

Charter Township of Fenton

**Financial Report
with Supplemental Information
December 31, 2008**

Charter Township of Fenton

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Fenton

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fenton as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Fenton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fenton, as of December 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Charter Township of Fenton

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Fenton's basic financial statements. The introductory section and the other supplemental information, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Plante & Moran, PLLC

April 23, 2009

Charter Township of Fenton

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Fenton's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2008. Please read it in conjunction with the Township's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Charter Township of Fenton as a whole and present a longer-term view of the Charter Township of Fenton's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Charter Township of Fenton's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Governmental and Business-type Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior years:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Cash and investments	\$ 1,980,876	\$ 1,778,516	\$ 1,351,950	\$ 1,540,199	\$ 3,332,826	\$ 3,318,715
Current receivables	1,405,254	1,386,822	1,009,664	1,192,277	2,414,918	2,579,099
Prepaid items	74,993	38,817	228,390	239,011	303,383	277,828
Restricted cash	-	-	324,938	3,992,132	324,938	3,992,132
Capital assets	2,955,186	3,114,772	41,943,903	39,078,968	44,899,089	42,193,740
Total assets	6,416,309	6,318,927	44,858,845	46,042,587	51,275,154	52,361,514
Current liabilities	411,361	402,315	821,371	739,900	1,232,732	1,142,215
Deferred revenue	1,958,961	1,884,913	422,535	504,245	2,381,496	2,389,158
Long-term liabilities	1,063,821	1,236,329	32,015,307	33,882,972	33,079,128	35,119,301
Total liabilities	3,434,143	3,523,557	33,259,213	35,127,117	36,693,356	38,650,674
Net assets:						
Invested in capital assets, net of related debt	2,154,437	2,170,846	10,251,634	9,294,337	12,406,071	11,465,183
Restricted	276,935	209,108	-	-	276,935	209,108
Unrestricted	550,794	415,416	1,347,998	1,621,133	1,898,792	2,036,549
Total net assets	\$ 2,982,166	\$ 2,795,370	\$ 11,599,632	\$ 10,915,470	\$ 14,581,798	\$ 13,710,840

Charter Township of Fenton

Management's Discussion and Analysis

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 1,765,068	\$ 1,729,262	6,038,474	6,160,916	\$ 7,803,542	\$ 7,890,178
Operating grants	23,858	6,598	-	-	23,858	6,598
Capital grants	0	124,528	54,750	129,769	54,750	254,297
General revenue:						
Property taxes	816,655	797,825	83,918	87,527	900,573	885,352
State-shared revenue	908,216	892,203	-	-	908,216	892,203
Investment earnings	34,093	56,675	84,278	170,512	118,371	227,187
Other revenue	210,373	184,443	-	-	210,373	184,443
Total revenue	<u>3,758,263</u>	<u>3,791,534</u>	<u>6,261,420</u>	<u>6,548,724</u>	<u>10,019,683</u>	<u>10,340,258</u>
Program Expenses						
General government	1,207,950	1,144,007	-	-	1,207,950	1,144,007
Legislative	65,703	59,464	-	-	65,703	59,464
Public safety	1,301,799	1,270,769	-	-	1,301,799	1,270,769
Public works	951,252	916,161	-	-	951,252	916,161
Sewer	-	-	5,577,258	4,895,425	5,577,258	4,895,425
Interest on long-term debt	44,763	95,588	-	-	44,763	95,588
Total expenses	<u>3,571,467</u>	<u>3,485,989</u>	<u>5,577,258</u>	<u>4,895,425</u>	<u>9,148,725</u>	<u>8,381,414</u>
Change in Net Assets	<u>\$ 186,796</u>	<u>\$ 305,545</u>	<u>\$ 684,162</u>	<u>\$ 1,653,299</u>	<u>\$ 870,958</u>	<u>\$ 1,958,844</u>

The governmental net assets increased 7 percent from a year ago – increasing from \$2,795,370 to \$2,982,166. In contrast last year's net assets increased by 12 percent.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – increased by \$135,378 for governmental activities. The current level of unrestricted net assets for our governmental activities stands at \$550,794 or about 15 percent of expenditures.

The Township's business-type activities consist of the Sewer Fund. The net assets of business type activities increased 6.3 percent. In contrast last year's net assets increased by 5.6 percent.

Unrestricted net assets of the business-type activities decreased by \$273,135 or 17 percent.

Financial Analysis of the Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$650,502. This represents an increase of \$115,565 from the prior year. The Township's General Fund revenues excluding other financing sources were \$2.28 million. Property taxes were \$816,655 or 36 percent of the total revenues. State revenue sharing made up \$937,288 or 41 percent of total revenue.

Charter Township of Fenton

Management's Discussion and Analysis

Capital Assets

At the end of 2008, the Township had invested \$12.4 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB).

Long-term Debt

At year end the Township had \$1.06 million in governmental long-term debt, including \$155,000 in special assessment debt. In the Sewer Enterprise Fund the Township had \$32.02 million in bonds outstanding.

Economic Factors and Next Years Budgets

Revenue sharing remains a significant budgetary concern at this time. The State of Michigan is experiencing significant structural budget problems, and as it looks for solutions, revenue share has dwindled.

The budget for 2008 was amended as required by State law. Both the original and amended budgets have been shown in this document for 2008. The Township has again produced a timely budget for 2009.

Contacting the Township's Financial Administration

This financial report is intended to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Charter Township of Fenton's finances and to demonstrate the Charter Township of Fenton's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Fenton Township office.

