

CITY OF FENTON, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2016

**Prepared by:
Treasurer's Department**

**Cynthia A. Shane
City Treasurer**

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2016

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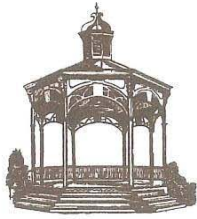
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INTRODUCTORY SECTION



City of Fenton

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

December 14, 2016

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, 2016 (FY 16). 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-eight 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 28th consecutive annual award this year. Congratulations to the City Treasurer and her team for this accomplishment.

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

The City of Fenton has ended the fiscal year improving our stable financial condition and the economy in the community has continued to improve. Several businesses have remodeled or updated their facilities and new businesses have come into the community.

Member Michigan Municipal League

During this fiscal year the City of Fenton Downtown Development Authority (DDA) was very active. In fall of 2015, construction continued on the Downtown Streetscape project. The project 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. The project was substantially completed in fall 2015 with restoration completed in Spring 2016. As anticipated the completed project has created a more active, vibrant, and walkable downtown.

The recovery of real estate values and home ownership has continued to improve. New home construction industry has continued to improve. The number of new homes being built in the city increased in FY 2016. Subsequent to the end of 2016, the city sold 68 lots for residential construction to a developer. Construction is underway as of this writing. The city acquired these properties during the recession because of non-payment of property taxes. These parcels represent 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 (annual revenue) from the newly constructed homes.

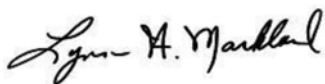
The 2010 decennial census count showed a population gain of 11% in the previous 10 years. The current population of the City of Fenton is 11,746. The City of Fenton's population growth is an unusual trend in the State of Michigan. Population growth continued during the recession and projections by Genesee County indicate that growth in the City of Fenton will continue through at least 2035. There is a 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.

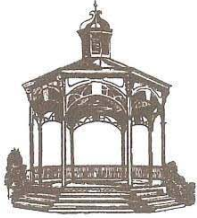
It should be noted that the preparation of this comprehensive annual financial report could not have been accomplished without the efforts of our City Treasurer, Cynthia Shane. Her continued efforts to upgrade the City's accounting, financial reporting and information management systems has contributed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

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

Respectfully submitted,



Lynn Markland
City Manager



City of Fenton

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

December 14, 2016

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, 2016 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. New construction of homes is occurring in unfinished subdivisions left from the 2007 recession.

Many new commercial businesses opened in Fenton. Three national retailers; Famous Footwear, Maurices, and ULTA, opened businesses in the new building between Target and Tractor Supply Company. El Topo Taco restaurant, with a "secret" speakeasy opened this summer. Crust Bakery is planning an 8,000-square-foot expansion which will increase production and jobs.

The City's industrial park has almost no vacant buildings and there is interest in the vacant properties. The Local Development Finance Authority (LDFA) raised the visibility of the Industrial Park by rebranding the name to the City of Fenton Business and Technology Park. The LDFA has installed new signs and landscaping in the park. The signs accentuate the entrance to the park and increases visibility from US-23 expressway.

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 Poors reviewed the City of Fenton credit rating in 2014. The credit rating has 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 garbage, recycling and yard waste pick up programs were changed during the year. The City Council decided to eliminate the bag and tag system in favor of a carted service for trash and recycling. The average city resident will see a reduction in cost. The new type of collection system should increase the collection of recyclables.

The Fenton Streetscape project began in April of 2015 and was completed in FYE 16. The project is a reconstruction of the downtown district’s roads, sidewalks, and aesthetics. New water mains and storm sewers have been added. Forty percent of the \$5.2 million project was funded through grants from the State of Michigan and Federal Highway Fund. The DDA funded \$3 million of the project’s cost. This project will make the downtown a more walkable destination, which was the goal of City Council and the Downtown Development Authority (DDA). This project is drawing more people to the downtown area.

The DDA issued bonds of \$1 million to fund an additional downtown streetscape project. The plan is to reconnect downtown streets that were sealed off in the 1970’s as part of the urban renewal project. Caroline Street will be connected at Leroy and Walnut Streets. A portion of a strip mall has been purchased and demolished so that the streets can be connected. Construction of the street will began in the spring of 2017.

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 City has purchased two of the sculptures to be permanently displayed in the Downtown.

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

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

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

Michigan Department of Transportation (MDOT) Local Bridge Program funded 95% of the 1.4 million construction costs for replacement of the Silver Lake Road Bridge in 2016. This project is the third bridge in the city to have received the local bridge funding.

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.

Plans have been approved for the reconstruction of Poplar Street. The cost of the project is estimated at \$617,100, \$493,680 to be paid from federal funds, and \$123,420 from city matching funds. This project will be completed in FYE 17.

The Cornerstone Building, 4 story and 48,000 square foot, by Corlin Builders was completed in FYE 15 in the downtown. Now Corlin Builders are planning a second building in downtown. The proposed building features four stories with a total of 40,400 square feet. The first floor will feature five retail spaces and the second floor will be offices. The third and fourth floors will feature condominiums. The City will provide the land and demolish the existing strip mall for this development. Corlin Builders are applying for a MDEC grant for the project.

The Horizon Building is planned for next year in the downtown. The site was in the past used as a gas station and auto repair facility, environmental cleanup was required and has been completed. The owner of the property paid for the cleanup. The property is a Brownfield site and the owner is eligible to recover the cost of cleanup by tax increment capture if a development is completed within five years. The DDA has restricted \$350,000 to contribute to this project. The developer is applying for a MEDC grant. The building features 23,000 square feet. The first floor will be retail space and the second and third floors will be offices.

Riggs Street water main consists of old galvanized pipe with a diameter size that varies from 2 inches down to 1-1/4 inch. The City plans to replace these lines with a new 8-inch water main with new water services to each house from the water main to the shut off. New fire hydrants will be installed.

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, 2015. 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 eight consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments.

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

Respectfully,

A handwritten signature in cursive script that reads "Cynthia A. Shane".

Cynthia A. Shane
City Treasurer



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, 2015

Executive Director/CEO

City of Fenton

Comprehensive Annual Financial Report
Year Ended June 30, 2016

LIST OF CITY OFFICIALS

CITY COUNCIL

Barbara Sue Osborn, Mayor

Bradley Jacob

Nancy Draves

David McDermott

Cherie Smith

Patricia Lockwood

Scott Grossmeyer

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
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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East Lansing, MI 48823
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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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, 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 14, 2016

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 broad 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	
	2015	2016	2015	2016	2015	2016
Current & other assets	\$ 7.6	\$ 7.8	\$ 6.2	\$ 5.5	\$ 13.8	\$ 13.3
Capital assets	18.0	20.2	33.5	33.2	51.5	53.4
Total assets	25.6	28.0	39.7	38.7	65.3	66.7
Deferred outflows of resources	0.3	1.4	0.1	0.4	0.4	1.8
Long-term liabilities	5.5	7.8	10.6	10.6	16.1	18.4
Other liabilities	1.0	1.1	2.8	1.7	3.8	2.8
Total liabilities	6.5	8.9	13.4	12.3	19.9	21.2
Net position:						
Net investment in capital assets	18.0	19.5	22.9	23.7	40.9	43.2
Restricted	0.5	0.7	0.7	0.5	1.2	1.2
Unrestricted	1.0	0.3	2.8	2.5	3.8	2.8
Total net position	\$ 19.5	\$ 20.5	\$ 26.4	\$ 26.7	\$ 45.9	\$ 47.2

The City's combined net position increased 2.8 percent from a year ago, increasing from \$45.9 million to \$47.2 million. A review of the governmental activities, separate from the business-type activities, shows the net position increased from \$19.5 million to \$20.5 million during fiscal year 2016. The capital assets increased by 2.2 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 \$0.3 million at June 30, 2016. The business-type activities experienced an increase in net position of approximately \$0.3 million or 1.3 percent.

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	
	2015	2016	2015	2016	2015	2016
Revenue						
Program revenue:						
Charges for services	\$ 1.5	\$ 1.5	\$ 5.5	\$ 5.3	\$ 7.0	\$ 6.8
Operating grants and Contributions	1.0	0.9	0.0	0.0	1.0	0.9
Capital grants and Contributions	2.3	2.3	0.0	0.0	2.3	2.3
General revenue:						
Property taxes	3.4	3.6	0.0	0.0	3.4	3.6
State-shared revenue	0.9	0.9	0.0	0.0	0.9	0.9
Unrestricted						
Miscellaneous	0.0	0.2	0.0	0.1	0.0	0.3
Investment earnings	0.0	0.0	0.1	0.1	0.1	0.1
Total revenue	9.1	9.4	5.6	5.5	14.7	14.9
Program Expenses						
General government	0.9	1.5	0.0	0.0	0.9	1.5
Public safety	3.4	3.8	0.0	0.0	3.4	3.8
Public works	1.7	2.7	0.0	0.0	1.7	2.7
Parks & recreation	0.2	0.1	0.0	0.0	0.2	0.1
Community service	0.0	0.3	0.0	0.0	-	0.3
Interest on long-term debt	0.0	0.0	0.0	0.0	0.0	0.0
Water	0.0	0.0	2.8	2.8	2.8	2.8
Sewer	0.0	0.0	2.4	2.4	2.4	2.4
Total program expenses	6.2	8.4	5.2	5.2	11.4	13.6
Change in Net Position	2.9	1.0	0.4	0.3	3.3	1.3
Net position						
Beginning of year, as previously stated	19.5	19.5	28.1	26.4	47.6	45.9
Restatement for GASB 68	(3.2)	-	(0.9)	-	(4.1)	-
Prior period adjustment	0.2	-	(1.2)	-	(1.0)	-
Ending Net Position	\$ 19.4	\$ 20.5	\$ 26.4	\$ 26.7	\$ 45.8	\$ 47.2

Governmental Activities

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

Expenses increased by approximately \$2.2 million, or thirty-four (34) percent, from last fiscal year. Street maintenance and improvements expenditures were increased in Public Safety for the fiscal year. Increased pension and post-employment health care benefits account for a majority of the increases.

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer Funds. The City provides water from wells located in the City. A new water treatment plant built in 2004 processes the water for all residents. The expenses for the Water Fund decreased by 4.0% this fiscal year due to a reduction in the costs of chemicals to treat the water and a lagoon was not 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 16. During FY 2016, \$459,472 in operating income was incurred in the Sewer Fund and (\$212,659) 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 only major governmental fund for 2016 was the General Fund.

The General Fund pays for most of the City's governmental services. The most significant of these are police and fire services, which incurred expenditures of \$2.6 million in 2016. The general operating millage levied by the City supports these two services. FY 2016 revenues increased in the General Fund by \$80,098, mainly due to increase in property tax revenue. The General expenditures, excluding transfers out, increased by \$153,630. A majority of the increase was for land redevelopment and land purchase. Fund Balance in the General Fund increased by \$227,676.

Over the course of the year, City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. At year end, actual General Fund revenues were over budget by \$37,026. Expenditures were \$188,493 under budget. Various departments contributed to the positive budget variance.

Capital Assets and Debt Administration

At the end of fiscal 2016, the City had \$53 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 \$7.8 million and \$7.2 million for fiscal 2015 and 2016, respectively.

	Governmental Activities	Business- Type Activities	Component Unit Activities	Total
Land	\$ 1,605,104	\$ 190,930	\$ 425,000	\$ 2,221,034
Construction in progress	3,507,582	1,419,581	-	4,927,163
Buildings, net	5,718,211	-	325,807	6,044,018
Building and land improvements, net	67,962	6,677,411	-	6,745,373
Machinery, vehicles and equipment, net	1,419,183	83,482	-	1,502,665
Roads, lights, and bridges, net	7,818,321	-	-	7,818,321
Sewer and water lines, net	-	24,821,646	-	24,821,646
Capital assets, net	\$ 20,136,363	\$ 33,193,050	\$ 750,807	\$ 54,080,220

At the end of the 2016 fiscal year, the City of Fenton (primary government) had net outstanding debt of \$10,308,442. 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 \$651,159 during the fiscal year.

Standard and poor’s reviewed the City of Fenton credit rating during FY 2016. The rating remained at AA-. The Financial Management Assessment (FMA) score is “good”. The ratio of net general bonded debt to assessed valuation and the amount of net bonded debt per capita are as follows:

	<u>2015</u>	<u>2016</u>
Net direct bonded debt	\$ 2,406,770	\$ 1,402,873
Ratio of debt to assessed valuation	0.0031	0.0016
Debt per capita	\$ 205	\$ 119

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 27-31, 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 fourteen years the Headlee Amendment has rolled the City's operating millage below 11 mills. For 2015 and 2016 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 2016 under Proposal A was only 0.1 percent. Property taxes make up 67 percent of our General Fund budget revenue and Proposal A and the Headlee Amendment limit the growth of this revenue. Fortunately the City is still experiencing new commercial development. Most of this tax revenue growth is captured by the DDA but the DDA has completed many projects which benefit the City as a whole plus shared a portion of their revenue with the General Fund this fiscal year. Residential growth in the City is picking up.

