)	(249,150)
Net position, end of the year					\$ 19,425,863	\$ 26,383,130	\$ 45,808,993	\$ (1,337,072)

See accompanying notes to financial statements.

City of Fenton

Governmental Funds

BALANCE SHEET

June 30, 2015

	General	Local Street	Nonmajor Governmental Funds	Total
ASSETS				
Cash	\$ 1,928,163	\$ 71,966	\$ 2,565,103	\$ 4,565,232
Investments	253,042	-	-	253,042
Receivables				
Accounts	309,348	30,671	693,224	1,033,243
Taxes	134,424	-	-	134,424
Special assessments	15,096	-	16,641	31,737
Due from other funds	30,201	-	4,219	34,420
Due from other governmental units	299,728	50,755	94,245	444,728
Inventories	43,673	-	3,073	46,746
Prepays	162,171	-	111,901	274,072
Assets held for resale	-	-	65,432	65,432
TOTAL ASSETS	\$ 3,175,846	\$ 153,392	\$ 3,553,838	\$ 6,883,076
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 155,088	\$ 1,843	\$ 99,244	\$ 256,175
Accrued wages	123,690	6,705	15,753	146,148
Deposits payable	331,512	-	-	331,512
Due to other funds	25,241	-	131,647	156,888
Unearned revenue	-	-	10,160	10,160
Due to other governmental units	99,223	-	18,474	117,697
TOTAL LIABILITIES	734,754	8,548	275,278	1,018,580
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	172,043	-	550,186	722,229
FUND BALANCES				
Nonspendable	205,844	-	180,406	386,250
Restricted	-	144,844	322,125	466,969
Committed	-	-	2,225,843	2,225,843
Unassigned	2,063,205	-	-	2,063,205
TOTAL FUND BALANCES	2,269,049	144,844	2,728,374	5,142,267
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,175,846	\$ 153,392	\$ 3,553,838	\$ 6,883,076

See accompanying notes to financial statements.

City of Fenton

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

June 30, 2015

Total fund balances - governmental funds \$ 5,142,267

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	\$ 27,356,911	
Accumulated depreciation is	<u>(9,281,029)</u>	
Capital assets, net		18,075,882

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	856,915	
Add: compensated absences included in total below	178,565	
Less: net capital assets included in totals above	<u>(236,474)</u>	
		799,006

Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds. 722,229

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	292,769
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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	(84,643)	
Compensated absences	(244,304)	
Accrued interest payable	(1,722)	
Net pension liability	(3,665,254)	
Net other post-employment benefit obligation	<u>(1,610,367)</u>	
		<u>(5,606,290)</u>

Net position of governmental activities \$ 19,425,863

City of Fenton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General	Local Street	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 3,424,206	\$ -	\$ -	\$ 3,424,206
Licenses and permits	361,176	-	-	361,176
Intergovernmental	957,499	310,250	851,598	2,119,347
Charges for services	315,825	-	636,859	952,684
Fines and forfeits	56,117	-	-	56,117
Interest and rents	59,069	12	6,495	65,576
Other	55,541	8,651	51,296	115,488
TOTAL REVENUES	5,229,433	318,913	1,546,248	7,094,594
EXPENDITURES				
Current				
General government	989,492	-	47,018	1,036,510
Public safety	2,806,187	-	298,416	3,104,603
Public works	256,140	1,076,676	1,031,547	2,364,363
Community and economic development	42,689	-	69,655	112,344
Recreation and culture	75,650	-	163,172	238,822
Other	285,125	-	-	285,125
Debt service	11,086	-	108,630	119,716
Capital outlay	-	-	38,088	38,088
TOTAL EXPENDITURES	4,466,369	1,076,676	1,756,526	7,299,571
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	763,064	(757,763)	(210,278)	(204,977)
OTHER FINANCING SOURCES (USES)				
Transfers in	115	799,108	656,506	1,455,729
Transfers out	(694,883)	-	(760,731)	(1,455,614)
TOTAL OTHER FINANCING SOURCES (USES)	(694,768)	799,108	(104,225)	115
NET CHANGE IN FUND BALANCES	68,296	41,345	(314,503)	(204,862)
Fund balances, beginning of year	2,200,753	103,499	3,042,877	5,347,129
Fund balances, end of year	<u>\$ 2,269,049</u>	<u>\$ 144,844</u>	<u>\$ 2,728,374</u>	<u>\$ 5,142,267</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, 2015

Net change in fund balances - total governmental funds \$ (204,862)

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	\$ 1,819,569	
Depreciation expense	<u>(928,315)</u>	
Excess of capital outlay over depreciation expense		891,254

The net effect of contributions of capital assets is to increase net position: 2,139,974

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	67,231	
Less: Increase in capital assets included above	(132,823)	
Less: Decrease in compensated absences included below	<u>(10,663)</u>	
		(76,255)

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	102,756	
Capital leases	<u>12,648</u>	
		115,404

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	1,627	
Decrease in compensated absences	5,981	
Increase in unavailable revenue	535,217	
(Increase) in net pension liability	(239,724)	
Increase in deferred outflows of resources	116,096	
(Increase) in net other post-employment benefit obligation	<u>(343,541)</u>	
		<u>75,656</u>

Change in net position of governmental activities \$ 2,941,171

City of Fenton

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2015

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
ASSETS				
Current assets				
Cash	\$ 1,666,758	\$ 1,854,403	\$ 3,521,161	\$ 838,152
Cash - restricted	-	496,760	496,760	-
Investments - restricted	-	221,381	221,381	-
Accounts receivable	903,465	906,304	1,809,769	40
Due from other funds	121,958	6,909	128,867	1,317
Inventories	-	32,472	32,472	-
Prepays	12,300	25,210	37,510	13,250
Total current assets	2,704,481	3,543,439	6,247,920	852,759
Noncurrent assets				
Capital assets not being depreciated	466,429	423,558	889,987	-
Capital assets, net of accumulated depreciation	18,423,330	14,144,602	32,567,932	236,474
Total noncurrent assets	18,889,759	14,568,160	33,457,919	236,474
TOTAL ASSETS	21,594,240	18,111,599	39,705,839	1,089,233
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	9,216	74,180	83,396	-
LIABILITIES				
Current liabilities				
Accounts payable	542,238	412,520	954,758	47,025
Accrued wages	13,105	20,099	33,204	346
Accrued interest payable	31,264	50,939	82,203	-
Due to other funds	939	395	1,334	6,382
Current portion of compensated absences	499	5,900	6,399	35,690
Current portion of long-term debt	1,053,897	625,000	1,678,897	-
Total current liabilities	1,641,942	1,114,853	2,756,795	89,443
Noncurrent liabilities				
Meter deposits	-	4,628	4,628	-
Noncurrent portion of compensated absences	1,996	23,599	25,595	142,875
Noncurrent portion of long-term debt	2,224,905	6,683,758	8,908,663	-
Net pension liability	115,378	928,676	1,044,054	-
Net other post-employment benefit obligation	185,520	480,850	666,370	-
Total noncurrent liabilities	2,527,799	8,121,511	10,649,310	142,875
TOTAL LIABILITIES	4,169,741	9,236,364	13,406,105	232,318
NET POSITION				
Net investment in capital assets	15,610,957	7,259,402	22,870,359	236,474
Restricted for bond reserve	-	718,141	718,141	-
Unrestricted	1,822,758	971,872	2,794,630	620,441
TOTAL NET POSITION	\$ 17,433,715	\$ 8,949,415	\$ 26,383,130	\$ 856,915

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
OPERATING REVENUES				
Charges for services	\$ 2,775,942	\$ 2,682,329	\$ 5,458,271	\$ 355,472
Other	52,605	53,419	106,024	1,633
TOTAL OPERATING REVENUES	2,828,547	2,735,748	5,564,295	357,105
OPERATING EXPENSES				
Personnel services	200,257	981,815	1,182,072	21,927
Professional services	1,383,563	122,204	1,505,767	-
Operating supplies	22,564	635,301	657,865	35,184
Fuel and utilities	23,989	148,707	172,696	75,726
Repairs and maintenance	7,252	55,325	62,577	54,212
Equipment and building rent	51,333	32,785	84,118	41,213
Insurance	12,800	23,990	36,790	13,000
Depreciation	561,939	509,709	1,071,648	54,890
Other	18,425	448	18,873	-
TOTAL OPERATING EXPENSES	2,282,122	2,510,284	4,792,406	296,152
OPERATING INCOME	546,425	225,464	771,889	60,953
NONOPERATING REVENUES (EXPENSES)				
Interest earned	752	67,720	68,472	113
Gain on sale of assets	-	-	-0-	6,280
Interest expense and fees	(161,484)	(288,274)	(449,758)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(160,732)	(220,554)	(381,286)	6,393
INCOME BEFORE TRANSFERS	385,693	4,910	390,603	67,346
TRANSFERS				
Transfers out	-	-	-0-	(115)
CHANGE IN NET POSITION	385,693	4,910	390,603	67,231
Restated net position, beginning of year	18,297,902	8,944,505	27,242,407	789,684
Prior period adjustment	(1,249,880)	-	(1,249,880)	-
Net position, end of year	\$ 17,433,715	\$ 8,949,415	\$ 26,383,130	\$ 856,915

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 2,837,555	\$ 2,772,406	\$ 5,609,961	\$ -
Cash receipts from interfund services provided	18,469	-	18,469	379,329
Cash payments for interfund services used	-	(4,049)	(4,049)	-
Cash paid to suppliers	(1,316,073)	(678,463)	(1,994,536)	(212,417)
Cash paid to employees	(206,363)	(952,489)	(1,158,852)	(32,401)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,333,588	1,137,405	2,470,993	134,511
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	-	(115)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(308,626)	(375,961)	(684,587)	(187,713)
Proceeds from sale of assets	-	-	-0-	6,280
Interest and fees paid	(173,329)	(292,074)	(465,403)	-
Payments on borrowings	(1,028,269)	(615,000)	(1,643,269)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,510,224)	(1,283,035)	(2,793,259)	(181,433)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(250)	(250)	-
Interest received	752	67,720	68,472	113
NET CASH PROVIDED BY INVESTING ACTIVITIES	752	67,470	68,222	113
NET (DECREASE) IN CASH	(175,884)	(78,160)	(254,044)	(46,924)
Cash, beginning of year	1,842,642	2,429,323	4,271,965	885,076
Cash, end of year	<u>\$ 1,666,758</u>	<u>\$ 2,351,163</u>	<u>\$ 4,017,921</u>	<u>\$ 838,152</u>

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended June 30, 2015

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Internal Service
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 546,425	\$ 225,464	\$ 771,889	\$ 60,953
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	561,939	509,709	1,071,648	54,890
(Increase) decrease in:				
Accounts receivable	9,008	36,408	45,416	4,399
Due from other funds	36,238	13,808	50,046	11,443
Inventories	-	(1,021)	(1,021)	-
Prepays	(12,300)	(25,210)	(37,510)	(13,250)
Deferred outflow of resources related to pensions	(3,655)	(29,416)	(33,071)	-
Increase (decrease) in:				
Accounts payable	212,262	335,204	547,466	20,168
Accrued wages	10,509	6,153	16,662	189
Meter deposits	-	250	250	-
Compensated absences	(24,575)	(11,403)	(35,978)	(10,663)
Net other post-employment benefit obligation	7,960	34,576	42,536	-
Net pension liability	7,546	60,740	68,286	-
Due to other funds	(17,769)	(17,857)	(35,626)	6,382
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,333,588	\$ 1,137,405	\$ 2,470,993	\$ 134,511

See accompanying notes to financial statements.