Charter Township of Fenton

Statement of Net Assets December 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 1,980,876	\$ 1,351,950	\$ 3,332,826
Receivables	1,407,024	1,007,894	2,414,918
Internal balances (Note 6)	(1,770)	1,770	-
Prepaid items	74,993	228,390	303,383
Restricted assets - Cash and cash equivalents (Note 9)	-	324,938	324,938
Capital assets: (Note 5)			
Assets not subject to depreciation	120,572	12,146,687	12,267,259
Assets subject to depreciation	2,834,614	29,797,216	32,631,830
Total assets	6,416,309	44,858,845	51,275,154
Liabilities			
Accounts payable	271,559	533,519	805,078
Accrued interest payable	32,135	287,852	319,987
Due to other governmental units	80,277	-	80,277
Deposits payable	27,390	-	27,390
Deferred revenue (Note 4)	1,958,961	422,535	2,381,496
Noncurrent liabilities: (Note 7)			
Due within one year	264,563	1,517,968	1,782,531
Due in more than one year	799,258	30,497,339	31,296,597
Total liabilities	3,434,143	33,259,213	36,693,356
Net Assets			
Invested in capital assets - Net of related debt	2,154,437	10,253,534	12,407,971
Restricted for:			
Fire operations	113,503	-	113,503
Waste Collection	62,021	-	62,021
Mosquito	101,411	-	101,411
Unrestricted	550,794	1,346,098	1,896,892
Total net assets	<u>\$ 2,982,166</u>	<u>\$ 11,599,632</u>	<u>\$ 14,581,798</u>

Charter Township of Fenton

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,207,950	\$ 256,968	\$ -	\$ -
Legislative	65,703	-	-	-
Public safety	1,301,799	697,774	-	-
Public works	951,252	810,326	23,858	-
Interest on long-term debt	44,763	-	-	-
Total governmental activities	3,571,467	1,765,068	23,858	-
Business-type activities:				
Sewer Fund	5,577,258	6,038,474	-	54,750
Total primary government	\$ 9,148,725	\$ 7,803,542	\$ 23,858	\$ 54,750
General revenues:				
Taxes and collection fees				
State-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Gain on sale of capital assets				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2008

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (950,982)	\$ -	\$ (950,982)
(65,703)	-	(65,703)
(604,025)	-	(604,025)
(117,068)	-	(117,068)
(44,763)	-	(44,763)
(1,782,541)	-	(1,782,541)
-	515,966	515,966
(1,782,541)	515,966	(1,266,575)
816,655	83,918	900,573
908,216	-	908,216
34,093	84,278	118,371
200,373	-	200,373
10,000	-	10,000
1,969,337	168,196	2,137,533
186,796	684,162	870,958
2,795,370	10,915,470	13,710,840
\$ 2,982,166	\$ 11,599,632	\$ 14,581,798

Charter Township of Fenton

Governmental Funds Balance Sheet December 31, 2008

	General Fund	Waste Collection Fund	Fire Fund	Non-Major Funds	Total
Assets					
Cash and cash equivalents	\$ 796,949	\$ 556,680	\$ 374,417	\$ 252,830	\$ 1,980,876
Receivables:					
Property taxes receivable	248,739	276,274	267,167	-	792,180
Special assessments receivable	32,042	-	-	135,121	167,163
Accounts	72,419	575	-	116	73,110
Accrued interest receivable	2,828	-	-	-	2,828
Due from other governmental units	340,543	-	31,200	-	371,743
Due from other funds	2,236	-	-	-	2,236
Prepaid items	44,086	-	30,907	-	74,993
Total assets	\$ 1,539,842	\$ 833,529	\$ 703,691	\$ 388,067	\$ 3,465,129
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 203,066	\$ 56,263	\$ 12,230	\$ -	\$ 271,559
Due to other governmental units	80,277	-	-	-	80,277
Due to other funds	1,770	-	2,236	-	4,006
Deposits payable	27,390	-	-	-	27,390
Accrued liabilities and other: Deferred revenue	561,133	715,245	530,205	227,633	2,034,216
Total liabilities	873,636	771,508	544,671	227,633	2,417,448
Fund Balances					
Reserved for:					
Prepaid expenses	44,086	-	30,907	-	74,993
Unreserved, reported in:					
General Fund	622,120	-	-	-	622,120
Special Revenue Funds	-	62,021	128,113	101,411	291,545
Debt Service Funds	-	-	-	59,023	59,023
Total fund balances	666,206	62,021	159,020	160,434	1,047,681
Total liabilities and fund balances	\$ 1,539,842	\$ 833,529	\$ 703,691	\$ 388,067	\$ 3,465,129

Charter Township of Fenton

Governmental Funds **Reconciliation of the Balance Sheet to the Statement of Net Assets** **Year Ended December 31, 2008**

Fund Balance Reported in Governmental Funds	\$ 1,047,681
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,955,186
Special assessment receivables expected to be collected over seven years, such that they are not available to pay for current year expenditures, are not recognized in the funds	75,255
Bonds payable, capital lease, and compensated absence obligations are not due and payable in the current period and are not reported in the funds	(1,063,821)
Accrued interest is not due and payable in the current period and is not reported in the funds	(32,135)
Net Assets of Governmental Activities	<u>\$ 2,982,166</u>

Charter Township of Fenton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2008