The General Fund budget for 2017 is structured so that revenues exceed expenditures by \$27,698. 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 2016, as required by the Michigan Legislature for budgeting fiscal 2015-16 replacement funding of personal property taxes, was 49 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, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash	\$ 6,084,055	\$ 2,945,961	\$ 9,030,016	\$ 3,067,781
Cash - restricted	-	497,023	497,023	-
Receivables	1,065,912	1,899,029	2,964,941	98,059
Due from other governmental units	519,793	-	519,793	-
Internal balances	(83,292)	83,292	-0-	-
Inventories	39,411	32,472	71,883	-
Prepays	185,845	21,700	207,545	52,600
Total current assets	7,811,724	5,479,477	13,291,201	3,218,440
Noncurrent assets				
Capital assets not being depreciated	5,112,686	1,610,511	6,723,197	425,000
Capital assets, net of accumulated depreciation	15,023,677	31,582,539	46,606,216	325,807
Total noncurrent assets	20,136,363	33,193,050	53,329,413	750,807
TOTAL ASSETS	27,948,087	38,672,527	66,620,614	3,969,247
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	1,393,406	424,000	1,817,406	-
Deferred charges on refunding of bonds	-	-	-0-	43,606
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,393,406	424,000	1,817,406	43,606
LIABILITIES				
Current liabilities				
Accounts payable	364,596	418,753	783,349	57,688
Accrued wages	144,034	51,423	195,457	6,345
Deposits payable	390,541	-	390,541	-
Due to other governmental units	38,119	-	38,119	26,087
Accrued interest payable	4,282	66,215	70,497	46,154
Unearned revenue	11,310	-	11,310	-
Current portion of compensated absences	53,329	5,925	59,254	-
Current portion of long-term debt	97,055	1,162,625	1,259,680	620,262
Total current liabilities	1,103,266	1,704,941	2,808,207	756,536
Noncurrent liabilities				
Meter deposits	-	4,878	4,878	-
Noncurrent portion of compensated absences	213,315	23,704	237,019	-
Noncurrent portion of long-term debt	500,000	8,352,489	8,852,489	6,285,029
Net pension liability	5,123,320	1,558,981	6,682,301	-
Net other post-employment benefit obligation	1,943,727	715,713	2,659,440	-
Total noncurrent liabilities	7,780,362	10,655,765	18,436,127	6,285,029
TOTAL LIABILITIES	8,883,628	12,360,706	21,244,334	7,041,565
NET POSITION				
Net investment in capital assets	19,539,308	23,677,936	43,217,244	750,807
Restricted				
Highways and streets	622,871	-	622,871	-
Public safety	23,654	-	23,654	-
Bond reserve	-	497,023	497,023	-
Unrestricted	272,032	2,560,862	2,832,894	(3,779,519)
TOTAL NET POSITION	\$ 20,457,865	\$ 26,735,821	\$ 47,193,686	\$ (3,028,712)

See accompanying notes to financial statements.

City of Fenton

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,522,667	\$ 283,420	\$ 14,524	\$ -	\$ (1,224,723)	\$ -	\$ (1,224,723)	\$ -
Public safety	3,806,701	593,827	18,037	50,000	(3,144,837)	-	(3,144,837)	-
Public works	2,662,804	564,705	881,511	101,910	(1,114,678)	-	(1,114,678)	-
Community and economic development	136,692	-	1,202	-	(135,490)	-	(135,490)	-
Recreation and culture	242,489	48,837	664	2,139,974	1,946,986	-	1,946,986	-
Interest and fees on long-term debt	42,771	-	-	-	(42,771)	-	(42,771)	-
Total governmental activities	8,414,124	1,490,789	915,938	2,291,884	(3,715,513)	-0-	(3,715,513)	-0-
Business-type activities								
Sewer	2,362,559	2,632,951	-	-	-	270,392	270,392	-
Water	2,814,340	2,699,712	8,377	-	-	(106,251)	(106,251)	-
Total business-type activities	5,176,899	5,332,663	8,377	-0-	-0-	164,141	164,141	-0-
Total primary government	\$ 13,591,023	\$ 6,823,452	\$ 924,315	\$ 2,291,884	(3,715,513)	164,141	(3,551,372)	-0-
Component units								
Downtown development authority	\$ 3,066,671	\$ -	\$ 7,250	\$ -	-	-	-0-	(3,059,421)
Local development finance authority	81,850	-	-	-	-	-	-0-	(81,850)
Total component units	\$ 3,148,521	\$ -0-	\$ 7,250	\$ -0-	-0-	-0-	-0-	(3,141,271)
General revenues								
Property taxes					3,534,843	-	3,534,843	1,442,527
State shared revenue					928,933	-	928,933	-
Investment earnings					21,275	69,103	90,378	7,104
Miscellaneous					161,161	119,447	280,608	-
Total general revenues					4,646,212	188,550	4,834,762	1,449,631
Change in net position					930,699	352,691	1,283,390	(1,691,640)
Restated net position, beginning of the year					19,527,166	26,383,130	45,910,296	(1,337,072)
Net position, end of the year					\$ 20,457,865	\$ 26,735,821	\$ 47,193,686	\$ (3,028,712)

See accompanying notes to financial statements.

City of Fenton
Governmental Funds
BALANCE SHEET
June 30, 2016

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash	\$ 2,539,002	\$ 2,699,407	\$ 5,238,409
Receivables			
Accounts	194,039	690,497	884,536
Taxes	96,280	-	96,280
Special assessments	73,261	11,795	85,056
Due from other funds	68,570	68,617	137,187
Due from other governmental units	307,785	212,008	519,793
Inventories	39,411	-	39,411
Prepays	185,845	-	185,845
	<u>\$ 3,504,193</u>	<u>\$ 3,682,324</u>	<u>\$ 7,186,517</u>
TOTAL ASSETS			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 241,734	\$ 108,929	\$ 350,663
Accrued wages	117,413	26,340	143,753
Deposits payable	390,541	-	390,541
Due to other funds	93,255	132,162	225,417
Unearned revenue	-	11,310	11,310
Due to other governmental units	10,004	28,115	38,119
	<u>852,947</u>	<u>306,856</u>	<u>1,159,803</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	154,521	479,041	633,562
FUND BALANCES			
Nonspendable	225,256	-	225,256
Restricted	-	646,525	646,525
Committed	-	2,249,902	2,249,902
Unassigned	2,271,469	-	2,271,469
	<u>2,496,725</u>	<u>2,896,427</u>	<u>5,393,152</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 3,504,193</u>	<u>\$ 3,682,324</u>	<u>\$ 7,186,517</u>

See accompanying notes to financial statements.

City of Fenton

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

June 30, 2016

Total fund balances - governmental funds \$ 5,393,152

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	\$ 30,101,847	
Accumulated depreciation is	<u>(9,965,484)</u>	
Capital assets, net		20,136,363

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	863,880	
Add: compensated absences included in total below	214,105	
Less: net capital assets included in totals above	<u>(241,575)</u>	
		836,410

Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds. 633,562

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		1,393,406
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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	(597,055)	
Compensated absences	(266,644)	
Accrued interest payable	(4,282)	
Net pension liability	(5,123,320)	
Net other post-employment benefit obligation	<u>(1,943,727)</u>	
		<u>(7,935,028)</u>

Net position of governmental activities \$ 20,457,865

City of Fenton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2016

	General	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 3,580,480	\$ -	\$ 3,580,480
Licenses and permits	315,977	-	315,977
Intergovernmental	964,697	1,121,957	2,086,654
Charges for services	291,236	709,438	1,000,674
Fines and forfeits	59,182	-	59,182
Interest and rents	60,735	26,693	87,428
Other	37,188	125,933	163,121
	<u>5,309,495</u>	<u>1,984,021</u>	<u>7,293,516</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	1,143,332	48,656	1,191,988
Public safety	2,838,532	279,700	3,118,232
Public works	253,573	1,577,083	1,830,656
Community and economic development	48,609	70,660	119,269
Recreation and culture	49,386	159,856	209,242
Other	304,447	1,605	306,052
Debt service	11,086	71,713	82,799
Capital outlay	-	692,752	692,752
	<u>4,648,965</u>	<u>2,902,025</u>	<u>7,550,990</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	660,530	(918,004)	(257,474)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	543,900	543,900
Transfers in	-	687,313	687,313
Transfers out	(432,854)	(290,000)	(722,854)
	<u>(432,854)</u>	<u>941,213</u>	<u>508,359</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES			
	227,676	23,209	250,885
Fund balances, beginning of year	<u>2,269,049</u>	<u>2,873,218</u>	<u>5,142,267</u>
Fund balances, end of year	<u>\$ 2,496,725</u>	<u>\$ 2,896,427</u>	<u>\$ 5,393,152</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, 2016

Net change in fund balances - total governmental funds **\$ 250,885**

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 (including contributed capital assets)	\$ 2,945,185	
Depreciation expense	<u>(997,107)</u>	
Excess of capital outlay over depreciation expense		1,948,078

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	6,965	
Less: (Increase) in capital assets included above	(5,101)	
Add: Increase in compensated absences included below	<u>35,541</u>	
		37,405

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	30,489	
Bond proceeds	(543,900)	
Capital leases	<u>12,099</u>	
		(501,312)

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	(2,560)	
(Increase) in compensated absences	(22,340)	
(Decrease) in unavailable revenue	(88,668)	
(Increase) in net pension liability	(1,458,066)	
Increase in deferred outflows of resources	1,100,637	
(Increase) in net other post-employment benefit obligation	<u>(333,360)</u>	
		<u>(804,357)</u>

Change in net position of governmental activities **\$ 930,699**

City of Fenton

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2016

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
ASSETS				
Current assets				
Cash	\$ 1,395,848	\$ 1,550,113	\$ 2,945,961	\$ 845,646
Cash - restricted	-	497,023	497,023	-
Accounts receivable	941,450	957,579	1,899,029	40
Due from other funds	108,373	100	108,473	4,938
Inventories	-	32,472	32,472	-
Prepays	2,600	19,100	21,700	-
Total current assets	2,448,271	3,056,387	5,504,658	850,624
Noncurrent assets				
Capital assets not being depreciated	965,895	644,616	1,610,511	-
Capital assets, net of accumulated depreciation	17,871,292	13,711,247	31,582,539	241,575
Total noncurrent assets	18,837,187	14,355,863	33,193,050	241,575
TOTAL ASSETS	21,285,458	17,412,250	38,697,708	1,092,199
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	74,446	349,554	424,000	-
LIABILITIES				
Current liabilities				
Accounts payable	348,219	70,534	418,753	13,933
Accrued wages	4,355	47,068	51,423	281
Accrued interest payable	19,166	47,049	66,215	-
Due to other funds	3,336	21,845	25,181	-
Current portion of compensated absences	522	5,403	5,925	42,821
Current portion of long-term debt	517,625	645,000	1,162,625	-
Total current liabilities	893,223	836,899	1,730,122	57,035
Noncurrent liabilities				
Meter deposits	-	4,878	4,878	-
Noncurrent portion of compensated absences	2,090	21,614	23,704	171,284
Noncurrent portion of long-term debt	2,313,730	6,038,759	8,352,489	-
Net pension liability	177,749	1,381,232	1,558,981	-
Net other post-employment benefit obligation	195,805	519,908	715,713	-
Total noncurrent liabilities	2,689,374	7,966,391	10,655,765	171,284
TOTAL LIABILITIES	3,582,597	8,803,290	12,385,887	228,319
NET POSITION				
Net investment in capital assets	16,005,832	7,672,104	23,677,936	241,575
Restricted for bond reserve	-	497,023	497,023	-
Unrestricted	1,771,475	789,387	2,560,862	622,305
TOTAL NET POSITION	\$ 17,777,307	\$ 8,958,514	\$ 26,735,821	\$ 863,880

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2016

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Internal Service
OPERATING REVENUES				
Charges for services	\$ 2,632,951	\$ 2,699,712	\$ 5,332,663	\$ 307,863
Grants	-	8,377	8,377	-
Other	70,772	48,675	119,447	2,362
TOTAL OPERATING REVENUES	2,703,723	2,756,764	5,460,487	310,225
OPERATING EXPENSES				
Personnel services	198,130	1,182,505	1,380,635	55,438
Professional services	1,376,205	81,778	1,457,983	-
Operating supplies	18,624	488,076	506,700	34,986
Fuel and utilities	30,928	141,393	172,321	61,910
Repairs and maintenance	2,490	69,357	71,847	98,064
Equipment and building rent	43,376	37,494	80,870	-
Insurance	12,300	25,210	37,510	13,250
Depreciation	562,012	518,085	1,080,097	80,168
Other	186	207	393	-
TOTAL OPERATING EXPENSES	2,244,251	2,544,105	4,788,356	343,816
OPERATING INCOME (LOSS)	459,472	212,659	672,131	(33,591)
NONOPERATING REVENUES (EXPENSES)				
Interest earned	2,428	66,675	69,103	440
Gain on sale of assets	-	-	-0-	4,575
Interest expense and fees	(118,308)	(270,235)	(388,543)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(115,880)	(203,560)	(319,440)	5,015
INCOME (LOSS) BEFORE TRANSFERS	343,592	9,099	352,691	(28,576)
TRANSFERS				
Transfers in	-	-	-0-	35,541
CHANGE IN NET POSITION	343,592	9,099	352,691	6,965
Net position, beginning of year	17,433,715	8,949,415	26,383,130	856,915
Net position, end of year	<u>\$ 17,777,307</u>	<u>\$ 8,958,514</u>	<u>\$ 26,735,821</u>	<u>\$ 863,880</u>

See accompanying notes to financial statements.