City of Fenton

Fiduciary Funds

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 107,724
Due from other governmental units	<u>969</u>
TOTAL ASSETS	<u>\$ 108,693</u>
LIABILITIES	
Due to other governmental units	\$ 86,088
Due to union groups	8,400
Due to individuals and agencies	<u>14,205</u>
TOTAL LIABILITIES	<u>\$ 108,693</u>

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash	\$ 3,475,537	\$ 1,122,912	\$ 4,598,449
Accounts receivable	170,487	-	170,487
Note receivable	200,000	-	200,000
Due from other governmental units	18,474	-	18,474
Prepays	14,250	-	14,250
Total current assets	3,878,748	1,122,912	5,001,660
Noncurrent assets			
Capital assets not being depreciated	425,000	-	425,000
Capital assets, net of accumulated depreciation	289,447	-	289,447
Total noncurrent assets	714,447	-0-	714,447
TOTAL ASSETS	4,593,195	1,122,912	5,716,107
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on bond issuances	52,327	-	52,327
LIABILITIES			
Current liabilities			
Accounts payable	599,415	401	599,816
Accrued wages	1,530	1,072	2,602
Due to other governmental units	485	485	970
Accrued interest payable	47,471	-	47,471
Current portion of long-term debt	554,915	-	554,915
Total current liabilities	1,203,816	1,958	1,205,774
Noncurrent liabilities			
Noncurrent portion of long-term debt	5,899,732	-	5,899,732
TOTAL LIABILITIES	7,103,548	1,958	7,105,506
NET POSITION			
Investment in capital assets	714,447	-	714,447
Unrestricted	(3,172,473)	1,120,954	(2,051,519)
TOTAL NET POSITION	\$ (2,458,026)	\$ 1,120,954	\$ (1,337,072)

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenues and Changes in Net Position		
		Operating Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Total
Downtown Development Authority					
Community and economic development	\$ 4,656,650	\$ 718,917	\$ (3,937,733)	\$ -	\$ (3,937,733)
Local Development Finance Authority					
Community and economic development	109,079	-	-	(109,079)	(109,079)
TOTAL	\$ 4,765,729	\$ 718,917	(3,937,733)	(109,079)	(4,046,812)
General revenues					
Property taxes			1,255,272	159,344	1,414,616
Investment earnings			5,472	323	5,795
Total general revenues			1,260,744	159,667	1,420,411
CHANGE IN NET POSITION			(2,676,989)	50,588	(2,626,401)
Restated net position, beginning of year			468,113	1,070,366	1,538,479
Prior period adjustment			(249,150)	-	(249,150)
Net position, end of year			\$ (2,458,026)	\$ 1,120,954	\$ (1,337,072)

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 2015.

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, 2015, 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, 2015

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 funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Local Street Fund is used to account for the financial resources that are used for repairs and maintenance of the City's local streets.

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, 2015

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, current 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, 2015

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, 2015

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, 2015, the City levied 10.6226 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2014 levy for property within the City was \$353,344,660.

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. The consumption method is used to account for prepaid expenditures.

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.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 asset 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, 2015, 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, 2015, 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 Revenue

Governmental funds 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, 2015

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

17. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet 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. In the current year, the deferred outflows of resources related to the City's net position liability and are related to the differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. The deferred outflows of resources also relate to deferred amounts on a bond refunding. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

In addition to liabilities, the statement of net position and balance sheet 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. In the current year, the deferred inflows of resources are related to unavailable revenue in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period.

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, 2015

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, 2015, 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	\$ 9,421,135	\$ 9,388,306
Certificates of deposit	<u>474,423</u>	<u>474,423</u>
Total primary government	9,895,558	9,862,729
FIDUCIARY FUNDS		
Checking and savings	107,724	150,937
COMPONENT UNITS		
Checking and savings	<u>4,598,449</u>	<u>4,619,650</u>
TOTAL REPORTING ENTITY	<u><u>\$ 14,601,731</u></u>	<u><u>\$ 14,633,316</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, 2015, the City did not have any investments that would be subject to rating.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015, the City accounts were insured by the FDIC for \$1,229,841 and the amount of \$13,403,475 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, 2015:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash	\$ 8,924,545	\$ 4,598,449	\$ 107,724	\$ 13,630,718
Cash - restricted	496,760	-	-	496,760
Investments	253,042	-	-	253,042
Investments - restricted	221,381	-	-	221,381
	<u>\$ 9,895,728</u>	<u>\$ 4,598,449</u>	<u>\$ 107,724</u>	<u>\$ 14,601,901</u>

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

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2015, are as follows:

Due to Sewer Fund from:	
General Fund	\$ 13,585
Nonmajor governmental funds	108,373
	<u>\$ 121,958</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONCLUDED

Due to General Fund from:	
Nonmajor governmental funds	\$ 23,274
Internal service funds	6,382
Sewer Fund	272
Water Fund	273
	<u> </u>
	\$ 30,201
	<u> </u>
Due to nonmajor governmental fund from:	
General Fund	\$ 4,219
	<u> </u>
Due to Internal Service Funds from:	
General Fund	\$ 528
Sewer Fund	667
Water Fund	122
	<u> </u>
	\$ 1,317
	<u> </u>
Due to Water Fund from:	
General Fund	\$ 6,909
	<u> </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 General Fund from:	
Internal service funds	\$ 115
	<u> </u>
Transfers to Local Street Fund from:	
General Fund	\$ 100,000
Nonmajor governmental funds	699,108
	<u> </u>
	\$ 799,108
	<u> </u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 594,883
Nonmajor governmental funds	61,623
	<u> </u>
	\$ 656,506
	<u> </u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

Primary Government

	Restated Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,605,104	\$ -	\$ -	\$ 1,605,104
Construction in progress - roads	1,227,236	3,392,370	(2,668,542)	1,951,064
Total capital assets not being depreciated	2,832,340	3,392,370	(2,668,542)	3,556,168
Capital assets, being depreciated				
Buildings	6,007,171	2,389,123	(27,200)	8,369,094
Building and land improvements	552,838	-	(14,900)	537,938
Machinery, vehicles, and equipment	5,020,530	225,938	(305,702)	4,940,766
Roads, lights, and bridges	9,332,291	620,654	-	9,952,945
Total capital assets being depreciated	20,912,830	3,235,715	(347,802)	23,800,743
Less accumulated depreciation for:				
Buildings	(2,351,432)	(152,152)	27,200	(2,476,384)
Building and land improvements	(482,714)	(10,054)	14,900	(477,868)
Machinery, vehicles, and equipment	(3,643,914)	(252,576)	295,104	(3,601,386)
Roads, lights, and bridges	(2,222,456)	(502,935)	-	(2,725,391)
Total accumulated depreciation	(8,700,516)	(917,717)	337,204	(9,281,029)
Total capital assets being depreciated, net	12,212,314	2,317,998	(10,598)	14,519,714
Net capital assets	\$ 15,044,654	\$ 5,710,368	\$ (2,679,140)	\$ 18,075,882

Depreciation expense was charged to the following governmental activities:

General government	\$ 95,959
Public safety	267,421
Public works	557,825
Recreation and culture	7,110
Total depreciation expense	\$ 928,315

The current year depreciation expense in the Governmental Activities of \$917,717 has been adjusted by \$10,598 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - Concluded

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 190,930	\$ -	\$ -	\$ 190,930
Construction in progress	50,875	648,182	-	699,057
Total capital assets not being depreciated	241,805	648,182	-0-	889,987
Capital assets, being depreciated				
Building improvements	8,859,988	-	-	8,859,988
Sewer and water lines	40,823,316	-	-	40,823,316
Machinery and equipment	677,662	36,405	-	714,067
Total capital assets being depreciated	50,360,966	36,405	-0-	50,397,371
Less accumulated depreciation for:				
Building improvements	(1,769,618)	(221,499)	-	(1,991,117)
Sewer and water lines	(14,334,748)	(833,663)	-	(15,168,411)
Machinery and equipment	(653,425)	(16,486)	-	(669,911)
Total accumulated depreciation	(16,757,791)	(1,071,648)	-0-	(17,829,439)
Total capital assets being depreciated, net	33,603,175	(1,035,243)	-0-	32,567,932
Net capital assets	<u>\$ 33,844,980</u>	<u>\$ (387,061)</u>	<u>\$ -0-</u>	<u>\$ 33,457,919</u>

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

Sewer	\$ 561,939
Water	<u>509,709</u>
Total depreciation expense	<u>\$ 1,071,648</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: CAPITAL ASSETS - CONCLUDED

Component Unit

	Restated Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Downtown Development Authority				
Capital assets, not being depreciated				
Land	\$ 425,000	\$ -	\$ -	\$ 425,000
Construction in progress	708,157	331,860	(1,040,017)	-0-
	<u>1,133,157</u>	<u>331,860</u>	<u>(1,040,017)</u>	<u>425,000</u>
Capital assets, being depreciated				
Buildings	372,688	-	-	372,688
Equipment	20,440	-	-	20,440
	<u>393,128</u>	<u>-0-</u>	<u>-0-</u>	<u>393,128</u>
Less accumulated depreciation for:				
Buildings	(64,611)	(18,630)	-	(83,241)
Equipment	(16,352)	(4,088)	-	(20,440)
	<u>(80,963)</u>	<u>(22,718)</u>	<u>-0-</u>	<u>(103,681)</u>
Total capital assets being depreciated	393,128	-0-	-0-	393,128
Less accumulated depreciation for:				
Buildings	(64,611)	(18,630)	-	(83,241)
Equipment	(16,352)	(4,088)	-	(20,440)
	<u>(80,963)</u>	<u>(22,718)</u>	<u>-0-</u>	<u>(103,681)</u>
Total capital assets being depreciated, net	<u>312,165</u>	<u>(22,718)</u>	<u>-0-</u>	<u>289,447</u>
Net capital assets	<u>\$ 1,445,322</u>	<u>\$ 309,142</u>	<u>\$ (1,040,017)</u>	<u>\$ 714,447</u>

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, 2015:

Primary Government

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities					
Installment purchase agreements	\$ 164,795	\$ -	\$ (102,756)	\$ 62,039	\$ 30,489
Capital lease - copier	5,023	-	(2,880)	2,143	2,143
Capital lease - in-car cameras	30,229	-	(9,768)	20,461	9,768
Compensated absences	250,285	92,840	(98,821)	244,304	48,861
	<u>450,332</u>	<u>92,840</u>	<u>(214,225)</u>	<u>328,947</u>	<u>91,261</u>
Total	450,332	92,840	(214,225)	328,947	91,261

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - Concluded

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Business-type Activities					
2005 Sewage Disposal Bonds	\$ 1,398,918	\$ -	\$ (700,777)	\$ 698,141	\$ 698,141
2006 Sewage Disposal Bonds	1,986,121	-	(277,492)	1,708,629	305,756
1999 Michigan Municipal Bond Authority	428,759	-	(80,000)	348,759	80,000
2002 Michigan Municipal Bond Authority	4,910,000	-	(495,000)	4,415,000	505,000
2009 Michigan Municipal Bond Authority	922,031	-	(50,000)	872,031	50,000
2010 Capital Improvement Bonds	2,585,000	-	(40,000)	2,545,000	40,000
Compensated absences	67,972	12,981	(48,959)	31,994	6,399
Total	12,298,801	12,981	(1,692,228)	10,619,554	1,685,296
TOTAL PRIMARY GOVERNMENT	\$ 12,749,133	\$ 105,821	\$ (1,906,453)	\$ 10,948,501	\$ 1,776,557

Component Unit

Component Unit (DDA)					
2012 DDA Dispatch Loan	\$ 208,000	\$ -	\$ (26,000)	\$ 182,000	\$ 26,000
2011 GOLT Development Refunding Bonds	2,945,000	-	(385,000)	2,560,000	395,000
2014 GOLT Development Bonds	-	3,650,000	-	3,650,000	130,000
Capitalized bond premium	-	66,562	(3,915)	62,647	3,915
	3,153,000	3,716,562	(414,915)	6,454,647	554,915
Less: deferred amounts on refunding	(61,048)		8,721	(52,327)	(8,721)
Total Downtown Development Authority	\$ 3,091,952	\$ 3,716,562	\$ (406,194)	\$ 6,402,320	\$ 546,194

Primary Government

Installment Purchase Agreements

\$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. \$ 62,039

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. \$ 2,143

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 \$9,768, 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. \$ 20,461

General Obligation Bonds

\$6,818,086 2005 Sewage Disposal Bonds dated February 1, 2005, due in an annual installment of \$698,141 through April 1, 2016, with interest of 5.00 percent, payable semi-annually. \$ 698,141

\$2,885,399 2007 Sewage Disposal Bonds dated November 16, 2007, due in annual installments ranging from \$305,755 to \$470,194 through April 1, 2019, with interest of 4.00 percent, payable semi-annually. 1,708,629

\$ 2,406,770

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. \$ 348,759

\$9,600,000 Michigan Municipal Bond Authority Series 2002 dated December 19, 2002, due in annual installments ranging from \$505,000 to \$600,000 through April 1, 2023, with an interest rate of 2.50 percent, payable semi-annually. 4,415,000

\$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. 872,031

\$ 5,635,790

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 4.250 to 6.375 percent, payable semi-annually. \$ 2,545,000

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 \$244,304 for governmental activities and \$31,994 for business-type activities at June 30, 2015. Of these amounts, \$48,861 and \$6,399 have been recorded as current liabilities, and \$195,443 and \$25,595 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, 2015

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 \$6,352,804. During the current year, net revenues of the system were \$225,464 compared to the annual debt requirements of \$708,468.