	General Fund	Waste Collection Fund	Fire Fund	Non-Major Funds	Total
Revenue					
Taxes and collection fees	\$ 816,655	\$ -	\$ -	\$ -	\$ 816,655
Licenses and permits	52,971	-	-	-	52,971
Federal grants	17,188	-	-	-	17,188
State revenue	937,288	-	-	-	937,288
Charges for services	211,728	-	121,130	-	332,858
Fines and forfeits	26,496	-	-	-	26,496
Interest	21,435	5,842	2,732	4,084	34,093
Other revenue:					
Special assessments	-	656,617	520,065	196,927	1,373,609
Cable franchise fees	200,373	-	-	-	200,373
Total revenue	2,284,134	662,459	643,927	201,011	3,791,531
Expenditures - Current					
General government	1,153,384	-	-	-	1,153,384
Legislative	65,703	-	-	-	65,703
Public safety	638,212	-	555,489	-	1,193,701
Public works	131,303	658,214	-	139,144	928,661
Debt Service:					
Principal	131,427	-	11,750	55,000	198,177
Interest	32,836	-	1,411	10,841	45,088
Total expenditures	2,152,865	658,214	568,650	204,985	3,584,714
Excess of Revenue Over (Under) Expenditures	131,269	4,245	75,277	(3,974)	206,817
Other Financing Sources					
Proceeds from sale of capital assets	-	-	10,000	-	10,000
Net Change in Fund Balances	131,269	4,245	85,277	(3,974)	216,817
Fund Balances - Beginning of year	534,937	57,776	73,743	164,408	830,864
Fund Balances - End of year	\$ 666,206	\$ 62,021	\$ 159,020	\$ 160,434	\$ 1,047,681

Charter Township of Fenton

Proprietary Fund Statement of Net Assets December 31, 2008

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,351,950
Receivables:	
Property taxes receivable	498,366
Special assessments receivable	594
Accounts	21,173
User fees	474,654
Connection fees	13,107
Due from other funds	1,770
Prepaid items	228,390
Total current assets	<u>2,590,004</u>
Noncurrent assets:	
Restricted assets - Cash and cash equivalents	324,938
Capital assets	41,943,903
Total noncurrent assets	<u>42,268,841</u>
Total assets	<u>44,858,845</u>
Liabilities	
Current liabilities:	
Accounts payable	533,519
Accrued interest payable	287,852
Deferred revenue	422,535
General obligation contracts payable - current	1,517,968
Total current liabilities	<u>2,761,874</u>
Noncurrent liabilities:	
General obligation contracts payable - Long-term	30,497,339
Total noncurrent liabilities	<u>30,497,339</u>
Total liabilities	<u>33,259,213</u>
Net Assets	
Invested in capital assets - Net of related debt	10,253,534
Unrestricted	1,346,098
Total net assets	<u>\$ 11,599,632</u>

Charter Township of Fenton

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2008

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
Operating Revenue	
Charges for services	\$ 6,038,474
Total operating revenue	6,038,474
Operating Expenses	
Sewer treatment fees	1,720,083
Other contractual services	629,484
Equipment repairs and maintenance	86,960
Insurance	38,649
Billing fees and postage	6,112
Administrative expense	190,000
Utilities	76,404
Miscellaneous	443,384
Depreciation	939,874
Total operating expenses	<u>4,130,950</u>
Operating Income	1,907,524
Nonoperating Revenue (Expenses)	
Property tax revenue	83,918
Investment income	84,278
Bond interest expense	(1,442,095)
Bond agent fees	(4,213)
Income - Before contributions	<u>629,412</u>
Capital Contributions	
Tap in fees	54,750
Change in Net Assets	684,162
Net Assets - Beginning of year	<u>10,915,470</u>
Net Assets - End of year	<u><u>\$ 11,599,632</u></u>

Charter Township of Fenton

Proprietary Fund Statement of Cash Flows Year Ended December 31, 2008

	Enterprise Fund
	Sewer Fund
Cash Flow from Operating Activities	
Receipts from customers	\$ 6,083,803
Payments to suppliers	(2,855,263)
Internal activity - Payments to other funds	(207,971)
	3,020,569
Cash Flows from Capital and Related Financing Activities	
Connection fees - Customers	81,093
Property taxes (restricted for capital or capital debt)	83,918
Purchase of capital assets	(3,784,292)
Principal and interest paid on capital debt	(3,388,211)
	(7,007,492)
Cash Flows from Investment Activities	
Interest received on investments	131,480
	(3,855,443)
Net Decrease in Cash and Cash Equivalents	5,532,331
Cash and Cash Equivalents - Beginning of year	\$ 1,676,888
Cash and Cash Equivalents - End of year	\$ 1,676,888
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ 1,351,950
Restricted cash	324,938
	\$ 1,676,888
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 1,907,524
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	939,874
Changes in assets and liabilities:	
Receivables	45,329
Prepaid and other assets	(9,896)
Accounts payable	155,709
Due to others	(17,971)
	\$ 3,020,569

Charter Township of Fenton

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2008

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 5,664,489
Investments	
Total assets	<u>\$ 5,664,489</u>
Liabilities	
Accounts payable	\$ 5,271
Due to other governmental units	10,717
Deposits payable	242,679
Undistributed taxes	<u>5,405,822</u>
Total liabilities	<u>\$ 5,664,489</u>

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Fenton (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Fenton:

Reporting Entity

The Charter Township of Fenton is governed by an elected seven-member board. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Charter Township of Fenton and any component units. Accounting principles require that a component unit be included in the Township's reporting entity when there exists a significant operational or financial relationship with the Township. The Township had no component units at December 31, 2008.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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 are reported as a separate column in the fund financial statements.