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 2,665,738	\$ 2,705,739	\$ 5,371,477	\$ -
Cash receipts from interfund services provided	15,982	-	15,982	335,762
Cash payments for interfund services used	-	28,259	28,259	-
Cash paid to suppliers	(1,671,287)	(1,002,209)	(2,673,496)	(228,052)
Cash paid to employees	(196,478)	(1,118,960)	(1,315,438)	(19,961)
NET CASH PROVIDED BY OPERATING ACTIVITIES	813,955	612,829	1,426,784	87,749
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(509,440)	(305,788)	(815,228)	(85,270)
Proceeds from sale of assets	-	-	-0-	4,575
Interest and fees paid	(130,407)	(274,124)	(404,531)	-
Debt proceeds	606,450	-	606,450	-
Payments on borrowings	(1,053,896)	(625,000)	(1,678,896)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,087,293)	(1,204,912)	(2,292,205)	(80,695)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	-	221,381	221,381	-
Interest received	2,428	66,675	69,103	440
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,428	288,056	290,484	440
NET INCREASE (DECREASE) IN CASH	(270,910)	(304,027)	(574,937)	7,494
Cash, beginning of year	1,666,758	2,351,163	4,017,921	838,152
Cash, end of year	<u>\$ 1,395,848</u>	<u>\$ 2,047,136</u>	<u>\$ 3,442,984</u>	<u>\$ 845,646</u>

City of Fenton

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended June 30, 2016

	Business-type Activities		Total	Governmental
	Sewer Fund	Water Fund		Activities Internal Service
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 459,472	\$ 212,659	\$ 672,131	\$ 1,950
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	562,012	518,085	1,080,097	80,168
(Increase) decrease in:				
Accounts receivable	(37,985)	(51,275)	(89,260)	-
Due from other funds	13,585	6,809	20,394	(3,621)
Prepays	9,700	6,110	15,810	13,250
Deferred outflow of resources related to pensions	(65,230)	(275,374)	(340,604)	-
Increase (decrease) in:				
Accounts payable	(194,019)	(341,986)	(536,005)	(33,092)
Accrued wages	(8,750)	26,969	18,219	(64)
Meter deposits	-	250	250	-
Compensated absences	117	(2,482)	(2,365)	35,540
Net other post-employment benefit obligation	10,285	39,058	49,343	-
Net pension liability	62,371	452,556	514,927	-
Due to other funds	2,397	21,450	23,847	(6,382)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 813,955	\$ 612,829	\$ 1,426,784	\$ 87,749

See accompanying notes to financial statements.

City of Fenton

Fiduciary Funds

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 144,551
Due from other governmental units	<u>23,434</u>
TOTAL ASSETS	<u>\$ 167,985</u>
LIABILITIES	
Due to other governmental units	\$ 5,484
Due to union groups	8,832
Due to individuals and agencies	<u>153,669</u>
TOTAL LIABILITIES	<u>\$ 167,985</u>

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF NET POSITION

June 30, 2016

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash	\$ 1,825,005	\$ 1,242,776	\$ 3,067,781
Accounts receivable	98,059	-	98,059
Prepays	52,600	-	52,600
Total current assets	1,975,664	1,242,776	3,218,440
Noncurrent assets			
Capital assets not being depreciated	425,000	-	425,000
Capital assets, net of accumulated depreciation	289,431	36,376	325,807
Total noncurrent assets	714,431	36,376	750,807
TOTAL ASSETS	2,690,095	1,279,152	3,969,247
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding of bonds	43,606	-	43,606
LIABILITIES			
Current liabilities			
Accounts payable	56,472	1,216	57,688
Accrued wages	5,585	760	6,345
Due to other governmental units	8,832	17,255	26,087
Accrued interest payable	46,154	-	46,154
Current portion of long-term debt	620,262	-	620,262
Total current liabilities	737,305	19,231	756,536
Noncurrent liabilities			
Noncurrent portion of long-term debt	6,285,029	-	6,285,029
TOTAL LIABILITIES	7,022,334	19,231	7,041,565
NET POSITION			
Investment in capital assets	714,431	36,376	750,807
Unrestricted	(5,003,064)	1,223,545	(3,779,519)
TOTAL NET POSITION	\$ (4,288,633)	\$ 1,259,921	\$ (3,028,712)

See accompanying notes to financial statements.

City of Fenton

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

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	\$ 3,066,671	\$ 7,250	\$ (3,059,421)	\$ -	\$ (3,059,421)
Local Development Finance Authority					
Community and economic development	81,850	-	-	(81,850)	(81,850)
TOTAL	\$ 3,148,521	\$ 7,250	(3,059,421)	(81,850)	(3,141,271)
General revenues					
Property taxes			1,222,279	220,248	1,442,527
Investment earnings			6,535	569	7,104
Total general revenues			1,228,814	220,817	1,449,631
CHANGE IN NET POSITION			(1,830,607)	138,967	(1,691,640)
Net position, beginning of year			(2,458,026)	1,120,954	(1,337,072)
Net position, end of year			\$ (4,288,633)	\$ 1,259,921	\$ (3,028,712)

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 2016.

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, 2016, 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, 2016

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

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental fund:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

The City reports the following major enterprise funds:

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016

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, 2016

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, 2016, the City levied 10.6226 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2015 levy for property within the City was \$364,350,680.

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, 2016

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, 2016, 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, 2016, 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, 2016

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 bond refundings. 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, 2016

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, 2016, 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	\$ 9,050,467	\$ 8,861,157
Certificates of deposit	<u>476,302</u>	<u>476,302</u>
Total primary government	9,526,769	9,337,459
FIDUCIARY FUNDS		
Checking and savings	144,551	144,551
COMPONENT UNITS		
Checking and savings	<u>3,067,781</u>	<u>3,073,534</u>
TOTAL REPORTING ENTITY	<u>\$ 12,739,101</u>	<u>\$ 12,555,544</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, 2016, the City did not have any investments that would be subject to rating.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016, the City accounts were insured by the FDIC for \$1,500,000 and the amount of \$11,055,544 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, 2016

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash	\$ 9,030,016	\$ 3,067,781	\$ 144,551	\$ 12,242,348
Cash - restricted	<u>497,023</u>	<u>-</u>	<u>-</u>	<u>497,023</u>
	<u>\$ 9,527,039</u>	<u>\$ 3,067,781</u>	<u>\$ 144,551</u>	<u>\$ 12,739,371</u>

The primary government cash caption on the financial statements includes \$270 in imprest cash.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2016, are as follows:

Due to Sewer Fund from:	
General Fund	\$ 19,600
Nonmajor governmental funds	<u>88,773</u>
	<u>\$ 108,373</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONCLUDED

Due to General Fund from:		
Nonmajor governmental funds	\$	43,389
Sewer Fund		3,336
Water Fund		21,845
		<u>21,845</u>
	\$	<u>68,570</u>
Due to nonmajor governmental fund from:		
General Fund	\$	68,617
		<u>68,617</u>
Due to Internal Service Funds from:		
General Fund	\$	4,938
		<u>4,938</u>
Due to Water Fund from:		
General Fund	\$	100
		<u>100</u>

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

NOTE D: INTERFUND TRANSFERS

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

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

Transfers to nonmajor governmental funds from:		
General Fund	\$	397,313
Nonmajor governmental funds		290,000
		<u>290,000</u>
	\$	<u>687,313</u>
Transfers to internal service funds from:		
General Fund	\$	35,541
		<u>35,541</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

Primary Government

	Restated Balance July 1, 2015	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2016
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,605,104	\$ -	\$ -	\$ 1,605,104
Construction in progress - roads	2,063,467	2,763,886	(1,319,771)	3,507,582
Total capital assets not being depreciated	3,668,571	2,763,886	(1,319,771)	5,112,686
Capital assets, being depreciated				
Buildings	8,369,094	40,000	-	8,409,094
Building and land improvements	537,938	19,229	-	557,167
Machinery, vehicles, and equipment	4,940,766	348,127	(312,652)	4,976,241
Roads, lights, and bridges	9,952,945	1,093,714	-	11,046,659
Total capital assets being depreciated	23,800,743	1,501,070	(312,652)	24,989,161
Less accumulated depreciation for:				
Buildings	(2,476,384)	(214,499)	-	(2,690,883)
Building and land improvements	(477,868)	(11,337)	-	(489,205)
Machinery, vehicles, and equipment	(3,601,386)	(268,324)	312,652	(3,557,058)
Roads, lights, and bridges	(2,725,391)	(502,947)	-	(3,228,338)
Total accumulated depreciation	(9,281,029)	(997,107)	312,652	(9,965,484)
Total capital assets being depreciated, net	14,519,714	503,963	-0-	15,023,677
Net capital assets	\$ 18,188,285	\$ 3,267,849	\$ (1,319,771)	\$ 20,136,363

Depreciation expense was charged to the following governmental activities:

General government	\$ 145,290
Public safety	261,591
Public works	583,116
Recreation and culture	7,110
Total depreciation expense	\$ 997,107

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - Concluded

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 190,930	\$ -	\$ -	\$ 190,930
Construction in progress	699,057	720,524	-	1,419,581
Total capital assets not being depreciated	889,987	720,524	-0-	1,610,511
Capital assets, being depreciated				
Building improvements	8,859,988	35,463	-	8,895,451
Sewer and water lines	40,823,316	-	-	40,823,316
Machinery and equipment	714,067	59,241	(45,316)	727,992
Total capital assets being depreciated	50,397,371	94,704	(45,316)	50,446,759
Less accumulated depreciation for:				
Building improvements	(1,991,117)	(226,923)	-	(2,218,040)
Sewer and water lines	(15,168,411)	(833,259)	-	(16,001,670)
Machinery and equipment	(669,911)	(19,915)	45,316	(644,510)
Total accumulated depreciation	(17,829,439)	(1,080,097)	45,316	(18,864,220)
Total capital assets being depreciated, net	32,567,932	(985,393)	-0-	31,582,539
Net capital assets	<u>\$ 33,457,919</u>	<u>\$ (264,869)</u>	<u>\$ -0-</u>	<u>\$ 33,193,050</u>

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

Sewer	\$ 562,012
Water	518,085
Total depreciation expense	<u>\$ 1,080,097</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: CAPITAL ASSETS - CONCLUDED

Component Units

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Downtown Development Authority				
Capital assets, not being depreciated				
Land	\$ 425,000	\$ -	\$ -	\$ 425,000
Capital assets, being depreciated				
Buildings	372,688	-	-	372,688
Equipment	20,440	-	-	20,440
Total capital assets being depreciated	393,128	-0-	-0-	393,128
Less accumulated depreciation for:				
Buildings	(83,241)	(16)	-	(83,257)
Equipment	(20,440)	-	-	(20,440)
Total accumulated depreciation	(103,681)	(16)	-0-	(103,697)
Total capital assets being depreciated, net	289,447	(16)	-0-	289,431
Net capital assets	<u>\$ 714,447</u>	<u>\$ (16)</u>	<u>\$ -0-</u>	<u>\$ 714,431</u>
Local Development Financing Authority				
Capital assets, being depreciated				
Buildings	\$ -	\$ 37,630	\$ -	\$ 37,630
Less accumulated depreciation for:				
Buildings	-	(1,254)	-	(1,254)
Net capital assets	<u>\$ -0-</u>	<u>\$ 36,376</u>	<u>\$ -0-</u>	<u>\$ 36,376</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016:

Primary Government

	Restated Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities					
Installment purchase agreements	\$ 62,039	\$ -	\$ (30,489)	\$ 31,550	\$ 31,550
Capital lease - copier	2,143	-	(2,143)	-0-	-
Capital lease - in-car cameras	20,461	-	(9,956)	10,505	10,505
2015 LTGO Special Assessment Bonds	11,100	543,900	-	555,000	55,000
Compensated absences	244,304	114,152	(91,812)	266,644	53,329
Total	340,047	658,052	(134,400)	863,699	150,384
Business-type Activities					
2005 Sewage Disposal Bonds	698,141	-	(698,141)	-0-	-
2006 Sewage Disposal Bonds	1,708,629	-	(305,755)	1,402,874	467,625
1999 Michigan Municipal Bond Authority	348,759	-	(80,000)	268,759	85,000
2002 Michigan Municipal Bond Authority	4,415,000	-	(505,000)	3,910,000	520,000
2009 Michigan Municipal Bond Authority	872,031	-	(50,000)	822,031	50,000
2010 Capital Improvement Bonds	2,545,000	-	(40,000)	2,505,000	40,000
2014 Michigan Finance Authority	-	606,450	-	606,450	-
Compensated absences	31,994	12,108	(14,473)	29,629	5,925
Total	10,619,554	618,558	(1,693,369)	9,544,743	1,168,550
TOTAL PRIMARY GOVERNMENT	\$ 10,959,601	\$ 1,276,610	\$ (1,827,769)	\$ 10,408,442	\$ 1,318,934

Component Unit

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Component Unit (DDA)					
2012 DDA Dispatch Loan	\$ 182,000	\$ -	\$ (26,000)	\$ 156,000	\$ 26,000
2011 GOLT Development Refunding Bonds	2,560,000	-	(395,000)	2,165,000	405,000
2014 GOLT Development Bonds	3,650,000	-	(130,000)	3,520,000	135,000
2016 GOLT Development Bonds	-	1,000,000	-	1,000,000	50,000
Capitalized bond premium	62,647	5,559	(3,915)	64,291	4,262
Total Downtown Development Authority	\$ 6,454,647	\$ 1,005,559	\$ (554,915)	\$ 6,905,291	\$ 620,262

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government

Installment Purchase Agreements

\$200,000 Installment Purchase Agreement on Central State fire apparatus dated November 13, 2009, due in annual installments of \$31,550, including interest through November 1, 2016, at 3.48 percent. \$ 31,550

Capital Lease - In-Car Cameras

Capital Lease Agreement for in-car cameras for police vehicles dated December 1, 2013, due in an annual installment of \$10,505, plus interest through January 15, 2017, at 2.70 percent. The cost of the in-car cameras under the lease agreement amounted to \$41,315. \$ 10,505

General Obligation Bonds

\$2,885,399 2007 Sewage Disposal Bonds dated November 16, 2007, due in annual installments ranging from \$467,625 to \$470,194 through April 1, 2019, with interest of 4.00 percent, payable semi-annually. \$ 1,402,874

\$555,000 2015 Special Assessment Bonds dated October 1, 2015, due in annual installments ranging from \$50,000 to \$72,031 through April 1, 2016, with interest of 2.73 percent, payable semi-annually. 555,000

\$ 1,957,874

Revenue Bonds

\$1,413,759 Michigan Municipal Bond Authority Series 1999 dated April 1, 1999, due in annual installments ranging from \$85,000 to \$98,759 through April 1, 2019, with an interest rate of 2.50 percent, payable semi-annually. \$ 268,759

\$9,600,000 Michigan Municipal Bond Authority Series 2002 dated December 19, 2002, due in annual installments ranging from \$520,000 to \$600,000 through April 1, 2023, with an interest rate of 2.50 percent, payable semi-annually. 3,910,000

\$1,419,839 Michigan Municipal Bond Authority Series 2009 (only \$1,118,031 drawn to date), dated September 21, 2009, due in annual installments ranging from \$50,000 to \$72,031 through April 1, 2030, with an interest rate of 2.50 percent, payable semi-annually. 822,031

\$935,000 State Revolving Fund Bond (only \$506,450 drawn to date), dated December 12, 2014, due in annual installments ranging from \$35,000 to \$50,000 through October 1, 2035, with an interest rate of 2.50 percent, payable semi-annually. 606,450

\$ 5,607,240

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - Concluded

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.