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 \$30,914, including interest through April 1, 2022, at 2.70 percent. \$ 182,000

General Obligation Bonds

\$3,985,000 2011 General Obligation Limited Tax Development Refunding Bonds dated July 12, 2011, due in annual installments ranging from \$395,000 to \$460,000 through April 1, 2021, with interest of 3.00 percent, payable semi-annually. \$ 2,560,000

\$3,650,000 2014 General Obligation Limited Tax Development Bonds dated December 9, 2014, due in annual installments ranging from \$130,000 to \$330,000 through October 1, 2031, with interest ranging from 2.00 to 4.00 percent, payable semi-annually. 3,650,000

\$ 6,210,000

Advance Refunding - Prior

On July 12, 2011, the City defeased a portion of the 2001 General Obligation Limited Tax Development Bonds (DDA), which were due and payable through April 1, 2021. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued the 2011 General Obligation Limited Tax Refunding Bonds in the amount of \$3,985,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2015, bonds due and payable through April 1, 2021, for the 2001 General Obligation Limited Tax Development Bonds in the amount of \$2,570,000 are considered defeased.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F: LONG-TERM DEBT - CONCLUDED

Primary Government

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

Year Ending June 30,	Installment Purchase Agreements and Capital Leases		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 42,400	\$ 3,361	\$ 1,003,897	\$ 103,252
2017	42,243	1,678	467,624	56,115
2018	-	-	470,194	37,410
2019	-	-	465,055	18,602
	<u>\$ 84,643</u>	<u>\$ 5,039</u>	<u>\$ 2,406,770</u>	<u>\$ 215,379</u>

Year Ending June 30,	Revenue Bonds		Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
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	615,000	74,551	105,000	145,764
2021-2025	2,045,000	150,879	615,000	635,244
2026-2030	322,031	25,004	750,000	432,219
2031-2035	-	-	905,000	176,906
	<u>\$ 5,635,790</u>	<u>\$ 717,014</u>	<u>\$ 2,545,000</u>	<u>\$ 1,994,707</u>

Component Unit (DDA)

Year Ending June 30,	Installment Purchase Agreement		General Obligation Limited Tax Development Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 26,000	\$ 4,914	\$ 525,000	\$ 184,969
2017	26,000	4,212	540,000	170,519
2018	26,000	3,510	555,000	155,669
2019	26,000	2,808	575,000	140,369
2020	26,000	2,106	595,000	124,519
2021-2025	52,000	2,106	1,620,000	429,144
2026-2030	-	-	1,475,000	219,025
2031	-	-	325,000	13,200
	<u>\$ 182,000</u>	<u>\$ 19,656</u>	<u>\$ 6,210,000</u>	<u>\$ 1,437,414</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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.

NOTE H: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the City including general employees, police union, and Department of Public Services employees.

Retirement benefits for employees are calculated as 2.0 percent of the employee's five-year final average compensation times the employee's years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60 with a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 6 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 6-10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police employee benefit terms may be subject to binding arbitration in certain circumstances.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Benefits Provided - Concluded

At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>43</u>
	<u><u>87</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 8.54% to 25.80% based on annual payroll for open divisions.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Changes in the net pension liability during the measurement year were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<u>Changes in Net Pension Liability</u>	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at December 31, 2013	\$ 14,016,279	\$ 9,614,981	\$ 4,401,298
Changes for the Year			
Service cost	251,037	-	251,037
Interest on total pension liability	747,006	-	747,006
Employer contributions	-	471,992	(471,992)
Employee contributions	-	22,830	(22,830)
Net investment income	-	603,787	(603,787)
Benefit payments, including employee refunds	(805,830)	(805,830)	-0-
Administrative expense	-	(22,123)	22,123
Other changes	386,453	-	386,453
Net changes	<u>578,666</u>	<u>270,656</u>	<u>308,010</u>
Balances as of December 31, 2014	<u><u>\$ 14,594,945</u></u>	<u><u>\$ 9,885,637</u></u>	<u><u>\$ 4,709,308</u></u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$658,333. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 121,669	\$ -
Contributions subsequent to the measurement date*	<u>254,496</u>	<u>-</u>
Total	<u>\$ 376,165</u>	<u>\$ -0-</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense</u>
2016	\$ 30,417
2017	30,417
2018	30,417
2019	30,418

Actuarial assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively).

Investment rate of return: 8.0%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONCLUDED

Discount Rate

The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rates of 8.25%, as well as what the City's net pension liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 6,471,595	\$ 4,709,308	\$ 3,233,541

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, 2015, the City made estimated payments of \$295,271 for other post-employment health care benefits (OPEB). The plan does not issue separate stand-alone financial statements.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

Plan Description - Concluded

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, 2013 (latest actuarial report) is as follows:

Retirees and Beneficiaries receiving benefits	38
Active plan members	<u>46</u>
	<u><u>84</u></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, 2015, the City has determined an estimated cost of providing retiree post-employment benefits through an actuarial valuation as of December 31, 2013. 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-six (26) years.

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

Annual required contribution (ARC)	\$ 659,876
Interest on net OPEB obligation	75,626
Adjustment to annual required contribution	<u>(54,154)</u>
Annual OPEB cost	681,348
Contributions made	<u>295,271</u>
Increase in net OPEB obligation	386,077
Net OPEB obligation - beginning of year	<u>1,890,660</u>
Net OPEB obligation - end of year	<u><u>\$ 2,276,737</u></u>

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 527,711	46.04%	\$ 1,611,576
2014	552,131	49.45%	1,890,660
2015	687,076	43.34%	2,276,737

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONCLUDED

Funded Status and Funding Progress - Concluded

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

	December 31, 2013
Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	9,106,113
Unfunded AAL (UAAL)	9,106,113
Funded ratio	0 %

The covered payroll information was not available.

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.

Additional information as of the latest actuarial valuations follows:

Other Post-employment Benefit Plan

Actuarial valuation:	
Frequency	Triennial
Latest date	December 31, 2013
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on an open basis
Remaining amortization period	24 year period
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	4.0%
Includes inflation at:	4.0%
Healthcare cost trend rates	4.0% - 9.0%

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015 is as follows:

REVENUES	
Building permits	\$ 109,837
Zoning permits	<u>11,743</u>
TOTAL REVENUES	121,580
EXPENDITURES	
Salaries and fringes	133,029
Supplies and other	11,281
Professional services	<u>61,923</u>
TOTAL EXPENDITURES	<u>206,233</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(84,653)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(1,517,462)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u><u>\$ (1,602,115)</u></u>

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.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED

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.

	General Fund	Local Street Fund	Nonmajor Governmental Funds	Total
Fund Balance				
Nonspendable				
Inventories	\$ 43,673	\$ -	\$ 3,073	\$ 46,746
Prepays	162,171	-	111,901	274,072
Assets held for sale	-	-	65,432	65,432
Restricted				
Streets and highways	-	144,844	299,879	444,723
Public communications	-	-	22,246	22,246
Committed				
Parks and recreation	-	-	69,241	69,241
Cemetery	-	-	238,922	238,922
Garbage collection	-	-	14,392	14,392
Narcotics enforcement	-	-	5,872	5,872
D.A.R.E.	-	-	33,458	33,458
Emergency 911	-	-	435	435
Neighborhood stabilization	-	-	1,216	1,216
Fire equipment	-	-	122,436	122,436
Fire ladder truck	-	-	150,136	150,136
Capital projects	-	-	1,568,280	1,568,280
Debt Service	-	-	21,455	21,455
Unassigned	2,063,205	-	-	2,063,205
TOTAL FUND BALANCE	\$ 2,269,049	\$ 144,844	\$ 2,728,374	\$ 5,142,267

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE M: RESTATEMENTS OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities, business-type activities, Sewer Fund, Water Fund, and component unit fund due to a change in accounting principles and correction of errors in the prior year.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Beginning net position	\$ 19,484,399	\$ 28,167,849	\$ 1,477,431
Deferred outflows of resources	176,673	50,326	-
Net pension liability	(3,425,530)	(975,768)	-
Deferred amounts on refunding	-	-	61,048
	<u> </u>	<u> </u>	<u> </u>
Restated beginning net position	<u>\$ 16,235,542</u>	<u>\$ 27,242,407</u>	<u>\$ 1,538,479</u>

NOTE N: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the period, which were the result of adjustments to various accounts related to prior year activities. These adjustments were reported as changes to the beginning fund balances/beginning net position. The effect on operations and other affected balances for the current and prior period are as follows.

	June 30,		
	<u>2015</u>	<u>2014</u>	<u>Description</u>
Primary Government			
Governmental activities			
Capital assets	\$ -	\$ 249,150	To correct understated capital assets
Net position - beginning	249,150	-	
Business-type activities			
Capital assets	-	(1,249,880)	To correct overstated capital assets
Net position - beginning	(1,249,880)	-	
Sewer Fund			
Capital assets	-	(1,249,880)	To correct overstated capital assets
Net position - beginning	(1,249,880)	-	
Component Unit			
Downtown Development Authority			
Capital assets	-	(249,150)	To correct overstated capital assets
Net position - beginning	(249,150)	-	
DDA - Capital Projects Fund			
Unavailable revenue	-	(200,000)	To correct understated unavailable revenue
Fund balance - beginning	(200,000)	-	

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE O: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. 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.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses and issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

NOTE P: UPCOMING PRONOUNCEMENTS

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money weighted rates of return on plan investments. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

In August 2015, the GASB issues Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

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.

LOCAL STREET FUND

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.