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

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

The Waste Collection Fund is used to account for the customer charges which are to be used to pay contracted services for rubbish collection.

The Fire Fund is used to account for the revenues and expenditures related to fire protection.

The Township reports the following major proprietary fund:

The Sewer Disposal System is a separate fund maintained for the operations of the sewage pumping system that transmit the sewage to Genesee County's treatment plant.

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following fund types:

The Township reports a Special Assessment Debt Service Fund which shows the principal and interest payments of special assessment debt.

The Mosquito Control Fund is used to account for the customer charges which are to be used to pay contracted services for mosquito control.

The Agency Funds account for assets held by the Township as an agent for individuals, private organization and other governments. Agency funds are reported as fiduciary funds and are not included in the government-wide statement of net assets and statement of activities.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to (to also) follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2007 tax is levied and collectible on December 1, 2008 and is recognized as revenue in the year ended December 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled \$783 million, on which taxes levied consisted of 0.7122 mills for operating purposes and 0.1048 mills for debt service. This resulted in \$557,394 for operating, \$83,918 for debt service. These amounts are recognized in the respective General and Sewer Fund financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment, of the primary government are depreciated using the straight-line method over the following useful lives:

Land improvements	15 years
Building and improvements	15-40 years
Sewer system infrastructure	50 years
Machinery and equipment	3-15 years
Furniture and fixtures	5 years
Roads	20 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay and the portion of sick that is determined to be payable are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are due and payable, for example, as a result of employee resignations and retirements.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Surplus (shortfall) at January 1, 2008		\$	(593,918)
Current year permit revenue			49,922
Related expenses:			
Direct costs	(91,906)		
Estimated indirect costs	<u>(97,312)</u>		<u>(189,218)</u>
Current year shortfall			<u>(139,296)</u>
Cumulative surplus (shortfall) at December 31, 2008		\$	<u><u>(733,214)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 3 - Deposits and Investments (Continued)

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$7,384,698 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township 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 Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, \$1,653,375 of investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Mutual fund	\$ 1,653,375	Not available

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Enterprise Funds
	Unavailable	Unearned	Total	
Property taxes and special assessments	\$ 75,255	\$ 1,958,961	\$ 2,034,216	\$ -
User fees	-	-	-	422,535

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2008	Additions	Disposals	Balance December 31, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 114,667	\$ 5,905	\$ -	\$ 120,572
Subtotal	114,667	5,905	-	120,572
Capital assets being depreciated:				
Roads	451,827	-	-	451,827
Buildings and improvements	2,144,967	47,464	-	2,192,431
Machinery and equipment	2,247,543	8,350	(31,420)	2,224,473
Furniture and fixtures	16,172	-	-	16,172
Land Improvements	231,290	850	-	232,140
Subtotal	5,091,799	56,664	(31,420)	5,117,043
Accumulated depreciation:				
Roads	118,604	22,591	-	141,195
Buildings and improvements	426,343	59,200	-	485,543
Machinery and equipment	1,424,678	125,148	(31,420)	1,518,406
Furniture and fixtures	16,174	-	-	16,174
Land improvements	105,895	15,216	-	121,111
Subtotal	2,091,694	222,155	(31,420)	2,282,429
Net capital assets being depreciated	3,000,105	(165,491)	-	2,834,614
Net capital assets	<u>\$ 3,114,772</u>	<u>\$ (159,586)</u>	<u>\$ -</u>	<u>\$ 2,955,186</u>

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2008	Reclassifications	Additions	Disposals	Balance December 31, 2008
Capital assets not being depreciated:					
Construction in progress	\$ 8,349,827	\$ -	\$ 3,798,760	\$ -	\$ 12,148,587
Subtotal	8,349,827	-	3,798,760	-	12,148,587
Capital assets being depreciated:					
Buildings	47,990	-	-	-	47,990
Improvements other than buildings	43,555,892	-	6,050	-	43,561,942
Subtotal	43,603,882	-	6,050	-	43,609,932
Accumulated depreciation:					
Buildings	12,797	-	1,600	-	14,397
Improvements other than buildings	12,861,945	-	938,274	-	13,800,219
Subtotal	12,874,742	-	939,874	-	13,814,616
Net capital assets being depreciated	30,729,140	-	(933,824)	-	29,795,316
Net capital assets	\$ 39,078,967	\$ -	\$ 2,864,936	\$ -	\$ 41,943,903

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:		
General government		\$ 65,038
Public safety		134,526
Public works		22,591
	Total governmental activities	<u>\$ 222,155</u>
Business-type activities:		
Sewer		<u>\$ 939,874</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General	Fire	\$ 2,236
Sewer	General	1,170
	Total	<u>\$ 3,406</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 7 - Long-term Debt

The Township was a participant in the county-wide sanitary sewer construction program. This program was financed by general obligation bonds issued by Genesee County. The Township was obligated to assume the portion of the total debt for the construction of the sewer system within its boundaries. The sewer contracts are supported by the full faith and credit of the Township. Significant details regarding the Township's obligations under this program, and details regarding other long-term liabilities, are as follows:

	Principal Outstanding December 31, 2008
General obligation contracts payable at December 31, 2008, in the Sewer Fund are comprised of the following individual issues:	
\$1,240,000 Ripley Rolston contract due in annual installments of \$75,000 to \$100,000 through October 1, 2017, interest at 5 to 5.5 percent	\$ 800,000
\$4,000,000 Sewage Disposal System No. 3 Bonds Series 2003A contract due in annual installments of \$125,000 to \$250,000 through December 1, 2024, interest at 4.05 percent	3,450,000
\$4,600,000 Sewage Disposal System No. 3 Bonds Series 2004B contract due in annual installments of \$100,000 to \$400,000 through April 2024, interest at 5 percent	4,300,000
\$8,000,000 Improvement Projects Series 2004A contract due in annual installments of \$250,000 to \$700,000 through April 2024, interest at 5 percent	7,200,000
\$4,419,010 Refinancing of Sewer Disposal System No. 3 Series 1996A contract due in annual installments of \$25,613 to \$462,733 through May 1, 2016, interest at 2.5 to 5 percent	3,626,730
\$11,000,000 2007 General Obligation Limited Tax Capital Improvement Bonds contract due in annual installments of \$345,000 to \$810,000 through September 1, 2027, interest at 4 to 4.5 percent	10,655,000
\$1,990,667 Refinancing of Sewer Disposal System No. 3 Series 2007 contract due in annual installments of \$7,091 to \$320,847 through April 1, 2019, interest at 4 percent	<u>1,983,577</u>
	<u>\$ 32,015,307</u>

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 7 - Long-term Debt (Continued)

	Principal Outstanding December 31, 2008
Governmental long-term debt payable at December 31, 2008 consists of the following liabilities:	
Installment obligation to Genesee County Road Commission payable in annual installments ranging from \$45,183 to \$89,646, through September 1, 2010, plus interest ranging from 5.083 to 6.96 percent, secured by the Township's limited tax full faith and credit	\$ 135,549
Installment purchase obligation to the State Bank, payable in annual installments of \$11,750 through July 1, 2010, plus interest at 4 percent, secured by the Township's limited tax full faith and credit	23,500
Installment purchase obligation to the State Bank, payable in annual installments of \$71,300 through April 1, 2017, plus interest at 4.5 percent, secured by the Township's limited tax full faith and credit	641,700
Special Assessment Debt with Governmental Commitment Bonds payable to Michigan National Bank, payable in annual installments of \$25,000 through March 1, 2009, plus interest ranging from 5.35 to 5.40 percent, secured by the revenues of the Wenwood/Wendell Special Assessment Road Improvement Project and the Township's limited tax full faith and credit	25,000
Special Assessment Debt with Governmental Commitment Bonds payable to Citizens Banking Corporation, payable in annual installments of \$25,000 to \$35,000 through May 1, 2012, plus interest at 5.675 percent, secured by the revenues of the Curtwood Drive/Silver Ridge Road, Byram Lake Drive, Woodhull Landing Special Assessment Road Improvement Project and the Township's limited tax full faith and credit	130,000
Compensated absences	108,072
Total general long-term debt	<u>\$ 1,063,821</u>

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 7 - Long-term Debt (Continued)

A summary of changes in long-term debt during 2008 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes payable:					
Genesee County Road Commission	\$ 195,676	\$ -	\$ 60,127	\$ 135,549	\$ 45,183
The State Bank	35,250	-	11,750	23,500	11,750
The State Bank	713,000	-	71,300	641,700	71,300
Special assessment debt with governmental commitment:					
Standard Federal	50,000	-	25,000	25,000	25,000
Citizens Banking Corporation	160,000	-	30,000	130,000	30,000
Total notes payable	\$ 1,153,926	\$ -	\$ 198,177	\$ 955,749	\$ 183,233
Accumulated sick and vacation time	82,403	81,330	55,661	108,072	81,330
Total governmental activities	\$ 1,236,329	\$ 81,330	\$ 253,838	\$ 1,063,821	\$ 264,563
Business-type Activities					
General obligation contracts:					
Southwest extensions Refunding bonds 1998	\$ 330,000	\$ -	\$ 330,000	\$ -	\$ -
Sewage Disposal System No. 3 Bonds 1998	67,360	-	67,360	-	-
Ripley Rolston Contract	875,000	-	75,000	800,000	75,000
Sewer Disposal System No. 3 2003A	3,600,000	-	150,000	3,450,000	175,000
Torrey and Ponemah Road Arm Contract	80,000	-	80,000	-	-
Sewage Disposal System No. 3 2004B	4,400,000	-	100,000	4,300,000	100,000
Improvement Projects Series 2004 A	7,500,000	-	300,000	7,200,000	300,000
Sewer Disposal System No. 3 1996A-Refunding	4,039,945	-	413,215	3,626,730	430,290
District 3 Expansion (98) Refunding 2007	1,990,667	-	7,090	1,983,577	72,678
General Obligation Capital Improvement Bonds 2007	11,000,000	-	345,000	10,655,000	365,000
	\$ 33,882,972	\$ -	\$ 1,867,665	\$ 32,015,307	\$ 1,517,968

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 7 - Long-term Debt (Continued)

Annual requirements to amortize all debt outstanding as of December 31, 2008, including interest payments, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 183,233	\$ 43,725	\$ 226,958	\$ 1,517,968	\$ 1,353,129	\$ 2,871,097
2010	158,233	34,971	193,204	1,581,751	1,295,002	2,876,753
2011	151,483	27,337	178,820	1,665,924	1,231,675	2,897,599
2012	106,300	20,244	126,544	1,758,838	1,163,193	2,922,031
2013	71,300	16,043	87,343	1,823,590	1,085,940	2,909,530
2014-2018	285,200	32,086	317,286	9,946,389	4,139,243	14,085,632
2019-2023	-	-	-	9,335,847	2,156,992	11,492,839
2024-2028	-	-	-	4,385,000	451,549	4,836,549
Total	\$ 955,749	\$ 174,406	\$ 1,130,155	\$ 32,015,307	\$ 12,876,723	\$ 44,892,030

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10 percent of the assessed real and personal property in the Township. As of December 31, 2008, the Charter Township of Fenton incurred \$665,200 applicable to the limitation (the sewer utility contracts and special assessment debt are excluded from the limitation). The Township's debt limit is \$94,517,656.