\$ 2,505,000

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 \$266,644 for governmental activities and \$29,629 for business-type activities at June 30, 2016. Of these amounts, \$53,329 and \$5,925 have been recorded as current liabilities, and \$213,315 and \$23,704 have been recorded as noncurrent liabilities, respectively. The governmental activities liability has historically been paid out of the General Fund.

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 \$4,592,916. During the current year, net revenues of the system were \$630,506 compared to the annual debt requirements of \$709,469.

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.

\$ 156,000

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

Component Unit (DDA) - Concluded

General Obligation Bonds

\$3,985,000 2011 General Obligation Limited Tax Development Refunding Bonds dated July 12, 2011, due in annual installments ranging from \$405,000 to \$460,000 through April 1, 2021, with interest of 3.00 percent, payable semi-annually.	\$ 2,165,000
\$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.	3,520,000
\$1,000,000 2016 General Obligation Limited Tax Development Bonds dated April 20, 2016, due in annual installments ranging from \$50,000 to \$80,000 through October 1, 2031, with interest ranging from 2.00 to 2.60 percent, payable semi-annually.	<u>1,000,000</u>
	<u>\$ 6,685,000</u>

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, 2016, bonds due and payable through April 1, 2021, for the 2001 General Obligation Limited Tax Development Bonds in the amount of \$2,185,000 are considered defeased.

Primary Government

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

Year Ending June 30,	<u>Installment Purchase Agreements and Capital Leases</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 42,055	\$ 1,678	\$ 522,625	\$ 69,733
2018	-	-	525,194	50,148
2019	-	-	520,055	30,404
2020	-	-	55,000	10,812
2021	-	-	60,000	9,768
2022-2026	-	-	275,000	26,540
	<u>\$ 42,055</u>	<u>\$ 1,678</u>	<u>\$ 1,957,874</u>	<u>\$ 197,405</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONCLUDED

Primary Government - Concluded

Year Ending June 30,	Revenue Bonds		Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
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	625,000	59,176	110,000	140,199
2022-2026	1,480,000	99,754	645,000	599,614
2027-2031	262,031	16,953	780,000	385,344
2032-2036	-	-	735,000	119,213
	<u>\$ 5,000,790</u>	<u>\$ 576,119</u>	<u>\$ 2,505,000</u>	<u>\$ 1,840,777</u>

The annual principal and interest debt requirements for the State Revolving Fund Bond are not included in the above Revenue Bond schedule. The full amount of the loan has yet to be drawn, and principal and interest payments are estimated.

Component Unit (DDA)

Year Ending June 30,	Installment Purchase Agreement		General Obligation Limited Tax Development Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 26,000	\$ 4,212	\$ 590,000	\$ 191,458
2018	26,000	3,510	610,000	176,775
2019	26,000	2,808	630,000	160,375
2020	26,000	2,106	645,000	143,425
2021	26,000	1,404	665,000	126,075
2022-2026	26,000	702	1,635,000	451,210
2027-2031	-	-	1,910,000	198,532
	<u>\$ 156,000</u>	<u>\$ 14,742</u>	<u>\$ 6,685,000</u>	<u>\$ 1,447,849</u>

NOTE G: RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: RISK MANAGEMENT - CONCLUDED

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.

At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>45</u>
	<u>91</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUEDContributions

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, 2015, 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:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<u>Changes in Net Pension Liability</u>			
Balances at December 31, 2014	\$ 14,594,945	\$ 9,885,636	\$ 4,709,309
Changes for the Year			
Service cost	253,276	-	253,276
Interest on total pension liability	1,143,433	-	1,143,433
Changes in benefits	-	-	-0-
Difference between expected and actual experience	181,171	-	181,171
Changes in assumptions	722,801	-	722,801
Employer contributions	-	510,109	(510,109)
Employee contributions	-	21,433	(21,433)
Net investment income	-	(146,630)	146,630
Benefit payments, including employee refunds	(857,340)	(857,340)	-0-
Administrative expense	-	(21,491)	21,491
Other changes	35,732	-	35,732
Net changes	<u>1,479,073</u>	<u>(493,919)</u>	<u>1,972,992</u>
Balances as of December 31, 2015	<u>\$ 16,074,018</u>	<u>\$ 9,391,717</u>	<u>\$ 6,682,301</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 \$1,021,053. 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>
Differences between expected and actual experience	\$ 144,937	\$ -
Changes in assumptions	578,241	-
Net difference between projected and actual earnings on pension plan investments	830,122	-
Contributions subsequent to the measurement date*	<u>264,106</u>	<u>-</u>
Total	<u>\$ 1,817,406</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, 2017.

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

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2017	\$ 395,929
2018	395,929
2019	395,929
2020	365,513

Actuarial Assumptions

The total pension liability in the December 31, 2015 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%.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: DEFINED BENEFIT PENSION PLAN - CONCLUDED

Actuarial Assumptions - Concluded

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 2015.

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. 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%	8.52%
Global Fixed Income	20.00%	5.68%
Real Assets	12.50%	7.73%
Diversifying Strategies	10.00%	10.06%

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 8.00%, as well as what the City's net pension liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 8,686,629	\$ 6,682,301	\$ 5,012,194

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016, the City made estimated payments of \$321,114 for other post-employment health care benefits (OPEB). The plan does not issue separate stand-alone financial statements.

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

The following are the GASB Statement No. 45 required disclosures. Membership in the plan at December 31, 2013 (latest actuarial report) is as follows:

Retirees and Beneficiaries receiving benefits	38
Active plan members	<u>46</u>
	<u>84</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, 2016, 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-four (24) years.

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

Annual required contribution (ARC)	\$ 686,270
Interest on net OPEB obligation	91,069
Adjustment to annual required contribution	<u>(73,521)</u>
Annual OPEB cost	703,818
Contributions made	<u>321,114</u>
Increase in net OPEB obligation	382,704
Net OPEB obligation - beginning of year	<u>2,276,736</u>
Net OPEB obligation - end of year	<u>\$ 2,659,440</u>

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 552,131	49.45%	\$ 1,890,660
2015	687,076	42.98%	2,276,737
2016	703,818	45.62%	2,659,440

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

	<u>December 31, 2013</u>
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.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONCLUDED

Actuarial Methods and Assumptions - Concluded

Additional information as of the latest actuarial valuations follows:

Other Post-employment Benefit Plan

Actuarial valuation:	
Frequency	Triennial
Latest date	December 31, 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%

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, 2016 is as follows:

REVENUES	
Building permits	\$ 82,216
Zoning permits	13,537
	<hr/>
TOTAL REVENUES	95,753
EXPENDITURES	
Salaries and fringes	192,873
Supplies and other	12,879
Professional services	26,361
	<hr/>
TOTAL EXPENDITURES	232,113
EXCESS OF REVENUES (UNDER) EXPENDITURES	(136,360)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<hr/> (1,602,115)
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<hr/> <hr/> \$ (1,738,475)

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE K: CONTINGENT LIABILITIES

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

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

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

The City of Fenton has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

City of Fenton

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balance			
Nonspendable			
Inventories	\$ 39,411	\$ -	\$ 39,411
Prepays	185,845	-	185,845
Restricted			
Streets and highways	-	622,871	622,871
Public communications	-	23,654	23,654
Committed			
Parks and recreation	-	83,942	83,942
Cemetery	-	247,248	247,248
Garbage collection	-	68,366	68,366
Narcotics enforcement	-	5,875	5,875
D.A.R.E.	-	33,376	33,376
Emergency 911	-	9,943	9,943
Neighborhood stabilization	-	700	700
Fire equipment	-	110,249	110,249
Fire ladder truck	-	200,239	200,239
Capital projects	-	1,392,617	1,392,617
Debt Service	-	97,347	97,347
Unassigned	2,271,469	-	2,271,469
	<u>\$ 2,496,725</u>	<u>\$ 2,896,427</u>	<u>\$ 5,393,152</u>
TOTAL FUND BALANCE	<u>\$ 2,496,725</u>	<u>\$ 2,896,427</u>	<u>\$ 5,393,152</u>

NOTE M: SUBSEQUENT EVENTS

In June 2016 the City approved a purchase agreement to sell 53 parcels of property to Mitchell Building Company to develop residential homes at a cost not to exceed \$543,250.

NOTE N: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to the correction of accounting errors in the prior year.

	<u>Governmental Activities</u>
Beginning net position	\$ 19,425,863
Construction in progress	112,403
2015 Special Assessment Bond	<u>(11,100)</u>
Restated beginning net position	<u>\$ 19,527,166</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE O: UPCOMING PRONOUNCEMENTS

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.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments and requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 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.

City of Fenton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,534,700	\$ 3,532,143	\$ 3,580,480	\$ 48,337
Licenses and permits	326,000	301,500	315,977	14,477
Intergovernmental	991,746	971,531	964,697	(6,834)
Charges for services	381,000	321,600	291,236	(30,364)
Fines and forfeits	65,000	60,000	59,182	(818)
Interest and rents	59,400	60,185	60,735	550
Other	24,000	25,510	37,188	11,678
TOTAL REVENUES	5,381,846	5,272,469	5,309,495	37,026
EXPENDITURES				
Current				
General government	1,037,411	1,177,747	1,143,332	34,415
Public safety				
Police department	2,320,150	2,051,750	2,016,644	35,106
Fire department	717,400	622,700	589,774	32,926
Building inspection	251,000	226,200	232,114	(5,914)
Total public safety	3,288,550	2,900,650	2,838,532	62,118
Public works	262,500	270,900	253,573	17,327
Community and economic development	53,955	54,475	48,609	5,866
Recreation and culture	87,850	76,600	49,386	27,214
Other	442,000	346,000	304,447	41,553
Debt service	66,450	11,086	11,086	-0-
TOTAL EXPENDITURES	5,238,716	4,837,458	4,648,965	188,493
EXCESS OF REVENUES OVER EXPENDITURES	143,130	435,011	660,530	225,519
OTHER FINANCING SOURCES (USES)				
Loan proceeds	290,000	-	-	-0-
Transfers out	(421,200)	(407,313)	(432,854)	(25,541)
TOTAL OTHER FINANCING SOURCES (USES)	(131,200)	(407,313)	(432,854)	(25,541)
NET CHANGE IN FUND BALANCE	11,930	27,698	227,676	199,978
Fund balance, beginning of year	2,269,049	2,269,049	2,269,049	-0-
Fund balance, end of year	\$ 2,280,979	\$ 2,296,747	\$ 2,496,725	\$ 199,978

City of Fenton

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY

Last Two Measurement Dates (Ultimately ten years will be displayed)
 (Amounts were determined as of 12/31 of each year)

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 253,276	\$ 251,037
Interest	1,143,433	747,006
Difference between expected and actual experience	181,171	-
Changes of assumptions	722,801	-
Benefit payments, including employee refunds	(857,340)	(805,830)
Other	<u>35,732</u>	<u>386,453</u>
Net change in total pension liability	1,479,073	578,666
Total Pension Liability, beginning	<u>14,594,945</u>	<u>14,016,279</u>
Total Pension Liability, ending	<u>\$ 16,074,018</u>	<u>\$ 14,594,945</u>
Plan Fiduciary Net Position		
Contributions-employer	\$ 510,109	\$ 471,992
Contributions-employee	21,433	22,830
Net Investment income	(146,630)	603,787
Benefit payments including employee refunds	(857,340)	(805,830)
Administrative expense	<u>(21,491)</u>	<u>(22,123)</u>
Net Change in plan fiduciary net position	(493,919)	270,656
Plan Fiduciary Net Position, beginning	<u>9,885,636</u>	<u>9,614,980</u>
Plan Fiduciary Net Position, ending	<u>\$ 9,391,717</u>	<u>\$ 9,885,636</u>
Employer Net Pension Liability	<u>\$ 6,682,301</u>	<u>\$ 4,709,309</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	58%	68%
Covered employee payroll	\$ 1,234,638	\$ 1,214,942
Employer's Net Pension Liability as a percentage of covered employee payroll	541%	388%

City of Fenton

SCHEDULE OF CONTRIBUTIONS

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

	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 519,813	\$ 505,822
Contributions in relation to the actuarially determined contribution	<u>519,813</u>	<u>505,822</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 1,464,006	\$ 1,133,303
Contributions as a percentage of covered employee payroll	36%	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>
2014	\$ 552,131	49.45%	\$ 1,890,660
2015	687,076	42.98%	2,276,737
2016	703,818	45.62%	2,659,440

City of Fenton

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

The City's budgeted expenditures for the General Fund have been shown at the functional expense level. The approved budgets of the City have been adopted at the activity level for the General Fund and at the total fund level for other funds.