City of Fenton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,418,700	\$ 3,409,000	\$ 3,424,206	\$ 15,206
Licenses and permits	326,000	332,020	361,176	29,156
Intergovernmental	963,655	973,234	957,499	(15,735)
Charges for services	363,000	380,000	315,825	(64,175)
Fines and forfeits	65,500	65,000	56,117	(8,883)
Interest and rents	62,350	58,900	59,069	169
Other	24,000	36,500	55,541	19,041
TOTAL REVENUES	5,223,205	5,254,654	5,229,433	(25,221)
EXPENDITURES				
Current				
General government	963,940	1,012,000	989,492	22,508
Public safety				
Police department	2,048,575	2,055,662	2,012,169	43,493
Fire department	619,282	616,070	587,785	28,285
Building inspection	204,100	207,450	206,233	1,217
Total public safety	2,871,957	2,879,182	2,806,187	72,995
Public works	283,865	267,356	256,140	11,216
Community and economic development	49,215	48,955	42,689	6,266
Recreation and culture	123,235	101,245	75,650	25,595
Other	265,000	288,000	285,125	2,875
Debt service	11,086	11,086	11,086	-0-
TOTAL EXPENDITURES	4,568,298	4,607,824	4,466,369	141,455
EXCESS OF REVENUES OVER EXPENDITURES	654,907	646,830	763,064	116,234
OTHER FINANCING (USES)				
Transfer in	40,000	-	115	115
Transfers out	(694,600)	(703,083)	(694,883)	8,200
TOTAL OTHER FINANCING SOURCES (USES)	(654,600)	(703,083)	(694,768)	8,315
NET CHANGE IN FUND BALANCE	307	(56,253)	68,296	124,549
Fund balance, beginning of year	2,200,753	2,200,753	2,200,753	-0-
Fund balance, end of year	<u>\$ 2,201,060</u>	<u>\$ 2,144,500</u>	<u>\$ 2,269,049</u>	<u>\$ 124,549</u>

City of Fenton

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 202,200	\$ 205,600	\$ 202,053	\$ (3,547)
Other	38,800	107,800	108,197	397
Interest	-	-	12	12
Miscellaneous	-	9,000	8,651	(349)
	<u>241,000</u>	<u>322,400</u>	<u>318,913</u>	<u>(3,138)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	<u>1,071,950</u>	<u>1,122,150</u>	<u>1,076,676</u>	<u>45,474</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES				
	(830,950)	(799,750)	(757,763)	42,336
OTHER FINANCING SOURCES				
Transfers in	<u>800,000</u>	<u>850,000</u>	<u>799,108</u>	<u>(50,892)</u>
NET CHANGE IN FUND BALANCE				
	(30,950)	50,250	41,345	(8,556)
Fund balance, beginning of year	<u>103,499</u>	<u>103,499</u>	<u>103,499</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 72,549</u>	<u>\$ 153,749</u>	<u>\$ 144,844</u>	<u>\$ (8,556)</u>

City of Fenton

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY

Last Fiscal Year (Ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 12/31 of each fiscal year)

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 251,037
Interest	747,006
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including employee refunds	(805,830)
Other	<u>386,453</u>
Net change in total pension liability	578,666
Total Pension Liability, beginning	<u>14,016,279</u>
Total Pension Liability, ending	<u><u>\$ 14,594,945</u></u>
Plan Fiduciary Net Position	
Contributions-employer	\$ 471,992
Contributions-employee	22,830
Net Investment income	603,787
Benefit payments including employee refunds	(805,830)
Administrative expense	<u>(22,123)</u>
Net Change in plan fiduciary net position	270,656
Plan Fiduciary Net Position, beginning	<u>9,614,981</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 9,885,637</u></u>
Employer Net Pension Liability	<u><u>\$ 4,709,308</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	68%
Covered employee payroll	\$ 1,214,942
Employer's Net Pension Liability as a percentage of covered employee payroll	388%

City of Fenton

SCHEDULE OF CONTRIBUTIONS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	<u>2015</u>
Actuarially determined contributions	\$ 505,822
Contributions in relation to the actuarially determined contribution	<u>505,822</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
Covered employee payroll	\$ 1,133,303
Contributions as a percentage of covered employee payroll	45%

City of Fenton

OTHER POST EMPLOYMENT BENEFITS (OPEB)

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Fair Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
12/31/2013	\$ -	\$ 9,106,113	\$ 9,106,113	0%
12/31/2010	-	7,079,664	7,079,664	0%
12/31/2007	-	11,271,344	11,271,344	0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 527,711	46.04%	\$ 1,611,576
2014	552,131	49.45%	1,890,660
2015	687,076	42.98%	2,276,737

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.

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.

Public Communications - To account for the activity related to public communications

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.

Eagles on Water SA Capital - To account for financial resources to be used for the acquisition or construction of Eagles on Water capital projects.

DEBT SERVICE FUNDS

Eagles on Water SA Debt Service - To account for financial resources to be used for the acquisition or construction of Eagles on Water capital projects.

City of Fenton

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2015

	Special			
	Major Street	CDBG	Parks and Recreation	Cemetery
ASSETS				
Cash	\$ 246,207	\$ -	\$ 91,506	\$ 245,468
Accounts receivable	-	41,699	-	11,249
Special assessments receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	92,797	-	-	-
Inventories	-	-	-	-
Prepays	-	-	-	-
Assets held for resale	-	-	-	-
TOTAL ASSETS	\$ 339,004	\$ 41,699	\$ 91,506	\$ 256,717
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 35,080	\$ -	\$ 16,472	\$ 7,635
Accrued wages	4,045	-	5,793	-
Due to other funds	-	23,225	-	-
Due to other governmental units	-	18,474	-	-
Unearned revenue	-	-	-	10,160
TOTAL LIABILITIES	39,125	41,699	22,265	17,795
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	299,879	-	-	-
Committed	-	-	69,241	238,922
TOTAL FUND BALANCES	299,879	-0-	69,241	238,922
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 339,004	\$ 41,699	\$ 91,506	\$ 256,717

Revenue Funds

Garbage Collection	Narcotics Enforcement	D.A.R.E.	Emergency 911	Neighborhood Stabilization	Public Communications
\$ 48,824	\$ 5,872	\$ 33,458	\$ 7,548	\$ -	\$ 23,913
106,343	-	-	388	-	-
-	-	-	-	-	-
4,219	-	-	-	-	-
-	-	-	-	1,448	-
3,073	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	65,432	-
<u>\$ 162,459</u>	<u>\$ 5,872</u>	<u>\$ 33,458</u>	<u>\$ 7,936</u>	<u>\$ 66,880</u>	<u>\$ 23,913</u>
\$ 36,621	\$ -	\$ -	\$ 1,586	\$ 183	\$ 1,667
-	-	-	5,915	-	-
108,373	-	-	-	49	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>144,994</u>	<u>-0-</u>	<u>-0-</u>	<u>7,501</u>	<u>232</u>	<u>1,667</u>
-	-	-	-	-	-
3,073	-	-	-	65,432	-
-	-	-	-	-	22,246
<u>14,392</u>	<u>5,872</u>	<u>33,458</u>	<u>435</u>	<u>1,216</u>	<u>-</u>
<u>17,465</u>	<u>5,872</u>	<u>33,458</u>	<u>435</u>	<u>66,648</u>	<u>22,246</u>
<u>\$ 162,459</u>	<u>\$ 5,872</u>	<u>\$ 33,458</u>	<u>\$ 7,936</u>	<u>\$ 66,880</u>	<u>\$ 23,913</u>

City of Fenton

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2015

	Capital Projects		
	Fire Equipment	Fire Ladder Truck	C.I.P.
ASSETS			
Cash	\$ 122,436	\$ 150,136	\$ 1,357,996
Accounts receivable	-	-	-
Special assessments receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Inventories	-	-	-
Prepays	111,901	-	-
Assets held for resale	-	-	-
TOTAL ASSETS	\$ 234,337	\$ 150,136	\$ 1,357,996
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Due to other funds	-	-	-
Due to other governmental units	-	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
FUND BALANCES			
Nonspendable	111,901	-	-
Restricted	-	-	-
Committed	122,436	150,136	1,357,996
TOTAL FUND BALANCES	234,337	150,136	1,357,996
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 234,337	\$ 150,136	\$ 1,357,996

Working Capital	Funds		Debt Service Fund		Total
	Library	Eagles on Water SA Capital	Eagles on Water SA Debt Service		
\$ 199,184	\$ -	\$ 11,100	\$ 21,455	\$ 2,565,103	
-	-	-	533,545	693,224	
16,641	-	-	-	16,641	
-	-	-	-	4,219	
-	-	-	-	94,245	
-	-	-	-	3,073	
-	-	-	-	111,901	
-	-	-	-	65,432	
<u>\$ 215,825</u>	<u>\$ -0-</u>	<u>\$ 11,100</u>	<u>\$ 555,000</u>	<u>\$ 3,553,838</u>	
\$ -	\$ -	\$ -	\$ -	\$ 99,244	
-	-	-	-	15,753	
-	-	-	-	131,647	
-	-	-	-	18,474	
-	-	-	-	10,160	
-0-	-0-	-0-	-0-	275,278	
16,641	-	-	533,545	550,186	
-	-	-	-	180,406	
-	-	-	-	322,125	
<u>199,184</u>	<u>-</u>	<u>11,100</u>	<u>21,455</u>	<u>2,225,843</u>	
<u>199,184</u>	<u>-0-</u>	<u>11,100</u>	<u>21,455</u>	<u>2,728,374</u>	
<u>\$ 215,825</u>	<u>\$ -0-</u>	<u>\$ 11,100</u>	<u>\$ 555,000</u>	<u>\$ 3,553,838</u>	

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2015

	Special			
	Major Street	CDBG	Parks and Recreation	Cemetery
REVENUES				
Intergovernmental	\$ 634,172	\$ 63,717	\$ -	\$ -
Charges for services	-	-	27,904	22,896
Interest and rents	41	-	5,720	41
Miscellaneous	-	-	1,827	-
TOTAL REVENUES	634,213	63,717	35,451	22,937
EXPENDITURES				
Current				
General government	-	-	-	47,018
Public safety	-	-	-	-
Public works	578,204	-	-	-
Community and economic development	-	63,717	-	-
Recreation and culture	-	-	163,172	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	578,204	63,717	163,172	47,018
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	56,009	-0-	(127,721)	(24,081)
OTHER FINANCING SOURCES (USES)				
Transfers in	61,623	-	125,000	36,000
Transfers out	(40,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	21,623	-0-	125,000	36,000
NET CHANGE IN FUND BALANCES	77,632	-0-	(2,721)	11,919
Fund balances, beginning of year	222,247	-	71,962	227,003
Fund balances, end of year	<u>\$ 299,879</u>	<u>\$ -0-</u>	<u>\$ 69,241</u>	<u>\$ 238,922</u>

Revenue Funds

Garbage Collection	Narcotics Enforcement	D.A.R.E.	Emergency 911	Neighborhood Stabilization	Public Communications
\$ -	\$ -	\$ -	\$ -	\$ 66,880	\$ 36,829
448,903	-	-	137,156	-	-
-	1	6	-	-	-
-	-	-	-	-	-
448,903	1	6	137,156	66,880	36,829
-	-	-	-	-	-
-	-	2,761	278,989	-	16,666
453,343	-	-	-	-	-
-	-	-	-	1,448	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
453,343	-0-	2,761	278,989	1,448	16,666
(4,440)	1	(2,755)	(141,833)	65,432	20,163
-	-	-	141,800	-	2,083
-	-	-	-	-	-
-0-	-0-	-0-	141,800	-0-	2,083
(4,440)	1	(2,755)	(33)	65,432	22,246
21,905	5,871	36,213	468	1,216	-
<u>\$ 17,465</u>	<u>\$ 5,872</u>	<u>\$ 33,458</u>	<u>\$ 435</u>	<u>\$ 66,648</u>	<u>\$ 22,246</u>

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2015

	Capital Projects		
	Fire Equipment	Fire Ladder Truck	C.I.P.
REVENUES			
Intergovernmental	\$ -	\$ 50,000	\$ -
Charges for services	-	-	-
Interest and rents	21	25	-
Miscellaneous	-	-	-
TOTAL REVENUES	21	50,025	-0-
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Debt service			
Principal retirement	102,726	-	-
Interest and fiscal charges	5,904	-	-
Capital outlay	18,572	-	-
TOTAL EXPENDITURES	127,202	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(127,181)	50,025	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	90,000	-	200,000
Transfers out	-	-	(720,731)
TOTAL OTHER FINANCING SOURCES (USES)	90,000	-0-	(520,731)
NET CHANGE IN FUND BALANCES	(37,181)	50,025	(520,731)
Fund balances, beginning of year	271,518	100,111	1,878,727
Fund balances, end of year	\$ 234,337	\$ 150,136	\$ 1,357,996