A discount on the 2007 General Obligation Capital Improvement Bonds was \$109,142 and is being amortized over the life of the bond. The unamortized portion of the discount is \$100,956 at December 31, 2008.

Future Revenues Pledged for Debt Payment - The above contractual obligations to the County are a result of the County issuance of bonds on the Township's behalf. The Township has pledged substantially all revenue of the Sewer fund, net of operating expenses, to repay the obligations; in addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for sewer improvements. The remaining principal and interest to be paid on the bonds is \$24,408,271. During the current year, net revenues of the system were \$2,130,470 compared to the annual debt requirements of \$1,873,528.

Note 8 - Risk Management

The Township 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 Township has purchased commercial insurance for employees injuries and medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, errors, and omissions; the Township is uninsured for unemployment and sewer discharge claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 8 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Township estimates the liability for unemployment and sewer discharge claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The Township has not incurred or paid claims over the past two years and there is no unpaid claim balance at the beginning or ending of the year for unemployment claims. The Township incurred \$437,659 in sewer discharge claims during the year. There were no unpaid claims balance at the beginning of the year and \$38,742 at the end of the year (included in accounts payable).

Note 9 - Restricted Assets

The balance of the restricted asset account is as follows:

	<u>Business-type Activities</u>
Unspent bond proceeds	<u>\$ 324,938</u>

Note 10 - Leases

Operating Leases - The Township has entered into two long-term noncancelable operating leases for copier/fax equipment. The following is a schedule, by year, of future minimum rental payments required under noncancelable operating lease as of December 31, 2008:

2009	<u>\$ 589</u>
Total minimum payments required	<u>\$ 589</u>

Rental expense for the operating lease for the year ended December 31, 2008 amounted to \$3,946.

Charter Township of Fenton

Notes to Financial Statements December 31, 2008

Note 11 - Defined Contribution Pension Plan

The Township has a defined contribution pension plan covering all eligible employees who wish to participate. The plan is administered by John Hancock Life Insurance Company. By Township ordinance, the Township contributes 10 percent and employees contribute 5 percent of wages to the plan. The employee may voluntarily contribute in excess of that amount. Benefits are fully vested after 20 months of service with the benefit payable at age 55, or retirement, if later. Employees between the ages of 18 and 65 with at least 90 days of service who wish to participate may elect coverage on January 1, of the plan year. Total payroll and covered payroll for the year was \$1,001,590 and \$677,222 respectively. The Township's 2008 contributions were \$67,713. Employees contributed \$45,328 during 2008.

Note 12 - Other Postemployment Benefits

The Township passed an ordinance to continue to provide single coverage health benefits to certain active employees after they retire or leave office. The ordinance provides that health and medical benefits will be provided to eligible retirees. All employees age 55 or older with 20 years of full-time service are eligible.

The cost of the benefits is paid entirely by the Township as the costs are incurred. At year end, one retiree was eligible to receive these benefits. Benefits of \$5,842 were provided during 2008 and paid out of the General Fund.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 13 - Subsequent Events

Subsequent to year end the Township issued \$2,600,000 of 2009 General Obligation Limited Tax Capital Improvement Bonds to be used for improvements to the sewer system.

Required Supplemental Information

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes and collection fees	\$ 817,900	\$ 831,600	\$ 816,655	\$ (14,945)
Licenses and permits	106,800	63,800	52,971	(10,829)
Federal grants	75,000	75,000	17,188	(57,812)
State revenue	907,700	932,400	937,288	4,888
Charges for services	198,000	226,000	211,728	(14,272)
Fines and forfeits	22,000	27,000	26,496	(504)
Interest	27,000	27,000	21,435	(5,565)
Other revenue:				
Cable franchise fees	180,000	195,000	200,373	5,373
Total revenue	<u>2,334,400</u>	<u>2,377,800</u>	<u>2,284,134</u>	<u>(93,666)</u>
Expenditures - Current				
General government	1,215,500	1,242,400	1,153,384	89,016
Legislative	155,300	149,200	65,703	83,497
Public safety	671,200	686,900	638,212	48,688
Public works	189,000	135,013	131,303	3,710
Debt Service:				
Principal	71,300	131,427	131,427	-
Interest	32,100	32,860	32,836	24
Total expenditures	<u>2,334,400</u>	<u>2,377,800</u>	<u>2,152,865</u>	<u>224,935</u>
Net Change in Fund Balance	-	-	131,269	131,269
Fund Balance - Beginning of year	<u>534,937</u>	<u>534,937</u>	<u>534,937</u>	-
Fund Balance - End of year	<u>\$ 534,937</u>	<u>\$ 534,937</u>	<u>\$ 666,206</u>	<u>\$ 131,269</u>