During the year ended June 30, 2016, the City incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
Current			
Public safety			
Building inspection	\$ 226,200	\$ 232,114	\$ 5,914
Transfers out	407,313	432,854	25,541
D.A.R.E. Fund	-	99	99
Public Communications Fund	16,960	18,605	1,645

OTHER SUPPLEMENTARY INFORMATION

City of Fenton

NONMAJOR GOVERNMENTAL FUNDS

Fund Descriptions

SPECIAL REVENUE FUNDS

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

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

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

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, 2016

	Special			
	Major Street	Local Street	Parks and Recreation	Cemetery
ASSETS				
Cash	\$ 417,353	\$ 85,356	\$ 107,475	\$ 252,850
Accounts receivable	-	-	1,450	14,515
Special assessments receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	100,296	109,062	-	-
TOTAL ASSETS	\$ 517,649	\$ 194,418	\$ 108,925	\$ 267,365
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 73,666	\$ 4,345	\$ 18,314	\$ 8,807
Accrued wages	5,190	5,995	6,669	-
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Unearned revenue	-	-	-	11,310
TOTAL LIABILITIES	78,856	10,340	24,983	20,117
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
FUND BALANCES				
Restricted	438,793	184,078	-	-
Committed	-	-	83,942	247,248
TOTAL FUND BALANCES	438,793	184,078	83,942	247,248
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 517,649	\$ 194,418	\$ 108,925	\$ 267,365

Revenue Funds

Garbage Collection	Narcotics Enforcement	D.A.R.E.	Emergency 911	Neighborhood Stabilization	Public Communications
\$ 13,256	\$ 5,875	\$ 33,376	\$ -	\$ 26,165	\$ 25,321
173,483	-	-	33,803	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,650	-
<u>\$ 186,739</u>	<u>\$ 5,875</u>	<u>\$ 33,376</u>	<u>\$ 33,803</u>	<u>\$ 28,815</u>	<u>\$ 25,321</u>
\$ -	\$ -	\$ -	\$ 1,585	\$ -	\$ 1,667
-	-	-	8,486	-	-
118,373	-	-	13,789	-	-
-	-	-	-	28,115	-
-	-	-	-	-	-
118,373	-0-	-0-	23,860	28,115	1,667
-	-	-	-	-	-
-	-	-	-	-	23,654
68,366	5,875	33,376	9,943	700	-
68,366	5,875	33,376	9,943	700	23,654
<u>\$ 186,739</u>	<u>\$ 5,875</u>	<u>\$ 33,376</u>	<u>\$ 33,803</u>	<u>\$ 28,815</u>	<u>\$ 25,321</u>

City of Fenton

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2016

	Capital Projects		
	Fire Equipment	Fire Ladder Truck	C.I.P.
ASSETS			
Cash	\$ 110,249	\$ 200,239	\$ 1,113,569
Accounts receivable	-	-	-
Special assessments receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
	-	-	-
TOTAL ASSETS	\$ 110,249	\$ 200,239	\$ 1,113,569
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			
Restricted	-	-	-
Committed	110,249	200,239	1,113,569
	110,249	200,239	1,113,569
TOTAL FUND BALANCES	110,249	200,239	1,113,569
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 110,249	\$ 200,239	\$ 1,113,569

Funds		Debt Service Fund	
Working Capital	Eagles on Water SA Capital	Eagles on Water SA Debt Service	Total
\$ 200,925	\$ 78,668	\$ 28,730	\$ 2,699,407
-	-	467,246	690,497
11,795	-	-	11,795
-	-	68,617	68,617
-	-	-	212,008
<u>\$ 212,720</u>	<u>\$ 78,668</u>	<u>\$ 564,593</u>	<u>\$ 3,682,324</u>
\$ -	\$ 545	\$ -	\$ 108,929
-	-	-	26,340
-	-	-	132,162
-	-	-	28,115
-	-	-	11,310
-0-	545	-0-	306,856
11,795	-	467,246	479,041
-	-	-	646,525
<u>200,925</u>	<u>78,123</u>	<u>97,347</u>	<u>2,249,902</u>
<u>200,925</u>	<u>78,123</u>	<u>97,347</u>	<u>2,896,427</u>
<u>\$ 212,720</u>	<u>\$ 78,668</u>	<u>\$ 564,593</u>	<u>\$ 3,682,324</u>

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2016

	Special			
	Major Street	Local Street	Parks and Recreation	Cemetery
REVENUES				
Intergovernmental	\$ 668,191	\$ 386,377	\$ -	\$ -
Charges for services	-	-	42,672	20,852
Interest and rents	215	44	6,220	130
Miscellaneous	-	-	665	-
TOTAL REVENUES	668,406	386,421	49,557	20,982
EXPENDITURES				
Current				
General government	-	-	-	48,656
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Public works	729,492	392,187	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	159,856	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond costs	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	729,492	392,187	159,856	48,656
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(61,086)	(5,766)	(110,299)	(27,674)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Transfers in	245,000	45,000	125,000	36,000
Transfers out	(45,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	200,000	45,000	125,000	36,000
NET CHANGE IN FUND BALANCES	138,914	39,234	14,701	8,326
Fund balances, beginning of year	299,879	144,844	69,241	238,922
Fund balances, end of year	<u>\$ 438,793</u>	<u>\$ 184,078</u>	<u>\$ 83,942</u>	<u>\$ 247,248</u>

Revenue Funds

Garbage Collection	Narcotics Enforcement	D.A.R.E.	Emergency 911	Neighborhood Stabilization	Public Communications
\$ -	\$ -	\$ -	\$ -	\$ 1,202	\$ 16,187
506,305	-	-	139,609	-	-
-	3	17	-	-	13
-	-	-	-	-	-
506,305	3	17	139,609	1,202	16,200
-	-	-	-	-	-
-	-	99	262,601	-	17,000
-	-	-	-	-	1,605
455,404	-	-	-	-	-
-	-	-	-	67,150	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
455,404	-0-	99	262,601	67,150	18,605
50,901	3	(82)	(122,992)	(65,948)	(2,405)
-	-	-	-	-	-
-	-	-	132,500	-	3,813
-	-	-	-	-	-
-0-	-0-	-0-	132,500	-0-	3,813
50,901	3	(82)	9,508	(65,948)	1,408
17,465	5,872	33,458	435	66,648	22,246
<u>\$ 68,366</u>	<u>\$ 5,875</u>	<u>\$ 33,376</u>	<u>\$ 9,943</u>	<u>\$ 700</u>	<u>\$ 23,654</u>

City of Fenton

Nonmajor Governmental Funds

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

Year Ended June 30, 2016

	Capital Projects		
	Fire Equipment	Fire Ladder Truck	C.I.P.
REVENUES			
Intergovernmental	\$ -	\$ 50,000	\$ -
Charges for services	-	-	-
Interest and rents	57	103	573
Miscellaneous	38,000	-	-
TOTAL REVENUES	38,057	50,103	573
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Miscellaneous	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Debt service			
Principal retirement	30,489	-	-
Interest and fiscal charges	2,159	-	-
Bond costs	-	-	-
Capital outlay	229,497	-	-
TOTAL EXPENDITURES	262,145	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(224,088)	50,103	573
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers in	100,000	-	-
Transfers out	-	-	(245,000)
TOTAL OTHER FINANCING SOURCES (USES)	100,000	-0-	(245,000)
NET CHANGE IN FUND BALANCES	(124,088)	50,103	(244,427)
Fund balances, beginning of year	234,337	150,136	1,357,996
Fund balances, end of year	<u>\$ 110,249</u>	<u>\$ 200,239</u>	<u>\$ 1,113,569</u>

Funds		Debt Service Fund	
Working Capital	Eagles on Water SA Capital	Eagles on Water SA Debt Service	Total
\$ -	\$ -	\$ -	\$ 1,121,957
-	-	-	709,438
405	-	18,913	26,693
4,846	-	82,422	125,933
5,251	-0-	101,335	1,984,021
-	-	-	48,656
-	-	-	279,700
-	-	-	1,605
-	-	-	1,577,083
3,510	-	-	70,660
-	-	-	159,856
-	-	16,123	46,612
-	-	9,320	11,479
-	13,622	-	13,622
-	463,255	-	692,752
3,510	476,877	25,443	2,902,025
1,741	(476,877)	75,892	(918,004)
-	543,900	-	543,900
-	-	-	687,313
-	-	-	(290,000)
-0-	543,900	-0-	941,213
1,741	67,023	75,892	23,209
199,184	11,100	21,455	2,873,218
\$ 200,925	\$ 78,123	\$ 97,347	\$ 2,896,427

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Major Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 542,300	\$ 542,300	\$ 590,841	\$ 48,541
Other	76,000	77,326	77,350	24
Interest	-	-	215	215
	<u>618,300</u>	<u>619,626</u>	<u>668,406</u>	<u>48,780</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	1,013,600	1,011,500	729,492	282,008
	<u>1,013,600</u>	<u>1,011,500</u>	<u>729,492</u>	<u>282,008</u>
	<u>(395,300)</u>	<u>(391,874)</u>	<u>(61,086)</u>	<u>330,788</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Transfers in	450,000	450,000	245,000	(205,000)
Transfers out	(130,000)	(45,000)	(45,000)	-0-
	<u>320,000</u>	<u>405,000</u>	<u>200,000</u>	<u>(205,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE				
	(75,300)	13,126	138,914	125,788
Fund balance, beginning of year	<u>299,879</u>	<u>299,879</u>	<u>299,879</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 224,579</u>	<u>\$ 313,005</u>	<u>\$ 438,793</u>	<u>\$ 125,788</u>

City of Fenton

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Local Street Fund</u>				
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 208,110	\$ 208,110	\$ 213,320	\$ 5,210
Other	38,800	163,252	173,057	9,805
Interest	-	-	44	44
TOTAL REVENUES	246,910	371,362	386,421	15,059
EXPENDITURES				
Current				
Public works	432,400	421,050	392,187	28,863
EXCESS OF REVENUES (UNDER) EXPENDITURES	(185,490)	(49,688)	(5,766)	43,922
OTHER FINANCING SOURCES				
Transfers in	130,000	45,000	45,000	-
NET CHANGE IN FUND BALANCE	(55,490)	(4,688)	39,234	43,922
Fund balance, beginning of year	144,844	144,844	144,844	-0-
Fund balance, end of year	<u>\$ 89,354</u>	<u>\$ 140,156</u>	<u>\$ 184,078</u>	<u>\$ 43,922</u>
<u>CDBG Fund</u>				
REVENUES				
Intergovernmental	\$ 2,552	\$ 2,552	\$ -	\$ (2,552)
EXPENDITURES				
Current				
Community and economic development	2,552	2,552	-	2,552
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	-	-	-	-0-
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, 2016

	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	\$ 42,672	\$ 12,672
Interest and rents	5,000	5,000	6,220	1,220
Other	1,000	1,000	665	(335)
TOTAL REVENUES	36,000	36,000	49,557	13,557
EXPENDITURES				
Current				
Recreation and culture	185,850	183,350	159,856	23,494
EXCESS OF REVENUES (UNDER) EXPENDITURES	(149,850)	(147,350)	(110,299)	37,051
OTHER FINANCING SOURCES				
Transfers in	125,000	125,000	125,000	-0-
NET CHANGE IN FUND BALANCE	(24,850)	(22,350)	14,701	37,051
Fund balance, beginning of year	69,241	69,241	69,241	-0-
Fund balance, end of year	<u>\$ 44,391</u>	<u>\$ 46,891</u>	<u>\$ 83,942</u>	<u>\$ 37,051</u>
<u>Cemetery Fund</u>				
REVENUES				
Charges for services	\$ 22,000	\$ 20,000	\$ 20,852	\$ 852
Interest	-	-	130	130
TOTAL REVENUES	22,000	20,000	20,982	982
EXPENDITURES				
Current				
General government	68,050	61,850	48,656	13,194
EXCESS OF REVENUES (UNDER) EXPENDITURES	(46,050)	(41,850)	(27,674)	14,176
OTHER FINANCING SOURCES				
Transfers in	34,700	34,700	36,000	1,300
NET CHANGE IN FUND BALANCE	(11,350)	(7,150)	8,326	15,476
Fund balance, beginning of year	238,922	238,922	238,922	-0-
Fund balance, end of year	<u>\$ 227,572</u>	<u>\$ 231,772</u>	<u>\$ 247,248</u>	<u>\$ 15,476</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, 2016

	<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	\$ 483,850	\$ 470,100	\$ 506,305	\$ 36,205
EXPENDITURES				
Current				
Public works	<u>462,000</u>	<u>454,638</u>	<u>455,404</u>	<u>(766)</u>
NET CHANGE IN FUND BALANCE	21,850	15,462	50,901	35,439
Fund balance, beginning of year	<u>17,465</u>	<u>17,465</u>	<u>17,465</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 39,315</u></u>	<u><u>\$ 32,927</u></u>	<u><u>\$ 68,366</u></u>	<u><u>\$ 35,439</u></u>
<u>Narcotics Enforcement Fund</u>				
REVENUES				
Interest	\$ -	\$ -	\$ 3	\$ 3
Other	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
TOTAL REVENUES	1,500	1,500	3	(1,497)
EXPENDITURES				
Current				
Public safety	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
NET CHANGE IN FUND BALANCE	1,000	1,000	3	(997)
Fund balance, beginning of year	<u>5,872</u>	<u>5,872</u>	<u>5,872</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 6,872</u></u>	<u><u>\$ 6,872</u></u>	<u><u>\$ 5,875</u></u>	<u><u>\$ (997)</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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>D.A.R.E. Fund</u>				
REVENUES				
Interest	\$ -	\$ -	\$ 17	\$ 17
EXPENDITURES				
Current				
Public safety	7,000	-	99	(99)
NET CHANGE IN FUND BALANCE	(7,000)	-	(82)	(82)
Fund balance, beginning of year	33,458	33,458	33,458	-0-
Fund balance, end of year	<u>\$ 26,458</u>	<u>\$ 33,458</u>	<u>\$ 33,376</u>	<u>\$ (82)</u>
<u>Emergency 911 Fund</u>				
REVENUES				
Charges for services	\$ 141,500	\$ 137,500	\$ 139,609	\$ 2,109
EXPENDITURES				
Current				
Public safety	288,900	270,000	262,601	7,399
EXCESS OF REVENUES (UNDER) EXPENDITURES	(147,400)	(132,500)	(122,992)	9,508
OTHER FINANCING SOURCES				
Transfers in	148,000	132,500	132,500	-0-
NET CHANGE IN FUND BALANCE	600	-0-	9,508	9,508
Fund balance, beginning of year	435	435	435	-0-
Fund balance, end of year	<u>\$ 1,035</u>	<u>\$ 435</u>	<u>\$ 9,943</u>	<u>\$ 9,508</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, 2016