Working Capital	Funds		Debt Service Fund		Total
	Library	Eagles on Water SA Capital	Eagles on Water SA Debt Service		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 851,598
-	-	-	-	-	636,859
640	-	-	-	-	6,495
14,914	2,000	11,100	21,455	-	51,296
15,554	2,000	11,100	21,455	-	1,546,248
-	-	-	-	-	47,018
-	-	-	-	-	298,416
-	-	-	-	-	1,031,547
4,490	-	-	-	-	69,655
-	-	-	-	-	163,172
-	-	-	-	-	102,726
-	-	-	-	-	5,904
-	19,516	-	-	-	38,088
4,490	19,516	-0-	-0-	-	1,756,526
11,064	(17,516)	11,100	21,455	-	(210,278)
-	-	-	-	-	656,506
-	-	-	-	-	(760,731)
-0-	-0-	-0-	-0-	-	(104,225)
11,064	(17,516)	11,100	21,455	-	(314,503)
188,120	17,516	-	-	-	3,042,877
\$ 199,184	\$ -0-	\$ 11,100	\$ 21,455	\$ -	\$ 2,728,374

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Major Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 527,092	\$ 535,895	\$ 559,893	\$ 23,998
Other	74,167	75,831	74,279	(1,552)
Interest	-	-	41	41
	<u>601,259</u>	<u>611,726</u>	<u>634,213</u>	<u>22,487</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	<u>607,550</u>	<u>594,650</u>	<u>578,204</u>	<u>16,446</u>
	<u>(6,291)</u>	<u>17,076</u>	<u>56,009</u>	<u>38,933</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	51,000	61,623	10,623
Transfers out	<u>(40,000)</u>	<u>(90,000)</u>	<u>(40,000)</u>	<u>50,000</u>
	<u>10,000</u>	<u>(39,000)</u>	<u>21,623</u>	<u>60,623</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE				
Fund balance, beginning of year	<u>222,247</u>	<u>222,247</u>	<u>222,247</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 225,956</u>	<u>\$ 200,323</u>	<u>\$ 299,879</u>	<u>\$ 99,556</u>
<u>CDBG Fund</u>				
REVENUES				
Intergovernmental	\$ 72,404	\$ 72,404	\$ 63,717	\$ (8,687)
EXPENDITURES				
Current				
Community and economic development	<u>72,404</u>	<u>72,404</u>	<u>63,717</u>	<u>8,687</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, 2015

	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	\$ 27,904	\$ (2,096)
Interest and rents	5,100	5,000	5,720	720
Other	1,000	1,800	1,827	27
TOTAL REVENUES	36,100	36,800	35,451	(1,349)
EXPENDITURES				
Current				
Recreation and culture	180,650	184,950	163,172	21,778
EXCESS OF REVENUES (UNDER) EXPENDITURES	(144,550)	(148,150)	(127,721)	20,429
OTHER FINANCING SOURCES				
Transfers in	124,600	125,000	125,000	-0-
NET CHANGE IN FUND BALANCE	(19,950)	(23,150)	(2,721)	20,429
Fund balance, beginning of year	71,962	71,962	71,962	-0-
Fund balance, end of year	<u>\$ 52,012</u>	<u>\$ 48,812</u>	<u>\$ 69,241</u>	<u>\$ 20,429</u>
<u>Cemetery Fund</u>				
REVENUES				
Charges for services	\$ 21,600	\$ 22,000	\$ 22,896	\$ 896
Interest	100	-	41	41
TOTAL REVENUES	21,700	22,000	22,937	937
EXPENDITURES				
Current				
General government	68,100	63,200	47,018	16,182
EXCESS OF REVENUES (UNDER) EXPENDITURES	(46,400)	(41,200)	(24,081)	17,119
OTHER FINANCING SOURCES				
Transfers in	35,000	34,700	36,000	1,300
NET CHANGE IN FUND BALANCE	(11,400)	(6,500)	11,919	18,419
Fund balance, beginning of year	227,003	227,003	227,003	-0-
Fund balance, end of year	<u>\$ 215,603</u>	<u>\$ 220,503</u>	<u>\$ 238,922</u>	<u>\$ 18,419</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, 2015

	<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	\$ 448,600	\$ 448,600	\$ 448,903	\$ 303
EXPENDITURES				
Current				
Public works	<u>457,000</u>	<u>457,000</u>	<u>453,343</u>	<u>3,657</u>
NET CHANGE IN FUND BALANCE	(8,400)	(8,400)	(4,440)	3,960
Fund balance, beginning of year	<u>21,905</u>	<u>21,905</u>	<u>21,905</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 13,505</u></u>	<u><u>\$ 13,505</u></u>	<u><u>\$ 17,465</u></u>	<u><u>\$ 3,960</u></u>
<u>Narcotics Enforcement Fund</u>				
REVENUES				
Interest	\$ -	\$ -	\$ 1	\$ 1
Other	<u>3,000</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
TOTAL REVENUES	3,000	1,500	1	(1,499)
EXPENDITURES				
Current				
Public safety	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
NET CHANGE IN FUND BALANCE	2,500	1,000	1	(999)
Fund balance, beginning of year	<u>5,871</u>	<u>5,871</u>	<u>5,871</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 8,371</u></u>	<u><u>\$ 6,871</u></u>	<u><u>\$ 5,872</u></u>	<u><u>\$ (999)</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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>D.A.R.E. Fund</u>				
REVENUES				
Interest	\$ -	\$ -	\$ 6	\$ 6
EXPENDITURES				
Current				
Public safety	2,000	5,000	2,761	2,239
NET CHANGE IN FUND BALANCE	(2,000)	(5,000)	(2,755)	2,245
Fund balance, beginning of year	36,213	36,213	36,213	-0-
Fund balance, end of year	<u>\$ 34,213</u>	<u>\$ 31,213</u>	<u>\$ 33,458</u>	<u>\$ 2,245</u>
<u>Emergency 911 Fund</u>				
REVENUES				
Charges for services	\$ 140,600	\$ 141,500	\$ 137,156	\$ (4,344)
EXPENDITURES				
Current				
Public safety	274,600	281,200	278,989	2,211
EXCESS OF REVENUES (UNDER) EXPENDITURES	(134,000)	(139,700)	(141,833)	(2,133)
OTHER FINANCING SOURCES				
Transfers in	134,000	140,000	141,800	1,800
NET CHANGE IN FUND BALANCE	-0-	300	(33)	(333)
Fund balance, beginning of year	468	468	468	-0-
Fund balance, end of year	<u>\$ 468</u>	<u>\$ 768</u>	<u>\$ 435</u>	<u>\$ (333)</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, 2015

	<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	\$ 1,000	\$ 67,231	\$ 66,880	\$ (351)
EXPENDITURES				
Current				
Community and economic development	<u>1,000</u>	<u>1,800</u>	<u>1,448</u>	<u>352</u>
NET CHANGE IN FUND BALANCE	-0-	65,431	65,432	1
Fund balance, beginning of year	<u>1,216</u>	<u>1,216</u>	<u>1,216</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 1,216</u></u>	<u><u>\$ 66,647</u></u>	<u><u>\$ 66,648</u></u>	<u><u>\$ 1</u></u>
<u>Public Communications Fund</u>				
REVENUES				
Intergovernmental	\$ -	\$ 16,187	\$ 36,829	\$ 20,642
EXPENDITURES				
Current				
Public safety	<u>-</u>	<u>18,270</u>	<u>16,666</u>	<u>1,604</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(2,083)	20,163	22,246
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>2,083</u>	<u>2,083</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	22,246	22,246
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 22,246</u></u>	<u><u>\$ 22,246</u></u>

City of Fenton

INTERNAL SERVICE FUNDS

Fund Descriptions

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

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

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 652,377	\$ 185,775	\$ 838,152
Accounts receivable	40	-	40
Due from other funds	1,317	-	1,317
Prepays	<u>13,250</u>	<u>-</u>	<u>13,250</u>
Total current assets	666,984	185,775	852,759
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>236,474</u>	<u>-</u>	<u>236,474</u>
TOTAL ASSETS	903,458	185,775	1,089,233
LIABILITIES			
Current liabilities			
Accounts payable	47,025	-	47,025
Accrued wages payable	346	-	346
Due to other funds	-	6,382	6,382
Current portion of compensated absences	<u>-</u>	<u>35,690</u>	<u>35,690</u>
Total current liabilities	47,371	42,072	89,443
Noncurrent liabilities			
Noncurrent portion of compensated absences	<u>-</u>	<u>142,875</u>	<u>142,875</u>
TOTAL LIABILITIES	47,371	184,947	232,318
NET POSITION			
Investment in capital assets	236,474	-	236,474
Unrestricted	<u>619,613</u>	<u>828</u>	<u>620,441</u>
TOTAL NET POSITION	<u>\$ 856,087</u>	<u>\$ 828</u>	<u>\$ 856,915</u>

City of Fenton

Internal Service Funds

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

Year Ended June 30, 2015

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 355,472	\$ -	\$ 355,472
Other	1,633	-	1,633
TOTAL OPERATING REVENUES	357,105	-0-	357,105
OPERATING EXPENSES			
Personnel services	21,927	-	21,927
Operating supplies	35,184	-	35,184
Fuel and utilities	75,726	-	75,726
Repairs and maintenance	54,212	-	54,212
Equipment rent	41,213	-	41,213
Insurance	13,000	-	13,000
Depreciation	54,890	-	54,890
TOTAL OPERATING EXPENSES	296,152	-0-	296,152
OPERATING INCOME	60,953	-0-	60,953
NONOPERATING REVENUES			
Interest earned	113	-	113
Gain on sale of capital assets	6,280	-	6,280
TOTAL NONOPERATING REVENUES	6,393	-0-	6,393
INCOME BEFORE TRANSFERS	67,346	-0-	67,346
TRANSFERS			
Transfers out	-	(115)	(115)
CHANGE IN NET POSITION	67,346	(115)	67,231
Net position, beginning of year	788,741	943	789,684
Net position, end of year	<u>\$ 856,087</u>	<u>\$ 828</u>	<u>\$ 856,915</u>

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from interfund services provided	\$ 367,947	\$ 11,382	\$ 379,329
Cash paid to suppliers	(212,417)	-	(212,417)
Cash paid to employees	(21,738)	(10,663)	(32,401)
	<u>133,792</u>	<u>719</u>	<u>134,511</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			
	133,792	719	134,511
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	(115)	(115)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(187,713)	-	(187,713)
Proceeds from sale of assets	6,280	-	6,280
	<u>(181,433)</u>	<u>-0-</u>	<u>(181,433)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
	(181,433)	-0-	(181,433)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	113	-	113
	<u>113</u>	<u>-</u>	<u>113</u>
NET INCREASE (DECREASE) IN CASH	(47,528)	604	(46,924)
Cash, beginning of year	699,905	185,171	885,076
	<u>699,905</u>	<u>185,171</u>	<u>885,076</u>
Cash, end of year	<u>\$ 652,377</u>	<u>\$ 185,775</u>	<u>\$ 838,152</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 60,953	\$ -	\$ 60,953
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	54,890	-	54,890
(Increase) decrease in:			
Accounts receivable	4,399	-	4,399
Due from other funds	6,443	5,000	11,443
Prepays	(13,250)	-	(13,250)
Increase (decrease) in:			
Accounts payable	20,168	-	20,168
Accrued wages payable	189	-	189
Compensated absences	-	(10,663)	(10,663)
Due to other funds	-	6,382	6,382
	<u>133,792</u>	<u>719</u>	<u>134,511</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 133,792</u>	<u>\$ 719</u>	<u>\$ 134,511</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.

Community Center - To account for amounts held for the benefit of the Fenton Community Center.