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund - Fire Fund Year Ended December 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 96,500	\$ 109,500	\$ 121,130	\$ 11,630
Interest	5,000	5,000	2,732	(2,268)
Other revenue:				
Special assessments	521,000	520,000	520,065	65
Total revenue	622,500	634,500	643,927	9,427
Expenditures - Current				
Public safety	589,200	631,200	555,489	75,711
Debt Service	13,300	13,300	13,161	139
Total expenditures	602,500	644,500	568,650	75,850
Excess of Revenue Over (Under) Expenditures	20,000	(10,000)	75,277	85,277
Other Financing Sources (Uses)				
Gain on sale of capital assets	-	10,000	10,000	-
Net Change in Fund Balance	20,000	-	85,277	85,277
Fund Balance - Beginning of year	73,743	73,743	73,743	-
Fund Balance - End of year	<u>\$ 93,743</u>	<u>\$ 73,743</u>	<u>\$ 159,020</u>	<u>\$ 85,277</u>

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund - Waste Collection Fund Year Ended December 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Interest	\$ 10,000	\$ 7,000	\$ 5,842	\$ (1,158)
Other revenue:				
Special assessments	647,000	656,000	656,617	617
Total revenue	657,000	663,000	662,459	(541)
Expenditures - Current				
Public works	651,500	666,800	658,214	8,586
Total expenditures	651,500	666,800	658,214	8,586
Net Change in Fund Balance	5,500	(3,800)	4,245	8,045
Fund Balance - Beginning of year	57,776	57,776	57,776	-
Fund Balance - End of year	\$ 63,276	\$ 53,976	\$ 62,021	\$ 8,045

Charter Township of Fenton

Note to Required Supplemental Information Year Ended December 31, 2008

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)". All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. A public hearing is held in conjunction with a regular board meeting.
2. The Township board adopts the budget on a departmental level at a regular board meeting.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations).

Other Supplemental Information

Charter Township of Fenton

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2008

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Mosquito Fund	Debt Service Funds	Funds
Assets			
Cash and cash equivalents	\$ 189,287	\$ 63,543	\$ 252,830
Receivables:			
Special assessments receivable	64,386	70,735	135,121
Accounts	116	-	116
Total assets	\$ 253,789	\$ 134,278	\$ 388,067
Liabilities and Fund Balances			
Liabilities			
Deferred revenue	\$ 152,378	\$ 75,255	\$ 227,633
Total liabilities	152,378	75,255	227,633
Fund Balances			
Unreserved, reported in			
Special Revenue Funds	101,411	-	101,411
Debt Service Funds	-	59,023	59,023
Total fund balances	101,411	59,023	160,434
Total liabilities and fund balances	\$ 253,789	\$ 134,278	\$ 388,067

Charter Township of Fenton

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2008

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Mosquito Fund	Debt Service Funds	
Revenue			
Interest	\$ 2,673	\$ 1,411	\$ 4,084
Other revenue:			
Special assessments	150,988	45,939	196,927
Total revenue	<u>153,661</u>	<u>47,350</u>	<u>201,011</u>
Expenditures - Current			
Public works	139,144	-	139,144
Debt Service:			
Principal	-	55,000	55,000
Interest	-	10,841	10,841
Total expenditures	<u>139,144</u>	<u>65,841</u>	<u>204,985</u>
Other Financing Sources (Uses)			
Net Change in Fund Balances	14,517	(18,491)	(3,974)
Fund Balances - Beginning of year	<u>86,894</u>	<u>77,514</u>	<u>164,408</u>
Fund Balances - End of year	<u><u>\$ 101,411</u></u>	<u><u>\$ 59,023</u></u>	<u><u>\$ 160,434</u></u>

Charter Township of Fenton

Other Supplemental Information Nonmajor Governmental Fund - Mosquito Fund Budgetary Comparison Year Ended December 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Interest	\$ 3,500	\$ 2,500	\$ 2,673	\$ 173
Other revenue:				
Special assessments	150,000	150,500	150,988	488
Total revenue	153,500	153,000	153,661	661
Expenditures - Current				
Public works	155,000	155,000	139,144	15,856
Net Change in Fund Balance	(1,500)	(2,000)	14,517	16,517
Fund Balance - Beginning of year	86,894	86,894	86,894	-
Fund Balance - End of year	\$ 85,394	\$ 84,894	\$ 101,411	\$ 16,517

Charter Township of Fenton

Other Supplemental Information Agency Funds Statement of Assets and Liabilities December 31, 2008

	Agency Funds		
	Trust and Agency Fund	Current Tax Collection Fund	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 247,965	\$ 5,416,524	\$ 5,664,489
Total assets	<u>\$ 247,965</u>	<u>\$ 5,416,524</u>	<u>\$ 5,664,489</u>
Liabilities			
Accounts payable	\$ 5,271	\$ -	\$ 5,271
Due to other governmental units	15	10,702	10,717
Deposits payable	242,679	-	242,679
Undistributed taxes	-	5,405,822	5,405,822
Total liabilities	<u>\$ 247,965</u>	<u>\$ 5,416,524</u>	<u>\$ 5,664,489</u>

Charter Township of Fenton

Report to the Board of Trustees

December 31, 2008



Plante & Moran, PLLC

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To the Board of Trustees
Charter Township of Fenton

We have recently completed our audit of the basic financial statements of Charter Township of Fenton (the “Fenton Township”) for the year ended December 31, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, and informational comments which impact the Fenton Township:

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We are grateful for the opportunity to be of service to the Charter Township of Fenton. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

April 23, 2009

Report on Internal Control

April 23, 2009

To the Board of Trustees
Charter Township of Fenton

Dear Trustees:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Charter Township of Fenton's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Charter Township of Fenton as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Fenton internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Fenton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a

To the Board of Trustees
Charter Township of Fenton

misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

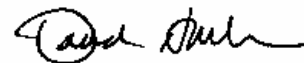
Accounts Payable – Sewer Enterprise Fund

The Township's staff generally does a very complete job of identifying and posting all accrual entries in accordance with generally accepted accounting principles (GAAP). However, during the audit it was noted that the January 2009 invoice for sewer treatment fees was improperly accrued as an accounts payable at December 31, 2008. The effect was an overstatement of accounts payable and treatment fees of \$162,275. The adjustments technically meet the definition of a significant deficiency.