	<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	\$ 1,500	\$ 1,545	\$ 1,202	\$ (343)
EXPENDITURES				
Current				
Community and economic development	<u>68,147</u>	<u>68,193</u>	<u>67,150</u>	<u>1,043</u>
NET CHANGE IN FUND BALANCE	(66,647)	(66,648)	(65,948)	700
Fund balance, beginning of year	<u>66,648</u>	<u>66,648</u>	<u>66,648</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 1</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 700</u></u>	<u><u>\$ 700</u></u>
<u>Public Communications Fund</u>				
REVENUES				
Intergovernmental	\$ 17,800	\$ 16,200	\$ 16,187	\$ (13)
Interest	<u>-</u>	<u>-</u>	<u>13</u>	<u>13</u>
TOTAL REVENUES	17,800	16,200	16,200	-0-
EXPENDITURES				
Current				
Public safety	20,000	15,400	17,000	(1,600)
Miscellaneous	<u>-</u>	<u>1,560</u>	<u>1,605</u>	<u>(45)</u>
TOTAL EXPENDITURES	20,000	16,960	18,605	(1,645)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,200)	(760)	(2,405)	(1,645)
OTHER FINANCING SOURCES				
Transfers in	<u>2,200</u>	<u>3,810</u>	<u>3,813</u>	<u>3</u>
NET CHANGE IN FUND BALANCE	(2,200)	3,050	1,408	(1,645)
Fund balance, beginning of year	<u>22,246</u>	<u>22,246</u>	<u>22,246</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 20,046</u></u>	<u><u>\$ 25,296</u></u>	<u><u>\$ 23,654</u></u>	<u><u>\$ (1,645)</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, 2016

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 630,602	\$ 215,044	\$ 845,646
Accounts receivable	40	-	40
Due from other funds	<u>4,938</u>	<u>-</u>	<u>4,938</u>
Total current assets	635,580	215,044	850,624
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>241,575</u>	<u>-</u>	<u>241,575</u>
TOTAL ASSETS	877,155	215,044	1,092,199
LIABILITIES			
Current liabilities			
Accounts payable	13,933	-	13,933
Accrued wages payable	281	-	281
Current portion of compensated absences	<u>-</u>	<u>42,821</u>	<u>42,821</u>
Total current liabilities	14,214	42,821	57,035
Noncurrent liabilities			
Noncurrent portion of compensated absences	<u>-</u>	<u>171,284</u>	<u>171,284</u>
TOTAL LIABILITIES	14,214	214,105	228,319
NET POSITION			
Investment in capital assets	241,575	-	241,575
Unrestricted	<u>621,366</u>	<u>939</u>	<u>622,305</u>
TOTAL NET POSITION	<u>\$ 862,941</u>	<u>\$ 939</u>	<u>\$ 863,880</u>

City of Fenton

Internal Service Funds

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

Year Ended June 30, 2016

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 307,863	\$ -	\$ 307,863
Other	2,362	-	2,362
	<u>310,225</u>	<u>-0-</u>	<u>310,225</u>
OPERATING EXPENSES			
Personnel services	19,897	35,541	55,438
Operating supplies	34,986	-	34,986
Fuel and utilities	61,910	-	61,910
Repairs and maintenance	98,064	-	98,064
Insurance	13,250	-	13,250
Depreciation	80,168	-	80,168
	<u>308,275</u>	<u>35,541</u>	<u>343,816</u>
	<u>1,950</u>	<u>(35,541)</u>	<u>(33,591)</u>
NONOPERATING REVENUES			
Interest earned	329	111	440
Gain on sale of capital assets	4,575	-	4,575
	<u>4,904</u>	<u>111</u>	<u>5,015</u>
	<u>6,854</u>	<u>(35,430)</u>	<u>(28,576)</u>
TRANSFERS			
Transfers in	-	35,541	35,541
	<u>6,854</u>	<u>111</u>	<u>6,965</u>
Net position, beginning of year	<u>856,087</u>	<u>828</u>	<u>856,915</u>
Net position, end of year	<u>\$ 862,941</u>	<u>\$ 939</u>	<u>\$ 863,880</u>

City of Fenton

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from interfund services provided	\$ 306,604	\$ 29,158	\$ 335,762
Cash paid to suppliers	(228,052)	-	(228,052)
Cash paid to employees	(19,961)	-	(19,961)
	<u>58,591</u>	<u>29,158</u>	<u>87,749</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(85,270)	-	(85,270)
Proceeds from sale of assets	4,575	-	4,575
	<u>(80,695)</u>	<u>-</u>	<u>(80,695)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	329	111	440
	<u>(21,775)</u>	<u>29,269</u>	<u>7,494</u>
NET INCREASE (DECREASE) IN CASH			
Cash, beginning of year	652,377	185,775	838,152
Cash, end of year	<u>\$ 630,602</u>	<u>\$ 215,044</u>	<u>\$ 845,646</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,950	\$ -	\$ 1,950
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	80,168	-	80,168
(Increase) decrease in:			
Due from other funds	(3,621)	-	(3,621)
Prepays	13,250	-	13,250
Increase (Decrease) in:			
Accounts payable	(33,092)	-	(33,092)
Accrued wages payable	(64)	-	(64)
Due to other funds	-	(6,382)	(6,382)
Compensated absences	-	35,540	35,540
	<u>58,591</u>	<u>29,158</u>	<u>87,749</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			

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, 2016

	Tax Collection	Employees Union	Health Savings	Payroll	Fenton Community Center	Total
ASSETS						
Cash	\$ 5,484	\$ 8,832	\$ 291	\$ 124,191	\$ 5,753	\$ 144,551
Due from other governmental units	-	-	-	23,434	-	23,434
TOTAL ASSETS	\$ 5,484	\$ 8,832	\$ 291	\$ 147,625	\$ 5,753	\$ 167,985
LIABILITIES						
Due to other governmental units	\$ 5,484	\$ -	\$ -	\$ -	\$ -	\$ 5,484
Due to union groups	-	8,832	-	-	-	8,832
Due to individuals and agencies	-	-	291	147,625	5,753	153,669
TOTAL LIABILITIES	\$ 5,484	\$ 8,832	\$ 291	\$ 147,625	\$ 5,753	\$ 167,985

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<u>Tax Collection Fund</u>				
ASSETS				
Cash	\$ 86,088	\$ 18,183,745	\$ 18,264,349	\$ 5,484
LIABILITIES				
Due to other governmental units	\$ 86,088	\$ 18,183,745	\$ 18,264,349	\$ 5,484
<u>Employees Union Fund</u>				
ASSETS				
Cash	\$ 8,400	\$ 432	\$ -	\$ 8,832
LIABILITIES				
Due to union groups	\$ 8,400	\$ 432	\$ -	\$ 8,832
<u>Health Savings Fund</u>				
ASSETS				
Cash	\$ 181	\$ 4,000	\$ 3,890	\$ 291
LIABILITIES				
Due to individuals and agencies	\$ 181	\$ 4,000	\$ 3,890	\$ 291
<u>Payroll Fund</u>				
ASSETS				
Cash	\$ 7,305	\$ 4,118,872	\$ 4,001,986	\$ 124,191
Due from other governmental units	969	22,465	-	23,434
TOTAL ASSETS	<u>\$ 8,274</u>	<u>\$ 4,141,337</u>	<u>\$ 4,001,986</u>	<u>\$ 147,625</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 8,274</u>	<u>\$ 4,141,337</u>	<u>\$ 4,001,986</u>	<u>\$ 147,625</u>

City of Fenton

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONCLUDED

Year Ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<u>Fenton Community Center</u>				
ASSETS				
Cash	\$ 5,750	\$ 3	\$ -	\$ 5,753
LIABILITIES				
Due to individuals and agencies	\$ 5,750	\$ 3	\$ -	\$ 5,753
<u>Total Agency Funds</u>				
ASSETS				
Cash	\$ 107,724	\$ 22,307,052	\$ 22,270,225	\$ 144,551
Due from other governmental units	969	22,465	-	23,434
TOTAL ASSETS	<u>\$ 108,693</u>	<u>\$ 22,329,517</u>	<u>\$ 22,270,225</u>	<u>\$ 167,985</u>
LIABILITIES				
Due to other governmental units	\$ 86,088	\$ 18,183,745	\$ 18,264,349	\$ 5,484
Due to union groups	8,400	432	-	8,832
Due to individuals and agencies	14,205	4,145,340	4,005,876	153,669
TOTAL LIABILITIES	<u>\$ 108,693</u>	<u>\$ 22,329,517</u>	<u>\$ 22,270,225</u>	<u>\$ 167,985</u>

COMPONENT UNIT FUNDS

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2016

	Special Revenue Fund	Capital Projects Fund	2013 Bond Construction Fund	Total
ASSETS				
Cash	\$ 911,220	\$ 316,719	\$ 597,066	\$ 1,825,005
Accounts receivable	-	-	98,059	98,059
Due from other funds	-	100,000	-	100,000
Prepays	-	2,600	50,000	52,600
	<u>911,220</u>	<u>419,319</u>	<u>745,125</u>	<u>2,075,664</u>
TOTAL ASSETS	\$ 911,220	\$ 419,319	\$ 745,125	\$ 2,075,664
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 38,312	\$ 18,160	\$ 56,472
Accrued wages	-	5,585	-	5,585
Due to other funds	-	-	100,000	100,000
Due to other governmental units	-	6,178	2,654	8,832
	<u>-0-</u>	<u>50,075</u>	<u>120,814</u>	<u>170,889</u>
TOTAL LIABILITIES	-0-	50,075	120,814	170,889
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	98,059	98,059
	<u>-</u>	<u>-</u>	<u>98,059</u>	<u>98,059</u>
DEFERRED INFLOWS OF RESOURCES	-	-	98,059	98,059
FUND BALANCES				
Assigned	911,220	369,244	526,252	1,806,716
	<u>911,220</u>	<u>369,244</u>	<u>526,252</u>	<u>1,806,716</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 911,220	\$ 419,319	\$ 745,125	\$ 2,075,664

City of Fenton

Component Unit Funds

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

June 30, 2016

Total fund balances - governmental funds \$ 1,806,716

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>(103,697)</u>

Capital assets, net	714,431
---------------------	---------

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

Unavailable revenue	98,059
---------------------	--------

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	(6,905,291)
Unamortized deferred amounts on debt issuance	43,606
Accrued interest payable	<u>(46,154)</u>

(6,907,839)

Net position of governmental activities

\$ (4,288,633)

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2016

	Special Revenue Fund	Capital Projects Fund	2013 Bond Construction Fund	Total
REVENUES				
Taxes	\$ 1,222,279	\$ -	\$ -	\$ 1,222,279
Interest	1,718	4,500	317	6,535
Donations	-	7,250	55,658	62,908
TOTAL REVENUES	1,223,997	11,750	55,975	1,291,722
EXPENDITURES				
Current				
Community and economic development	-	402,063	2,430,934	2,832,997
Debt service				
Principal	551,000	-	-	551,000
Interest and fiscal charges	191,634	-	38,535	230,169
TOTAL EXPENDITURES	742,634	402,063	2,469,469	3,614,166
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	481,363	(390,313)	(2,413,494)	(2,322,444)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	200,000	1,005,559	1,205,559
Transfers in	-	500,000	-	500,000
Transfers out	(500,000)	-	-	(500,000)
TOTAL OTHER FINANCING SOURCES (USES)	(500,000)	700,000	1,005,559	1,205,559
NET CHANGE IN FUND BALANCES	(18,637)	309,687	(1,407,935)	(1,116,885)
Fund balances, beginning of year	929,857	59,557	1,934,187	2,923,601
Fund balances, end of year	\$ 911,220	\$ 369,244	\$ 526,252	\$ 1,806,716

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, 2016

Net change in fund balances - total governmental funds **\$ (1,116,885)**

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:

Depreciation expense (16)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (255,658)

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 551,000

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

Decrease in accrued interest payable	\$ 1,317
(Additions) to issuance premium	(5,559)
Reductions to issuance premium	3,915
Amortization of deferred charge	(8,721)
Bond proceeds	<u>(1,000,000)</u>

(1,009,048)

Change in net position of governmental activities **\$ (1,830,607)**

City of Fenton

Component Unit Funds

COMBINING BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2016

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 1,109,485	\$ 133,291	\$ 1,242,776
Due from other funds	-	13,256	13,256
TOTAL ASSETS	<u>\$ 1,109,485</u>	<u>\$ 146,547</u>	<u>\$ 1,256,032</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 1,216	\$ 1,216
Accrued wages	-	760	760
Due to other funds	13,256	-	13,256
Due to other governmental units	-	17,255	17,255
TOTAL LIABILITIES	13,256	19,231	32,487
FUND BALANCES			
Committed	<u>1,096,229</u>	<u>127,316</u>	<u>1,223,545</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,109,485</u>	<u>\$ 146,547</u>	<u>\$ 1,256,032</u>

City of Fenton

Component Unit Funds

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

June 30, 2016

Total fund balances - governmental funds **\$ 1,223,545**

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	\$ 37,630	
Accumulated depreciation is	<u>(1,254)</u>	
Capital assets, net		<u>36,376</u>
Net position of governmental activities		<u><u>\$ 1,259,921</u></u>