City of Fenton

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2015

	<u>Tax Collection</u>	<u>Employees Union</u>	<u>Health Savings</u>	<u>Payroll</u>	<u>Fenton Community Center</u>	<u>Total</u>
ASSETS						
Cash	\$ 86,088	\$ 8,400	\$ 181	\$ 7,305	\$ 5,750	\$ 107,724
Due from other governmental units	-	-	-	969	-	969
TOTAL ASSETS	\$ 86,088	\$ 8,400	\$ 181	\$ 8,274	\$ 5,750	\$ 108,693
LIABILITIES						
Due to other governmental units	\$ 86,088	\$ -	\$ -	\$ -	\$ -	\$ 86,088
Due to union groups	-	8,400	-	-	-	8,400
Due to individuals and agencies	-	-	181	8,274	5,750	14,205
TOTAL LIABILITIES	\$ 86,088	\$ 8,400	\$ 181	\$ 8,274	\$ 5,750	\$ 108,693

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
<u>Tax Collection Fund</u>				
ASSETS				
Cash	\$ 15,485	\$ 18,428,710	\$ 18,358,107	\$ 86,088
LIABILITIES				
Due to other governmental units	\$ 15,485	\$ 18,428,710	\$ 18,358,107	\$ 86,088
<u>Employees Union Fund</u>				
ASSETS				
Cash	\$ 7,827	\$ 573	\$ -0-	\$ 8,400
LIABILITIES				
Due to union groups	\$ 7,827	\$ 573	\$ -0-	\$ 8,400
<u>Health Savings Fund</u>				
ASSETS				
Cash	\$ 65,545	\$ -	\$ 65,364	\$ 181
LIABILITIES				
Due to individuals and agencies	\$ 65,545	\$ -	\$ 65,364	\$ 181
<u>Payroll Fund</u>				
ASSETS				
Cash	\$ -	\$ 3,724,137	\$ 3,716,832	\$ 7,305
Due from other governmental units	4,006	-	3,037	969
TOTAL ASSETS	\$ 4,006	\$ 3,724,137	\$ 3,719,869	\$ 8,274
LIABILITIES				
Due to individuals and agencies	\$ 4,006	\$ 3,724,137	\$ 3,719,869	\$ 8,274

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONCLUDED

Year Ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
<u>Fenton Community Center</u>				
ASSETS				
Cash	\$ -	\$ 5,750	\$ -	\$ 5,750
LIABILITIES				
Due to individuals and agencies	\$ -	\$ 5,750	\$ -	\$ 5,750
<u>Total Agency Funds</u>				
ASSETS				
Cash	\$ 88,857	\$ 22,159,170	\$ 22,140,303	\$ 107,724
Due from other governmental units	4,006	-	3,037	969
TOTAL ASSETS	<u>\$ 92,863</u>	<u>\$ 22,159,170</u>	<u>\$ 22,143,340</u>	<u>\$ 108,693</u>
LIABILITIES				
Due to other governmental units	\$ 15,485	\$ 18,428,710	\$ 18,358,107	\$ 86,088
Due to union groups	7,827	573	-	8,400
Due to individuals and agencies	69,551	3,729,887	3,785,233	14,205
TOTAL LIABILITIES	<u>\$ 92,863</u>	<u>\$ 22,159,170</u>	<u>\$ 22,143,340</u>	<u>\$ 108,693</u>

COMPONENT UNIT FUNDS

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2015

	Special Revenue Fund	Capital Projects Fund	2013 Bond Construction Fund	Total
ASSETS				
Cash	\$ 1,003,115	\$ 114,484	\$ 2,357,938	\$ 3,475,537
Accounts receivable	16,770	-	153,717	170,487
Loan receivable	-	200,000	-	200,000
Due from other funds	-	-	98,802	98,802
Due from other governmental units	-	-	18,474	18,474
Prepays	-	14,250	-	14,250
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,019,885</u>	<u>\$ 328,734</u>	<u>\$ 2,628,931</u>	<u>\$ 3,977,550</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 58,388	\$ 541,027	\$ 599,415
Accrued wages	-	1,530	-	1,530
Due to other funds	90,028	8,774	-	98,802
Due to other governmental units	-	485	-	485
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	90,028	69,177	541,027	700,232
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	200,000	153,717	353,717
FUND BALANCES				
Assigned	<u>929,857</u>	<u>59,557</u>	<u>1,934,187</u>	<u>2,923,601</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,019,885</u>	<u>\$ 328,734</u>	<u>\$ 2,628,931</u>	<u>\$ 3,977,550</u>

City of Fenton

Component Unit Funds

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

June 30, 2015

Total fund balances - governmental funds \$ 2,923,601

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	\$ 818,128	
Accumulated depreciation is	<u>(103,681)</u>	
Capital assets, net		714,447

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Unavailable revenue		353,717
---------------------	--	---------

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 and related items	(6,454,647)	
Unamortized deferred amounts on debt issuance	52,327	
Accrued interest payable	<u>(47,471)</u>	
		<u>(6,449,791)</u>

Net position of governmental activities \$ (2,458,026)

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2015

	Special Revenue Fund	Capital Projects Fund	2013 Bond Construction Fund	Total
REVENUES				
Taxes	\$ 1,255,272	\$ -	\$ -	\$ 1,255,272
Intergovernmental	-	-	232,000	232,000
Interest	1,046	4,000	426	5,472
Donations	-	-	251,200	251,200
TOTAL REVENUES	1,256,318	4,000	483,626	1,743,944
EXPENDITURES				
Current				
Community and economic development	-	1,358,026	2,298,120	3,656,146
Debt service				
Principal	411,000	-	-	411,000
Interest and fiscal charges	178,695	-	62,149	240,844
TOTAL EXPENDITURES	589,695	1,358,026	2,360,269	4,307,990
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	666,623	(1,354,026)	(1,876,643)	(2,564,046)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	82,000	3,650,000	3,732,000
Transfers in	-	1,240,285	160,830	1,401,115
Bond premium	66,562	-	-	66,562
Transfers out	(1,401,115)	-	-	(1,401,115)
TOTAL OTHER FINANCING SOURCES (USES)	(1,334,553)	1,322,285	3,810,830	3,798,562
NET CHANGE IN FUND BALANCES	(667,930)	(31,741)	1,934,187	1,234,516
Fund balances, beginning of year	1,597,787	291,298	-	1,889,085
Prior period adjustment	-	(200,000)	-	(200,000)
Fund balances, end of year	\$ 929,857	\$ 59,557	\$ 1,934,187	\$ 2,923,601

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, 2015

Net change in fund balances - total governmental funds **\$ 1,234,516**

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	\$	331,860
Depreciation expense		<u>(22,718)</u>

Excess of capital outlay over depreciation expense	309,142
--	---------

The net effect of contributions of capital assets is to (decrease) net position:	(1,040,017)
--	-------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	153,717
---	---------

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	414,915
---------------------------	---------

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

(Increase) in accrued interest payable		(23,979)
Additions to issuance premium		(66,562)
Net amortization of defeased debt		(8,721)
Bond proceeds		<u>(3,650,000)</u>

(3,749,262)

Change in net position of governmental activities	<u>\$ (2,676,989)</u>
--	------------------------------

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2015

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash	<u>\$ 1,075,413</u>	<u>\$ 47,499</u>	<u>\$ 1,122,912</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 401	\$ 401
Accrued wages	-	1,072	1,072
Due to other governmental units	-	485	485
TOTAL LIABILITIES	-0-	1,958	1,958
FUND BALANCES			
Committed	<u>1,075,413</u>	<u>45,541</u>	<u>1,120,954</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,075,413</u>	<u>\$ 47,499</u>	<u>\$ 1,122,912</u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the total fund balance was equal to the net position as of June 30, 2015.

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2015

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 159,344	\$ -	\$ 159,344
Interest	323	-	323
TOTAL REVENUES	159,667	-0-	159,667
EXPENDITURES			
Current			
Community and economic development	-	109,079	109,079
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	159,667	(109,079)	50,588
OTHER FINANCING SOURCES (USES)			
Transfers in	-	77,287	77,287
Transfers out	(77,287)	-	(77,287)
TOTAL OTHER FINANCING SOURCES (USES)	(77,287)	77,287	-0-
NET CHANGE IN FUND BALANCES	82,380	(31,792)	50,588
Fund balances, beginning of year	993,033	77,333	1,070,366
Fund balances, end of year	<u>\$ 1,075,413</u>	<u>\$ 45,541</u>	<u>\$ 1,120,954</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 was equal to the change in net position for the year ended June 30, 2015.

**STATISTICAL SECTION
(UNAUDITED)**

City of Fenton

Statistical Section

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

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City of Fenton

NET POSITION BY COMPONENT (UNAUDITED)

2006-2015

	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 11,081,127	\$ 11,468,410	\$ 13,330,319	\$ 15,330,866
Restricted	713,626	347,552	410,856	265,457
Unrestricted	<u>2,212,632</u>	<u>2,518,552</u>	<u>2,870,834</u>	<u>3,336,351</u>
Total governmental activities net position	<u>\$ 14,007,385</u>	<u>\$ 14,334,514</u>	<u>\$ 16,612,009</u>	<u>\$ 18,932,674</u>
Business-type activities				
Net investment in capital assets	\$ 19,387,156	\$ 19,711,079	\$ 20,116,220	\$ 20,620,459
Restricted	919,808	815,410	855,831	887,139
Unrestricted	<u>2,943,468</u>	<u>2,724,734</u>	<u>2,364,107</u>	<u>1,817,062</u>
Total business-type activities net position	<u>\$ 23,250,432</u>	<u>\$ 23,251,223</u>	<u>\$ 23,336,158</u>	<u>\$ 23,324,660</u>
Primary government in total				
Net investment in capital assets	\$ 30,468,283	\$ 31,179,489	\$ 33,446,539	\$ 35,951,325
Restricted	1,633,434	1,162,962	1,266,687	1,152,596
Unrestricted	<u>5,156,100</u>	<u>5,243,286</u>	<u>5,234,941</u>	<u>5,153,413</u>
Total primary government net position	<u>\$ 37,257,817</u>	<u>\$ 37,585,737</u>	<u>\$ 39,948,167</u>	<u>\$ 42,257,334</u>

2010	2011	2012	2013	2014	2015
\$ 15,477,218	\$ 15,323,859	\$ 14,984,354	\$ 15,214,130	\$ 14,595,457	\$ 17,991,239
317,283	141,844	306,634	342,981	325,746	466,969
<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>967,655</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>	<u>\$ 19,425,863</u>
\$ 21,492,609	\$ 21,994,491	\$ 22,430,452	\$ 22,299,268	\$ 22,864,031	\$ 22,870,359
894,335	897,379	899,207	902,777	903,659	718,141
<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>2,794,630</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>	<u>\$ 26,383,130</u>
\$ 36,969,827	\$ 37,318,350	\$ 37,414,806	\$ 37,513,398	\$ 37,459,488	\$ 40,861,598
1,211,618	1,039,223	1,205,841	1,245,758	1,229,405	1,185,110
<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>3,762,285</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>	<u>\$ 45,808,993</u>

City of Fenton

CHANGES IN GOVERNMENTAL NET POSITION (UNAUDITED)

2006-2015

	2006	2007	2008	2009
Expenses				
General government	\$ 1,420,465	\$ 1,648,574	\$ 1,439,316	\$ 1,010,207
Public safety	3,128,752	3,642,615	3,414,988	3,629,441
Public works	2,345,278	1,725,658	1,665,853	1,135,807
Community and economic development	139,098	107,223	75,288	49,423
Recreation and culture	243,015	309,018	296,654	338,235
Interest on long-term debt	34,296	57,766	27,104	9,162
Total governmental activities expenses	<u>\$ 7,310,904</u>	<u>\$ 7,490,854</u>	<u>\$ 6,919,203</u>	<u>\$ 6,172,275</u>
Program revenues				
Charges for services				
General government	\$ 89,408	\$ 81,528	\$ 80,681	\$ 164,739
Public safety	601,299	609,998	647,191	666,916
Public works	441,473	432,625	444,049	494,407
Recreation and culture	56,746	50,012	50,237	45,507
Total charges for services	1,188,926	1,174,163	1,222,158	1,371,569
Operating grants and contributions	893,444	1,138,543	2,399,695	1,104,536
Capital grants and contributions	1,303,418	30,551	15,185	640,093
Total program revenue	<u>3,385,788</u>	<u>2,343,257</u>	<u>3,637,038</u>	<u>3,116,198</u>
Net (expense) revenue	<u>\$ (3,925,116)</u>	<u>\$ (5,147,597)</u>	<u>\$ (3,282,165)</u>	<u>\$ (3,056,077)</u>
General revenues				
Property taxes	\$ 4,230,989	\$ 4,385,154	\$ 4,496,996	\$ 4,460,368
State-shared revenues	891,252	867,264	862,880	811,891
Investment earnings	158,579	211,208	189,044	80,634
Miscellaneous	30,564	11,100	10,740	23,849
Total general revenues	<u>5,311,384</u>	<u>5,474,726</u>	<u>5,559,660</u>	<u>5,376,742</u>
Change in net position	1,386,268	327,129	2,277,495	2,320,665
Restated net position, beginning of the year	<u>12,621,117</u>	<u>14,007,385</u>	<u>14,334,514</u>	<u>16,612,009</u>
Net position, end of the year	<u>\$ 14,007,385</u>	<u>\$ 14,334,514</u>	<u>\$ 16,612,009</u>	<u>\$ 18,932,674</u>