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2016

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Taxes	\$ 220,248	\$ -	\$ 220,248
Interest	569	-	569
TOTAL REVENUES	220,817	-0-	220,817
EXPENDITURES			
Current			
Community and economic development	-	118,226	118,226
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	220,817	(118,226)	102,591
OTHER FINANCING SOURCES (USES)			
Transfers in	-	200,000	200,000
Transfers out	(200,000)	-	(200,000)
TOTAL OTHER FINANCING SOURCES (USES)	(200,000)	200,000	-0-
NET CHANGE IN FUND BALANCES	20,817	81,774	102,591
Fund balances, beginning of year	1,075,412	45,542	1,120,954
Fund balances, end of year	<u>\$ 1,096,229</u>	<u>\$ 127,316</u>	<u>\$ 1,223,545</u>

City of Fenton

Component Unit Funds

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

Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 102,591

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	\$ 37,630	
Depreciation expense	<u>(1,254)</u>	
Excess of capital outlay over depreciation expense		<u>36,376</u>
Change in net position of governmental activities		<u>\$ 138,967</u>

**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)

2007-2016

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

2011	2012	2013	2014	2015	2016
\$ 15,323,859	\$ 14,984,354	\$ 15,214,130	\$ 14,595,457	\$ 17,991,239	\$ 19,539,308
141,844	306,634	342,981	325,746	466,969	646,525
4,224,040	4,536,097	4,270,293	4,563,196	967,655	272,032
<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>	<u>\$ 20,457,865</u>
\$ 21,994,491	\$ 22,430,452	\$ 22,299,268	\$ 22,864,031	\$ 22,870,359	\$ 23,677,936
897,379	899,207	902,777	903,659	718,141	497,023
2,363,388	3,061,763	4,151,403	4,400,159	2,794,630	2,560,862
<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>	<u>\$ 26,735,821</u>
\$ 37,318,350	\$ 37,414,806	\$ 37,513,398	\$ 37,459,488	\$ 40,861,598	\$ 43,217,244
1,039,223	1,205,841	1,245,758	1,229,405	1,185,110	1,143,548
6,587,428	7,597,860	8,421,696	8,963,355	3,762,285	2,832,894
<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>	<u>\$ 47,193,686</u>

City of Fenton

CHANGES IN GOVERNMENTAL NET POSITION (UNAUDITED)

2007-2016

	2007	2008	2009	2010
Expenses				
General government	\$ 1,648,574	\$ 1,439,316	\$ 1,010,207	\$ 1,106,229
Public safety	3,642,615	3,414,988	3,629,441	3,522,764
Public works	1,725,658	1,665,853	1,135,807	1,836,728
Community and economic development	107,223	75,288	49,423	46,800
Recreation and culture	309,018	296,654	338,235	270,807
Interest on long-term debt	57,766	27,104	9,162	19,866
	<u>\$ 7,490,854</u>	<u>\$ 6,919,203</u>	<u>\$ 6,172,275</u>	<u>\$ 6,803,194</u>
Program revenues				
Charges for services				
General government	\$ 81,528	\$ 80,681	\$ 164,739	\$ 172,299
Public safety	609,998	647,191	666,916	533,197
Public works	432,625	444,049	494,407	511,425
Recreation and culture	50,012	50,237	45,507	34,062
	<u>1,174,163</u>	<u>1,222,158</u>	<u>1,371,569</u>	<u>1,250,983</u>
Operating grants and contributions	1,138,543	2,399,695	1,104,536	853,593
Capital grants and contributions	30,551	15,185	640,093	41,482
	<u>2,343,257</u>	<u>3,637,038</u>	<u>3,116,198</u>	<u>2,146,058</u>
	<u>\$ (5,147,597)</u>	<u>\$ (3,282,165)</u>	<u>\$ (3,056,077)</u>	<u>\$ (4,657,136)</u>
General revenues				
Property taxes	\$ 4,385,154	\$ 4,496,996	\$ 4,460,368	\$ 4,339,222
State-shared revenues	867,264	862,880	811,891	721,565
Investment earnings	211,208	189,044	80,634	17,360
Miscellaneous	11,100	10,740	23,849	79,972
	<u>5,474,726</u>	<u>5,559,660</u>	<u>5,376,742</u>	<u>5,158,119</u>
Change in net position	327,129	2,277,495	2,320,665	500,983
Restated net position, beginning of the year	<u>14,007,385</u>	<u>14,334,514</u>	<u>16,612,009</u>	<u>18,932,674</u>
Net position, end of the year	<u>\$ 14,334,514</u>	<u>\$ 16,612,009</u>	<u>\$ 18,932,674</u>	<u>\$ 19,433,657</u>

2011	2012	2013	2014	2015	2016
\$ 1,177,043	\$ 1,113,243	\$ 1,187,672	\$ 1,158,881	\$ 901,765	\$ 1,522,667
3,354,743	3,193,232	3,537,017	3,862,440	3,435,808	3,806,701
1,637,839	1,714,085	1,617,226	1,941,813	1,674,754	2,662,804
118,270	81,215	148,585	146,317	80,389	136,692
250,303	247,276	233,723	235,592	197,997	242,489
18,035	14,838	10,728	5,384	2,685	42,771
<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>	<u>\$ 8,414,124</u>
\$ 189,867	\$ 202,365	\$ 208,100	\$ 255,473	\$ 276,839	\$ 283,420
581,059	660,348	657,777	791,750	640,201	593,827
500,429	514,795	482,083	504,184	515,954	564,705
41,434	48,239	36,439	35,040	33,609	48,837
1,312,789	1,425,747	1,384,399	1,586,447	1,466,603	1,490,789
812,924	848,615	853,534	994,172	1,027,860	915,938
37,659	53,961	369,868	96,490	2,300,171	2,291,884
<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>4,698,611</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>	<u>\$ (3,715,513)</u>
\$ 3,802,193	\$ 3,363,316	\$ 3,262,058	\$ 3,322,738	\$ 3,424,206	\$ 3,534,843
793,649	878,056	891,798	926,059	934,921	928,933
22,824	11,975	8,650	5,537	865	21,275
30,281	29,561	39,777	24,711	79,943	161,161
<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>	<u>4,646,212</u>
256,086	247,342	75,133	(394,273)	2,941,171	930,699
<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>19,527,166</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>	<u>\$ 20,457,865</u>

City of Fenton

CHANGES IN BUSINESS-TYPE NET POSITION (UNAUDITED)

2007-2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses				
Water	\$ 2,334,328	\$ 2,179,363	\$ 2,402,112	\$ 2,302,524
Sewer	<u>2,344,030</u>	<u>2,215,830</u>	<u>2,063,615</u>	<u>2,114,313</u>
Total expenses	<u>\$ 4,678,358</u>	<u>\$ 4,395,193</u>	<u>\$ 4,465,727</u>	<u>\$ 4,416,837</u>
Program revenues				
Charges for services				
Water	\$ 2,263,120	\$ 2,198,405	\$ 2,091,329	\$ 2,415,330
Sewer	<u>2,108,018</u>	<u>2,156,951</u>	<u>2,260,702</u>	<u>2,257,131</u>
Total charges for services	4,371,138	4,355,356	4,352,031	4,672,461
Operating grants and contributions				
Water	-	-	-	-
Sewer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital grants and contributions	-0-	-0-	-0-	-0-
Capital grants and contributions				
Water	51,000	3,050	-	-
Sewer	<u>117,395</u>	<u>16,190</u>	<u>-</u>	<u>1,054,000</u>
Total capital grants and contributions	168,395	19,240	-0-	1,054,000
Total program revenue	<u>4,539,533</u>	<u>4,374,596</u>	<u>4,352,031</u>	<u>5,726,461</u>
Net (expense) revenue	<u>\$ (138,825)</u>	<u>\$ (20,597)</u>	<u>\$ (113,696)</u>	<u>\$ 1,309,624</u>
General revenues				
Investment earnings	\$ 139,616	\$ 105,532	\$ 53,855	\$ 10,042
Miscellaneous	<u>-</u>	<u>-</u>	<u>48,343</u>	<u>94,065</u>
Total general revenues	<u>139,616</u>	<u>105,532</u>	<u>102,198</u>	<u>104,107</u>
Change in net position	<u>\$ 791</u>	<u>\$ 84,935</u>	<u>\$ (11,498)</u>	<u>\$ 1,413,731</u>

2011	2012	2013	2014	2015	2016
\$ 2,697,917	\$ 2,295,676	\$ 2,550,571	\$ 2,520,564	\$ 2,798,558	\$ 2,814,340
<u>2,145,302</u>	<u>2,082,283</u>	<u>2,120,388</u>	<u>2,350,065</u>	<u>2,443,606</u>	<u>2,362,559</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>	<u>\$ 5,176,899</u>
\$ 2,779,345	\$ 2,817,673	\$ 2,902,028	\$ 2,789,912	\$ 2,682,329	\$ 2,699,712
<u>2,465,111</u>	<u>2,506,911</u>	<u>2,530,529</u>	<u>2,701,837</u>	<u>2,775,942</u>	<u>2,632,951</u>
5,244,456	5,324,584	5,432,557	5,491,749	5,458,271	5,332,663
-	-	-	-	-	8,377
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-0-	-0-	-0-	-0-	-0-	8,377
-	-	-	1,155	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-0-	-0-	-0-	1,155	-0-	-0-
<u>5,244,456</u>	<u>5,324,584</u>	<u>5,432,557</u>	<u>5,492,904</u>	<u>5,458,271</u>	<u>5,341,040</u>
<u>\$ 401,237</u>	<u>\$ 946,625</u>	<u>\$ 761,598</u>	<u>\$ 622,275</u>	<u>\$ 216,107</u>	<u>\$ 164,141</u>
\$ 16,270	\$ 80,003	\$ 81,470	\$ 69,254	\$ 68,472	\$ 69,103
<u>99,360</u>	<u>109,536</u>	<u>118,958</u>	<u>122,872</u>	<u>106,024</u>	<u>119,447</u>
115,630	189,539	200,428	192,126	174,496	188,550
<u>\$ 516,867</u>	<u>\$ 1,136,164</u>	<u>\$ 962,026</u>	<u>\$ 814,401</u>	<u>\$ 390,603</u>	<u>\$ 352,691</u>

City of Fenton

FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2007-2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund				
Reserved	\$ 203,361	\$ 98,144	\$ 82,747	\$ 233,423
Unreserved	1,095,887	1,293,699	1,424,971	1,360,450
Nonspendable	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 1,299,248</u>	<u>\$ 1,391,843</u>	<u>\$ 1,507,718</u>	<u>\$ 1,593,873</u>
All other governmental funds				
Reserved	\$ 7,643	\$ 5,986	\$ 2,513	\$ 131,659
Unreserved, reported in:				
Special revenue funds	761,036	780,578	671,323	699,293
Capital project funds	300,565	479,862	466,694	891,260
Debt service funds	-	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Total all other governmental funds	<u>\$ 1,069,244</u>	<u>\$ 1,266,426</u>	<u>\$ 1,140,530</u>	<u>\$ 1,722,212</u>

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

2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
34,333	259,318	114,866	128,536	205,844	225,256
<u>2,020,003</u>	<u>1,824,928</u>	<u>1,997,467</u>	<u>2,072,217</u>	<u>2,063,205</u>	<u>2,271,469</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>	<u>\$ 2,496,725</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
124,116	109,426	34,844	6,115	180,406	-
141,844	306,634	342,981	325,746	466,969	646,525
<u>1,681,517</u>	<u>2,234,661</u>	<u>2,453,146</u>	<u>2,814,515</u>	<u>2,225,843</u>	<u>2,249,902</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>	<u>\$ 2,896,427</u>

City of Fenton

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)

2007-2016

	2007	2008	2009	2010
Revenues				
Property taxes	\$ 4,371,523	\$ 4,469,408	\$ 4,460,368	\$ 4,393,964
Licenses and permits	183,527	192,848	202,728	184,494
Intergovernmental	1,856,088	2,409,873	2,224,266	1,614,485
Charges for services	953,140	990,606	942,784	918,363
Fines and forfeits	98,361	113,225	82,639	60,189
Interest and rents	182,900	165,142	149,780	87,911
Other	70,498	704,615	104,936	88,880
Total revenues	7,716,037	9,045,717	8,167,501	7,348,286
Expenditures				
Current				
General government	1,545,582	1,351,239	968,649	983,435
Public safety	3,126,586	3,443,691	3,465,217	3,009,260
Public works	2,301,573	3,492,752	2,984,733	1,820,818
Community and economic development	-	-	-	-
Recreation and culture	228,712	229,526	312,942	231,720
Other	172,734	127,621	308,798	321,552
Capital outlay	291,316	18,486	11,498	377,966
Debt service				
Principal	106,933	110,779	114,763	118,892
Interest and fiscal charges	28,766	24,920	20,936	16,806
Total Expenditures	7,802,202	8,799,014	8,187,536	6,880,449
Excess of revenues over (under) expenditures	(86,165)	246,703	(20,035)	467,837
Other Financing Sources (Uses)				
Debt issuance	-	-	-	200,000
Sale of fixed assets	-	9,100	-	-
Transfers in	1,716,000	1,430,197	1,806,490	1,644,475
Transfers out	(1,729,819)	(1,396,223)	(1,796,476)	(1,644,475)
Total other financing sources (uses)	(13,819)	43,074	10,014	200,000
Net change in fund balances	(99,984)	289,777	(10,021)	667,837
Fund Balances - Beginning of year	2,468,476	2,368,492	2,658,269	2,648,248
Fund Balances - End of year	<u>\$ 2,368,492</u>	<u>\$ 2,658,269</u>	<u>\$ 2,648,248</u>	<u>\$ 3,316,085</u>
Debt service as a percentage of noncapital expenditures	3.20%	1.96%	2.16%	1.66%

2011	2012	2013	2014	2015	2016
\$ 3,911,729	\$ 3,385,278	\$ 3,348,895	\$ 3,322,738	\$ 3,424,206	\$ 3,580,480
218,991	241,133	261,742	385,792	361,176	315,977
1,642,926	1,763,701	1,770,023	1,958,266	2,119,347	2,086,654
949,460	1,017,853	956,694	1,024,081	952,684	1,000,674
62,174	63,386	69,385	86,273	56,117	59,182
90,649	78,983	75,167	71,163	65,576	87,428
45,928	82,860	138,420	107,841	115,488	163,121
6,921,857	6,633,194	6,620,326	6,956,154	7,094,594	7,293,516
976,708	897,923	931,392	978,534	1,036,510	1,191,988
2,903,285	2,751,813	2,887,330	3,210,569	3,104,603	3,118,232
1,617,583	1,492,077	1,866,562	1,727,676	2,364,363	1,830,656
107,135	76,674	121,515	120,753	112,344	119,269
217,033	215,869	193,117	197,247	238,822	209,242
305,755	216,098	312,066	239,149	285,125	306,052
-	30,956	-	-	38,088	692,752
89,372	92,371	95,710	110,023	113,579	71,087
19,258	16,259	12,920	9,693	6,137	11,712
6,236,129	5,790,040	6,420,612	6,593,644	7,299,571	7,550,990
685,728	843,154	199,714	362,510	(204,977)	(257,474)
-	-	8,623	41,315	-	543,900
-	-	-	-	-	-
1,203,172	1,281,541	1,397,520	835,500	1,455,729	687,313
(1,203,172)	(1,281,541)	(1,397,520)	(835,500)	(1,455,614)	(722,854)
-0-	-0-	8,623	41,315	115	508,359
685,728	843,154	208,337	403,825	(204,862)	250,885
3,316,085	3,891,813	4,734,967	4,943,304	5,347,129	5,142,267
\$ 4,001,813	\$ 4,734,967	\$ 4,943,304	\$ 5,347,129	\$ 5,142,267	\$ 5,393,152
2.06%	1.85%	1.77%	1.81%	2.18%	1.22%

City of Fenton

TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)

2007-2016

Taxable Value by Property Type						
Tax Year	Fiscal Year Ended June 30,	Residential	Commercial	Industrial	Personal Property	Total Value
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
2015	2016	178,498,394	131,322,778	18,012,406	30,833,100	358,666,678

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
10.62	\$ 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%
10.62	851,507,232	42.12%

City of Fenton

DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)

2006-2015

Tax Year	Millage Rates - Direct City Taxes			County	Community College	Intermediate School District
	General Operating	Debt	Total Direct Taxes			
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
2015	10.62	0.00	10.62	11.49	2.86	3.53

<u>Overlapping taxes</u>		School:		Total tax rate:	
<u>Regional</u>	<u>School</u>	<u>School:</u>	<u>School:</u>	<u>Homestead</u>	<u>Non-homestead</u>
<u>Parks</u>	<u>Debt</u>	<u>Homestead</u>	<u>Non-homestead</u>		
0.37	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
0.37	6.80	6.00	18.00	41.67	59.67

City of Fenton

PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)

June 30, 2016 and 2007

<u>Taxpayer</u>	<u>2016 Taxable Value</u>	<u>Percentage of Total</u>	<u>2007 Taxable Value</u>	<u>Percentage of Total</u>	<u>2007 Rank</u>
Georgetown	\$ 8,941,798	2.49%	\$ 8,517,360	1.92%	1
Consumers Energy	6,411,225	1.79%	6,269,780	1.41%	5
Creative Foam	6,377,468	1.78%	6,958,250	1.57%	3
Silver Lake Hills	6,151,349	1.72%	6,006,520	1.36%	6
Walmart	5,781,345	1.61%	5,085,790	1.15%	9
Regency Realty Group	3,478,834	0.97%	5,453,280	1.23%	7
New Plan Excel Realty	3,047,695	0.85%	6,319,300	1.43%	4
Target Corporation	3,040,734	0.84%	1,881,800	0.40%	n/a
Fenton-Fairfield Apartments	2,954,500	0.82%	2,395,000	0.54%	n/a
KMC Associates	2,603,253	0.83%	4,616,120	1.04%	9

Note:

Source: Data provided by local assessment records.

City of Fenton

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

2007-2016

<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>
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%
2015	2016	3,742,407	3,596,238	96.09%	141,438	3,737,676	99.9%

Note:

Source: Data provided from local Treasurer's Department.

City of Fenton

RATIOS OF OUTSTANDING DEBT (UNAUDITED)

2007-2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Installment purchase agreements	685,851	575,072	460,309	541,417
Special assessment bonds	-	-	-	-
Capital leases	<u>147,562</u>	<u>75,738</u>	<u>-</u>	<u>-</u>
Total	833,413	650,810	460,309	541,417
Business-type Activities				
General obligation bonds	9,170,166	8,470,799	7,701,561	6,903,343
Capital improvement bonds	-	-	-	-
Revenue bonds	<u>8,963,759</u>	<u>8,483,759</u>	<u>7,993,759</u>	<u>8,426,110</u>
Total	18,133,925	16,954,558	15,695,320	15,329,453
Component Unit Activities				
General obligation bonds	<u>5,185,000</u>	<u>4,870,000</u>	<u>4,535,000</u>	<u>4,245,000</u>
Total debt of the government	<u>\$ 24,152,338</u>	<u>\$ 22,475,368</u>	<u>\$ 20,690,629</u>	<u>\$ 20,115,870</u>
Total Taxable Value	<u>\$ 442,552,747</u>	<u>\$ 468,527,910</u>	<u>\$ 463,525,458</u>	<u>\$ 456,841,113</u>
Ratio of total debt to taxable value	5.46%	4.80%	4.46%	4.40%
Total debt per capita	\$ 2,282	\$ 2,124	\$ 1,955	\$ 1,713
Personal Income ⁽¹⁾	\$ 29,347	\$ 29,488	\$ 29,526	\$ 29,060
Ratio of total debt to personal income	0.12%	0.13%	0.14%	0.14%

2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
452,045	359,675	263,965	164,795	62,039	31,550
-	-	-	-	-	555,000
-	-	7,903	54,141	22,604	10,505
452,045	359,675	271,868	218,936	84,643	597,055
6,076,538	5,216,199	4,319,824	3,385,039	2,406,770	1,402,874
2,690,000	2,660,000	2,625,000	2,585,000	2,545,000	2,505,000
7,987,142	7,402,142	6,865,790	6,260,790	5,635,790	5,865,790
16,753,680	15,278,341	13,810,614	12,230,829	10,587,560	9,773,664
3,940,000	3,675,000	3,315,000	2,945,000	6,210,000	6,685,000
<u>\$ 21,145,725</u>	<u>\$ 19,313,016</u>	<u>\$ 17,397,482</u>	<u>\$ 15,394,765</u>	<u>\$ 16,882,203</u>	<u>\$ 17,055,719</u>
<u>\$ 407,727,266</u>	<u>\$ 367,283,717</u>	<u>\$ 356,514,046</u>	<u>\$ 351,075,928</u>	<u>\$ 349,669,782</u>	<u>\$ 358,666,678</u>
5.19%	5.26%	4.92%	4.93%	4.83%	4.76%
\$ 1,762	\$ 1,614	\$ 1,495	\$ 1,292	\$ 1,447	\$ 1,452
\$ 30,542	\$ 31,639	\$ 32,421	\$ 33,033	N/A	N/A
0.14%	0.16%	0.19%	0.21%	N/A	N/A

City of Fenton

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)

2007-2016

<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>
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
2016	-	-	-	1,402,874

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>
\$ 9,170,166	\$ 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
1,402,874	851,507,232	0.0016	11,746	119

City of Fenton

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

June 30, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Genesee County	\$ 76,487,456	4.12%	\$ 3,151,283
Mott Community College	57,260,000	3.88%	2,221,688
Holly School District	57,224,655	0.05%	28,612
Fenton School District	37,290,000	43.16%	16,094,364
Lake Fenton School District	16,155,000	4.63%	747,977
Genesee Intermediate School District	7,780,000	3.87%	301,086
Bishop Airport Authority	10,075,000	4.12%	415,090
	<u>262,272,111</u>		<u>22,960,100</u>
Total Overlapping Debt	262,272,111		22,960,100
Direct City Debt	<u>597,243</u>	100.00%	<u>597,243</u>
Total Direct and Overlapping Debt	<u>\$ 262,869,354</u>		<u>\$ 23,557,343</u>

City of Fenton

LEGAL DEBT MARGIN (UNAUDITED)

2007-2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Calculation of debt limit:				
State equalized valuation	\$ 579,005,664	\$ 595,012,767	\$ 567,344,609	\$ 531,087,049
10% of taxable value	57,900,566	59,501,276	56,734,460	53,108,705
Calculation of debt subject to limit:				
Total debt	24,413,373	22,636,714	21,057,956	20,480,464
Less: debt not subject to limit:				
Special assessment bonds	-	-	-	-
Revenue bonds	<u>8,963,759</u>	<u>8,470,799</u>	<u>7,701,561</u>	<u>8,426,110</u>
Net debt subject to limit	<u>15,449,614</u>	<u>14,165,915</u>	<u>13,356,395</u>	<u>12,054,354</u>
Legal debt margin	<u>\$ 57,900,566</u>	<u>\$ 59,501,276</u>	<u>\$ 56,734,460</u>	<u>\$ 53,108,705</u>
Net debt subject to limit as % of debt limit	26.68%	23.81%	23.54%	22.70%

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 459,751,426	\$ 410,987,207	\$ 364,095,325	\$ 385,963,385	\$ 391,535,901	\$ 425,753,616
45,975,143	41,098,720	36,409,532	38,596,338	39,153,590	42,575,361
21,455,285	19,313,016	17,166,930	15,206,058	17,000,316	17,055,819
-	-	-	-	-	555,000
<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>5,865,790</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>10,635,029</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>	<u>\$ 42,575,361</u>
29.29%	28.98%	28.29%	23.18%	29.03%	24.98%

City of Fenton

PLEGGED-REVENUE COVERAGE (UNAUDITED)

2007-2016

Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Water Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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
2016	2,823,439	2,296,255	527,184	625,000	273,025	0.59

Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Sewer Revenue Bonds		
				Debt service		Coverage
				Principal	Interest	
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
2016	2,706,151	1,800,547	905,604	1,053,896	129,941	0.76

City of Fenton

DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)

2007-2016

<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>
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	14,400,945	34,878	6.2
2016	11,746	N/A	N/A	5.8

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, 2016

Industry	2016 Number of Jobs ⁽¹⁾	Percentage of Total	2007 Number of Jobs ⁽¹⁾	Percentage of Total
Trade, Transportation, and Utilities	28,900	20.38%	31,800	20.42%
Education and Health Services	28,700	20.24%	24,700	15.86%
Government	18,800	13.26%	23,700	15.22%
Manufacturing	12,200	8.60%	20,800	13.36%
Leisure and Hospitality	15,800	11.14%	16,200	10.40%
Professional and Business Services	16,000	11.28%	15,400	9.89%
Natural Resources, Mining, and Construction	5,200	3.67%	7,100	4.56%
Other Services	5,600	3.95%	7,100	4.56%
Financial Activities	6,300	4.44%	6,500	4.17%
Information	4,300	3.03%	2,400	1.54%
Total	141,800	1.00	155,700	1.00

Note:

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

City of Fenton

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES (UNAUDITED)

2007-2016

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	14	13	11	10
Public safety:				
Police	21	21	19	18
Building inspection	2	2	1	1
Fire	1	1	1	1
Public works:				
DPW	8	8	7	8
Water and sewer	10	10	9	8
Total	56	55	48	46

2011	2012	2013	2014	2015	2016
11	10	13	12	14	12
16	15	15	17	16	16
1	1	1	1	2	2
1	1	1	1	1	1
8	8	8	8	8	8
8	8	8	8	8	8
45	43	46	47	49	47

City of Fenton

OPERATING INDICATORS (UNAUDITED)

2007-2016

Function/ program	2007	2008	2009	2010
Election data				
Registered voters	9,094	8,783	8,882	8,812
Voters (at the polls or absentee)	721	1,005	1,437	2,346
Percent voting	7.93%	11.44%	16.18%	26.62%
Police				
Physical arrests	1,162	1,175	813	870
Traffic violations	2,019	2,020	1,596	1,429
Investigations	9,144	9,100	9,635	9,725
Fire				
Fire runs	381	389	412	497
Emergency medical runs	141	162	170	147
Inspections	30	500	250	50
Public works				
Miles of street resurfaced	1.10	1.40	1.16	1.8
Water				
Number of customers billed	3,746	3,759	3,480	3,485
Total consumption*	361,320	360,325	313,909	299,308
Average consumption per user	96	96	90	86
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

2011	2012	2013	2014	2015	2016
9,211	9,198	9,407	9,438	9,426	9,672
2,148	2,146	5,852	1,105	6,164	1,950
23.32%	23.33%	62.20%	11.71%	65.39%	20.16%
633	481	664	470	247	305
1,368	1,808	2,140	1,675	1,090	1,176
10,458	9,603	8,818	10,767	8,440	9,303
326	304	259	298	356	262
140	150	181	198	143	170
50	125	100	200	300	250
1.8	1.80	1.60	-0-	0.63	0.95
3,469	3,501	3,494	3,509	3,500	3,574
295,980	307,881	320,124	287,802	294,545	374,579
85	88	91	82	84	105
N/A	N/A	N/A	N/A	N/A	N/A

City of Fenton

CAPITAL ASSET STATISTICS (UNAUDITED)

2007-2016

Function/ program	2007	2008	2009	2010
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	18.69
Local streets	31.60	31.60	31.60	35.05
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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1	1	1	1	1	1
9	9	9	9	9	9
1	1	1	1	1	1
8	8	8	8	8	8
18.69	18.69	18.69	18.69	18.69	18.69
35.05	35.05	35.05	35.05	35.05	35.05
172	172	172	172	172	172
17	17	17	17	17	17
1	1	1	1	1	1
64	64	64	64	64	64
1.5 mil gal.	1.5 mil gal.	1.5 mil gal.	1.5 mil gal	1.5 mil gal	1.5 mil gal
56	56	56	56	56	56
39	39	39	39	39	39