2010	2011	2012	2013	2014	2015
\$ 1,106,229	\$ 1,177,043	\$ 1,113,243	\$ 1,187,672	\$ 1,158,881	\$ 901,765
3,522,764	3,354,743	3,193,232	3,537,017	3,862,440	3,435,808
1,836,728	1,637,839	1,714,085	1,617,226	1,941,813	1,674,754
46,800	118,270	81,215	148,585	146,317	80,389
270,807	250,303	247,276	233,723	235,592	197,997
19,866	18,035	14,838	10,728	5,384	2,685
<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>	<u>\$ 6,293,398</u>
\$ 172,299	\$ 189,867	\$ 202,365	\$ 208,100	\$ 255,473	\$ 276,839
533,197	581,059	660,348	657,777	791,750	640,201
511,425	500,429	514,795	482,083	504,184	515,954
34,062	41,434	48,239	36,439	35,040	33,609
<u>1,250,983</u>	<u>1,312,789</u>	<u>1,425,747</u>	<u>1,384,399</u>	<u>1,586,447</u>	<u>1,466,603</u>
853,593	812,924	848,615	853,534	994,172	1,027,860
41,482	37,659	53,961	369,868	96,490	2,300,171
<u>2,146,058</u>	<u>2,163,372</u>	<u>2,328,323</u>	<u>2,607,801</u>	<u>2,677,109</u>	<u>4,794,634</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>	<u>\$ (1,498,764)</u>
\$ 4,339,222	\$ 3,802,193	\$ 3,363,316	\$ 3,262,058	\$ 3,322,738	\$ 3,424,206
721,565	793,649	878,056	891,798	926,059	934,921
17,360	22,824	11,975	8,650	5,537	865
79,972	30,281	29,561	39,777	24,711	79,943
<u>5,158,119</u>	<u>4,648,947</u>	<u>4,282,908</u>	<u>4,202,283</u>	<u>4,279,045</u>	<u>4,439,935</u>
500,983	256,086	247,342	75,133	(394,273)	2,941,171
<u>18,932,674</u>	<u>19,433,657</u>	<u>19,579,743</u>	<u>19,752,271</u>	<u>19,878,672</u>	<u>16,484,692</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>	<u>\$ 19,425,863</u>

City of Fenton

CHANGES IN BUSINESS-TYPE NET POSITION (UNAUDITED)

2006-2015

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses				
Water	\$ 2,057,635	\$ 2,334,328	\$ 2,179,363	\$ 2,402,112
Sewer	<u>2,286,890</u>	<u>2,344,030</u>	<u>2,215,830</u>	<u>2,063,615</u>
Total expenses	<u>\$ 4,344,525</u>	<u>\$ 4,678,358</u>	<u>\$ 4,395,193</u>	<u>\$ 4,465,727</u>
Program revenues				
Charges for services				
Water	\$ 2,133,655	\$ 2,263,120	\$ 2,198,405	\$ 2,091,329
Sewer	<u>1,640,425</u>	<u>2,108,018</u>	<u>2,156,951</u>	<u>2,260,702</u>
Total charges for services	3,774,080	4,371,138	4,355,356	4,352,031
Capital grants and contributions				
Water	149,488	51,000	3,050	-
Sewer	<u>469,600</u>	<u>117,395</u>	<u>16,190</u>	<u>-</u>
Total capital grants and contributions	619,088	168,395	19,240	-0-
Total program revenue	<u>4,393,168</u>	<u>4,539,533</u>	<u>4,374,596</u>	<u>4,352,031</u>
Net (expense) revenue	<u>\$ 48,643</u>	<u>\$ (138,825)</u>	<u>\$ (20,597)</u>	<u>\$ (113,696)</u>
General revenues				
Investment earnings	\$ 128,526	\$ 139,616	\$ 105,532	\$ 53,855
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,343</u>
Total general revenues	<u>128,526</u>	<u>139,616</u>	<u>105,532</u>	<u>102,198</u>
Change in net position	<u>\$ 177,169</u>	<u>\$ 791</u>	<u>\$ 84,935</u>	<u>\$ (11,498)</u>

2010	2011	2012	2013	2014	2015
\$ 2,302,524	\$ 2,697,917	\$ 2,295,676	\$ 2,550,571	\$ 2,520,564	\$ 2,798,558
2,114,313	2,145,302	2,082,283	2,120,388	2,350,065	2,443,606
<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>	<u>\$ 5,242,164</u>
\$ 2,415,330	\$ 2,779,345	\$ 2,817,673	\$ 2,902,028	\$ 2,789,912	\$ 2,682,329
2,257,131	2,465,111	2,506,911	2,530,529	2,701,837	2,775,942
4,672,461	5,244,456	5,324,584	5,432,557	5,491,749	5,458,271
-	-	-	-	1,155	-
1,054,000	-	-	-	-	-
1,054,000	-0-	-0-	-0-	1,155	-0-
5,726,461	5,244,456	5,324,584	5,432,557	5,492,904	5,458,271
<u>\$ 1,309,624</u>	<u>\$ 401,237</u>	<u>\$ 946,625</u>	<u>\$ 761,598</u>	<u>\$ 622,275</u>	<u>\$ 216,107</u>
\$ 10,042	\$ 16,270	\$ 80,003	\$ 81,470	\$ 69,254	\$ 68,472
94,065	99,360	109,536	118,958	122,872	106,024
104,107	115,630	189,539	200,428	192,126	174,496
<u>\$ 1,413,731</u>	<u>\$ 516,867</u>	<u>\$ 1,136,164</u>	<u>\$ 962,026</u>	<u>\$ 814,401</u>	<u>\$ 390,603</u>

City of Fenton

FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2006-2015

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund				
Reserved	\$ 97,770	\$ 203,361	\$ 98,144	\$ 82,747
Unreserved	1,260,154	1,095,887	1,293,699	1,424,971
Nonspendable	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 1,357,924</u>	<u>\$ 1,299,248</u>	<u>\$ 1,391,843</u>	<u>\$ 1,507,718</u>
All other governmental funds				
Reserved	\$ 5,875	\$ 7,643	\$ 5,986	\$ 2,513
Unreserved, reported in:				
Special revenue funds	567,913	761,036	780,578	671,323
Capital project funds	536,764	300,565	479,862	466,694
Debt service funds	-	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Total all other governmental funds	<u>\$ 1,110,552</u>	<u>\$ 1,069,244</u>	<u>\$ 1,266,426</u>	<u>\$ 1,140,530</u>

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

2010	2011	2012	2013	2014	2015
\$ 233,423	\$ -	\$ -	\$ -	\$ -	\$ -
1,360,450	-	-	-	-	-
-	34,333	259,318	114,866	128,536	205,844
-	2,020,003	1,824,928	1,997,467	2,072,217	2,063,205
<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>	<u>\$ 2,269,049</u>
\$ 131,659	\$ -	\$ -	\$ -	\$ -	\$ -
699,293	-	-	-	-	-
891,260	-	-	-	-	-
-	-	-	-	-	-
-	124,116	109,426	34,844	6,115	180,406
-	141,844	306,634	342,981	325,746	466,969
-	1,681,517	2,234,661	2,453,146	2,814,515	2,225,843
<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>	<u>\$ 2,873,218</u>

City of Fenton

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2006-2015

	2006	2007	2008	2009
Revenues				
Property taxes	\$ 4,240,619	\$ 4,371,523	\$ 4,469,408	\$ 4,460,368
Licenses and permits	219,417	183,527	192,848	202,728
Intergovernmental	1,641,769	1,856,088	2,409,873	2,224,266
Charges for services	929,924	953,140	990,606	942,784
Fines and forfeits	100,282	98,361	113,225	82,639
Interest and rents	136,634	182,900	165,142	149,780
Other	54,986	70,498	704,615	104,936
Total revenues	7,323,631	7,716,037	9,045,717	8,167,501
Expenditures				
Current				
General government	1,480,678	1,545,582	1,351,239	968,649
Public safety	3,223,832	3,126,586	3,443,691	3,465,217
Public works	2,058,361	2,301,573	3,492,752	2,984,733
Community and economic development	-	-	-	-
Recreation and culture	283,553	228,712	229,526	312,942
Other	176,138	172,734	127,621	308,798
Capital outlay	836,131	291,316	18,486	11,498
Debt service				
Principal	145,778	106,933	110,779	114,763
Interest and fiscal charges	30,289	28,766	24,920	20,936
Total Expenditures	8,234,760	7,802,202	8,799,014	8,187,536
Excess of revenues over (under) expenditures	(911,129)	(86,165)	246,703	(20,035)
Other Financing Sources (Uses)				
Debt issuance	-	-	-	-
Sale of fixed assets	-	-	9,100	-
Transfers in	1,514,587	1,716,000	1,430,197	1,806,490
Transfers out	(1,530,987)	(1,729,819)	(1,396,223)	(1,796,476)
Total other financing sources (uses)	(16,400)	(13,819)	43,074	10,014
Net change in fund balances	(927,529)	(99,984)	289,777	(10,021)
Fund Balances - Beginning of year	3,396,005	2,468,476	2,368,492	2,658,269
Fund Balances - End of year	<u>\$ 2,468,476</u>	<u>\$ 2,368,492</u>	<u>\$ 2,658,269</u>	<u>\$ 2,648,248</u>
Debt service as a percentage of noncapital expenditures	0.64%	3.20%	1.96%	2.16%

2010	2011	2012	2013	2014	2015
\$ 4,393,964	\$ 3,911,729	\$ 3,385,278	\$ 3,348,895	\$ 3,322,738	\$ 3,424,206
184,494	218,991	241,133	261,742	385,792	361,176
1,614,485	1,642,926	1,763,701	1,770,023	1,958,266	2,119,347
918,363	949,460	1,017,853	956,694	1,024,081	952,684
60,189	62,174	63,386	69,385	86,273	56,117
87,911	90,649	78,983	75,167	71,163	65,576
88,880	45,928	82,860	138,420	107,841	115,488
7,348,286	6,921,857	6,633,194	6,620,326	6,956,154	7,094,594
983,435	976,708	897,923	931,392	978,534	1,036,510
3,009,260	2,903,285	2,751,813	2,887,330	3,210,569	3,104,603
1,820,818	1,617,583	1,492,077	1,866,562	1,727,676	2,364,363
-	107,135	76,674	121,515	120,753	112,344
231,720	217,033	215,869	193,117	197,247	238,822
321,552	305,755	216,098	312,066	239,149	285,125
377,966	-	30,956	-	-	38,088
118,892	89,372	92,371	95,710	110,023	113,579
16,806	19,258	16,259	12,920	9,693	6,137
6,880,449	6,236,129	5,790,040	6,420,612	6,593,644	7,299,571
467,837	685,728	843,154	199,714	362,510	(204,977)
200,000	-	-	8,623	41,315	-
-	-	-	-	-	-
1,644,475	1,203,172	1,281,541	1,397,520	835,500	1,455,729
(1,644,475)	(1,203,172)	(1,281,541)	(1,397,520)	(835,500)	(1,455,614)
200,000	-0-	-0-	8,623	41,315	115
667,837	685,728	843,154	208,337	403,825	(204,862)
2,648,248	3,316,085	3,891,813	4,734,967	4,943,304	5,347,129
\$ 3,316,085	\$ 4,001,813	\$ 4,734,967	\$ 4,943,304	\$ 5,347,129	\$ 5,142,267
1.66%	2.06%	1.85%	1.77%	1.81%	2.68%

City of Fenton

TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)

2006-2015

Taxable Value by Property Type						
Tax Year	Fiscal Year Ended June 30,	Residential	Commercial	Industrial	Personal Property	Total Value
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
2014	2015	172,420,345	130,599,352	17,873,885	28,776,200	349,669,782

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
10.71	\$ 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%
10.62	783,071,802	44.65%

City of Fenton

DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)

2005-2014

Tax Year	Millage Rates - Direct City Taxes			County	Community College	Intermediate School District
	General Operating	Debt	Total Direct Taxes			
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
2014	10.62	0.00	10.62	11.06	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>
0.37	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
0.37	7.88	6.00	18.00	42.32	60.32

City of Fenton

PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)

June 30, 2015 and 2005

<u>Taxpayer</u>	<u>2015 Taxable Value</u>	<u>Percentage of Total</u>	<u>2006 Taxable Value</u>	<u>Percentage of Total</u>	<u>2006 Rank</u>
Georgetown	\$ 8,802,126	2.50%	\$ 8,247,460	2.34%	1
Walmart	7,221,977	2.06%	4,419,650	1.25%	7
Consumers Energy	6,383,994	1.82%	7,770,210	2.20%	2
Silver Lake Hills	6,040,600	1.73%	6,095,600	1.73%	4
Creative Foam	5,719,785	1.63%	4,384,050	1.24%	9
Centro Holdings	3,874,600	1.10%	3,090,120	0.87%	13
Regency Realty Group	3,424,050	0.90%	5,160,400	1.46%	5
Target Corporation	3,104,811	0.89%	-		n/a
KMC Associates	2,018,661	0.58%	2,140,160	0.61%	13
Fenton Place Apartments	1,137,925	0.33%	-		n/a

Note:

Source: Data provided by local assessment records.

City of Fenton

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

2005-2015

<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>
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%
2014	2015	3,652,514	3,472,264	95.07%	168,628	3,640,892	99.7%

Note:

Source: Data provided from local Treasurer's Department.

City of Fenton

RATIOS OF OUTSTANDING DEBT (UNAUDITED)

2005-2015

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Installment purchase agreements	792,784	685,851	575,072	460,309
Special assessment bonds	-	-	-	-
Capital leases	<u>64,707</u>	<u>147,562</u>	<u>75,738</u>	<u>-</u>
Total	857,491	833,413	650,810	460,309
Business-type Activities				
General obligation bonds	9,882,525	9,170,166	8,470,799	7,701,561
Capital improvement bonds	-	-	-	-
Revenue bonds	<u>9,433,759</u>	<u>8,963,759</u>	<u>8,483,759</u>	<u>7,993,759</u>
Total	19,316,284	18,133,925	16,954,558	15,695,320
Component Unit Activities				
General obligation bonds	<u>5,490,000</u>	<u>5,185,000</u>	<u>4,870,000</u>	<u>4,535,000</u>
Total debt of the government	<u>\$ 24,806,284</u>	<u>\$ 23,318,925</u>	<u>\$ 21,824,558</u>	<u>\$ 20,230,320</u>
Total Taxable Value	<u>\$ 420,817,204</u>	<u>\$ 442,552,747</u>	<u>\$ 468,527,910</u>	<u>\$ 463,525,458</u>
Ratio of total debt to taxable value	5.89%	5.27%	4.66%	4.36%
Total debt per capita	\$ 2,344	\$ 2,204	\$ 2,062	\$ 1,912
Personal Income ⁽¹⁾	\$ 28,803	\$ 29,347	\$ 29,488	\$ 29,526
Ratio of total debt to personal income	0.12%	0.13%	0.14%	0.15%

Note:

Source: Actual 2000 and 2010 Census Reports.

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

2010	2011	2012	2013	2014	2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
541,417	452,045	359,675	263,965	164,795	62,039
-	-	-	-	-	-
-	-	-	7,903	35,252	22,604
541,417	452,045	359,675	271,868	200,047	84,643
6,903,343	6,076,538	5,216,199	4,319,824	3,385,039	2,406,770
-	2,690,000	2,660,000	2,625,000	2,585,000	2,545,000
8,426,110	7,987,142	7,402,142	6,865,790	6,260,790	5,635,790
15,329,453	16,753,680	15,278,341	13,810,614	12,230,829	10,587,560
4,245,000	3,940,000	3,675,000	3,315,000	2,945,000	6,210,000
\$ 19,574,453	\$ 20,693,680	\$ 18,953,341	\$ 17,125,614	\$ 15,175,829	\$ 16,797,560
\$ 456,841,113	\$ 407,727,266	\$ 367,283,717	\$ 356,514,046	\$ 351,075,928	\$ 349,669,782
4.28%	5.08%	5.16%	4.92%	4.93%	4.80%
\$ 1,666	\$ 1,762	\$ 1,614	\$ 1,495	\$ 1,292	\$ 1,447
\$ 29,060	\$ 30,542	\$ 31,639	\$ 32,421	33,033	N/A
0.15%	0.15%	0.17%	0.19%	0.21%	N/A

City of Fenton

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)

2006-2015

<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>
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
2015	-	-	-	2,406,770

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>
\$ 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
2,406,770	783,071,802	0.0031	11,746	205

City of Fenton

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

June 30, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Genesee County	\$ 65,669,380	4.07%	\$ 2,672,744
Mott Community College	43,450,000	3.84%	1,668,480
Holly School District	55,092,838	0.02%	11,019
Fenton School District	40,795,000	44.42%	18,121,139
Lake Fenton School District	18,875,000	4.60%	868,250
Genessee Intermediate School District	8,000,000	3.84%	307,200
Bishop Airport Authority	<u>10,255,000</u>	4.07%	<u>417,379</u>
Total Overlapping Debt	242,137,218		24,066,211
Direct City Debt	<u>84,643</u>	100.00%	<u>84,643</u>
Total Direct and Overlapping Debt	<u>\$ 242,221,861</u>		<u>\$ 24,150,854</u>

City of Fenton

LEGAL DEBT MARGIN (UNAUDITED)

2006-2015

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Calculation of debt limit:				
State equalized valuation	\$ 555,574,618	\$ 579,005,664	\$ 595,012,767	\$ 567,344,609
10% of taxable value	55,557,461	57,900,566	59,501,276	56,734,460
Calculation of debt subject to limit:				
Total debt	25,834,772	24,413,373	22,636,714	21,057,956
Less: debt not subject to limit:				
Revenue bonds	<u>9,433,759</u>	<u>8,963,759</u>	<u>8,470,799</u>	<u>7,701,561</u>
Net debt subject to limit	<u>16,401,013</u>	<u>15,449,614</u>	<u>14,165,915</u>	<u>13,356,395</u>
Legal debt margin	<u>\$ 55,557,461</u>	<u>\$ 57,900,566</u>	<u>\$ 59,501,276</u>	<u>\$ 56,734,460</u>
Net debt subject to limit as % of debt limit	29.52%	26.68%	23.81%	23.54%

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 531,087,049	\$ 459,751,426	\$ 410,987,207	\$ 364,095,325	\$ 385,963,385	\$ 391,535,901
53,108,705	45,975,143	41,098,720	36,409,532	38,596,338	39,153,590
20,480,464	21,455,285	19,313,016	17,166,930	15,206,058	17,000,316
<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>5,635,790</u>
<u>12,054,354</u>	<u>13,468,143</u>	<u>11,910,874</u>	<u>10,301,140</u>	<u>8,945,268</u>	<u>11,364,526</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>	<u>\$ 39,153,590</u>
22.70%	29.29%	28.98%	28.29%	23.18%	29.03%

City of Fenton

PLEGGED-REVENUE COVERAGE (UNAUDITED)

2006-2015

Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Water Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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
2015	2,803,468	2,000,575	802,893	615,000	288,274	0.89

Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Sewer Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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
2015	2,829,299	1,720,183	1,109,116	1,028,269	161,484	0.93

City of Fenton

DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)

2006-2015

<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>
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	13,708,677	33,033	6.3
2015	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, 2015

Industry	2015 Number of Jobs ⁽¹⁾	Percentage of Total	2006 Number of Jobs ⁽¹⁾	Percentage of Total
Trade, Transportation, and Utilities	30,700	22.09%	31,800	20.27%
Education and Health Services	28,000	20.14%	25,000	15.93%
Government	17,300	12.45%	24,500	15.62%
Manufacturing	12,200	8.78%	23,500	14.98%
Leisure and Hospitality	15,400	11.08%	15,500	9.88%
Professional and Business Services	14,300	10.29%	13,300	8.48%
Natural Resources, Mining, and Construction	4,800	3.45%	6,700	4.27%
Other Services	5,800	4.17%	7,000	4.46%
Financial Activities	6,400	4.60%	7,400	4.72%
Information	4,100	2.95%	2,200	1.40%
Total	139,000	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)

2006-2015

Function/Program	2006	2007	2008	2009
General government	14	14	13	11
Public safety:				
Police	21	21	21	19
Building inspection	2	2	2	1
Fire	1	1	1	1
Public works:				
DPW	8	8	8	7
Water and sewer	10	10	10	9
Total	56	56	55	48

2010	2011	2012	2013	2014	2015
10	11	10	13	12	14
18	16	15	15	17	16
1	1	1	1	1	2
1	1	1	1	1	1
8	8	8	8	8	8
8	8	8	8	8	8
46	45	43	46	47	49

City of Fenton

OPERATING INDICATORS (UNAUDITED)

2006-2015

Function/ program	2006	2007	2008	2009
Election data				
Registered voters	8,768	9,094	8,783	8,882
Voters (at the polls or absentee)	4,207	721	1,005	1,437
Percent voting	47.98%	7.93%	11.44%	16.18%
Police				
Physical arrests	985	1,162	1,175	813
Traffic violations	2,046	2,019	2,020	1,596
Investigations	8,623	9,144	9,100	9,635
Fire				
Fire runs	360	381	389	412
Emergency medical runs	133	141	162	170
Inspections	25	30	500	250
Public works				
Miles of street resurfaced	0.43	1.10	1.40	1.16
Water				
Number of customers billed	3,700	3,746	3,759	3,480
Total consumption*	356,301	361,320	360,325	313,909
Average consumption per user	96	96	96	90
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

2010	2011	2012	2013	2014	2015
8,812	9,211	9,198	9,407	9,438	9,426
2,346	2,148	2,146	5,852	1,105	6,164
26.62%	23.32%	23.33%	62.20%	11.71%	65.39%
870	633	481	664	470	247
1,429	1,368	1,808	2,140	1,675	1,090
9,725	10,458	9,603	8,818	10,767	8,440
497	326	304	259	298	356
147	140	150	181	198	143
50	50	125	100	200	300
1.8	1.8	1.80	1.60	-0-	0.63
3,485	3,469	3,501	3,494	3,509	3,500
299,308	295,980	307,881	320,124	287,802	294,545
86	85	88	91	82	84
N/A	N/A	N/A	N/A	N/A	N/A

City of Fenton

CAPITAL ASSETS STATISTICS (UNAUDITED)

2006-2015

Function/ program	2006	2007	2008	2009
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

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1 9	1 9	1 9	1 9	1 9	1 9
1 8	1 8	1 8	1 8	1 8	1 8
18.69 35.05	18.69 35.05	18.69 35.05	18.69 35.05	18.69 35.05	18.69 35.05
172 17 1	172 17 1	172 17 1	172 17 1	172 17 1	172 17 1
64	64	64	64	64	64
1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal	1.5 mil gal	1.5 mil gal
56 39	56 39	56 39	56 39	56 39	56 39