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Tadd A. Harburn, CPA

Results of the Audit

April 23, 2009

To the Board of Trustees
Charter Township of Fenton

We have audited the financial statements of Charter Township of Fenton for the year ended December 31, 2008, and have issued our report thereon dated April 23, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 3, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Charter Township of Fenton. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 12, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the

To the Board of Trustees
Charter Township of Fenton

appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Fenton are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate of useful lives of capital assets.

Useful lives of capital assets are based upon management's estimate of their life. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

To the Board of Trustees
Charter Township of Fenton

We have requested certain representations from management that are included in the management representation letter dated April 23, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

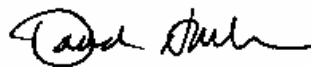
Other Audit Findings or Issues

In the normal course of our professional association with the Township we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization’s auditors.

This information is intended solely for the use of Board of Trustees and management of Charter Township of Fenton and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Tadd A. Harburn, CPA

Informational

Municipal Finance Act Revisions - Reminder

The Municipal Finance Act was amended several years ago. Communities are not required to submit a filing once a year with the Michigan Department of Treasury. The old ten day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township’s year end (December 31, 2008) and is good for one year thereafter.

Post Employment Benefit Obligations (GASB 45) - Reminder

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pension*. The new pronouncement is effective for the year ending December 31, 2009. An actuarial valuation is needed which dated up to 2 years prior to the first days of the first year to which it applies (applies January 1, 2009 thus actuary can not be dated prior to January 1, 2007). It then allows the valuation to be used for 2 or 3 fiscal years (depending on whether total membership is greater than 200). We recommend that the Township obtain an actuarial valuation as soon as possible during 2009 so that the reporting standard applicable to the audit for the year ended December 31, 2009 can be met.

Revenue Sharing There was some relief when the Governor, in mid-February 2009, released her proposed budget for FY 2010. State shared revenue has been spared any additional cuts from prior year levels, at least for now. According to the Governor’s budget, local units of government should anticipate receiving the same amount in state shared revenue for 2009-2010 that it received in 2008-2009. A total of \$1,084,313,000 is projected to be distributed to cities, villages and townships through both constitutional and statutory revenue sharing, and no unit is expected to see a change in total dollars received. This is a positive development given the cuts to K-12 schools, universities, prisons and even the state government itself.

The Governor’s FY 2010 budget also includes \$49.1 million to qualifying counties that have exhausted their revenue sharing revenue funds. As you may remember, this reserve fund was created for each county in 2005 when the State eliminated counties from the revenue sharing program (remember, counties only receive statutory revenue sharing, not constitutional). In 2005, counties were required to phase in the early collection of winter property tax payments and to create a reserve fund with a portion of these monies. Counties have been drawing on their reserve funds to replace lost statutory revenue sharing. When the reserve fund is depleted, counties will look to the State to re-enter the statutory portion of the revenue sharing program. Prior to their elimination from the revenue sharing program in 2005, counties statewide received approximately \$182 million annually.

Charter Township of Fenton

Informational (Continued)

Here is a history of total revenue sharing since 2004, including the projected FY 2010 distribution:

(Millions)

	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	Projected FY 2009
Constitutional - C, V, T	\$ 653.1	668.7	680.1	666.0	688.2	671.0
Statutory - C, V, T	469.5	443.3	422.4	404.9	388.0	413.3
Statutory - Counties	182.1	-	-	-	-	2.4
Special Census	-	0.5	0.9	-	-	-
Total revenue sharing	\$1,304.7	\$1,112.5	\$1,103.4	\$1,070.9	\$1,076.2	\$1,086.7

Despite this positive development, the State of Michigan is still facing a \$1.4 billion shortfall in the next fiscal year. Nothing is likely off the table; therefore, we continue to encourage you to budget this line item conservatively.

Property Tax Developments

Many communities in Michigan are continuing to face the challenges inherent in the real estate market decline given the effects of Proposal A. Some communities are seeing a decline in overall taxable value this year – many will see similar or greater declines in future years. The impact on each community and over what period of time will vary. The one constant, however, is that there will be an impact that each community will need to consider come budget time.

Many of the bills related to property taxes pending at the end of the 2008 Michigan legislative session have subsequently died with the changeover in the legislature after the November 2008 election. However, a few of those bills have been reintroduced. One that is worthy of specific mention is HJR B (i.e. House Joint Resolution B), which is reintroducing the concept of the “supercap” legislation from last year.

Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values – and even their individual property values – have fallen. As we all have been reminded, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it re-connects with market values).

Charter Township of Fenton

Informational (Continued)

Because many property owners feel it is unfair to see their taxable value increase in a declining market, a third variable, called “change in market value”, was proposed last year to be added to the Proposal A formula.

Under the legislation introduced last year, the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would have been changed to the lesser of three components: inflation, change in market value or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value – there would be NO annual increase. This measure passed the House in 2008 but did not advance further.

In January 2009, a house joint resolution (HJR B, 2009) was introduced which reinstates a similar constitutional amendment. Such a change would ultimately need to be approved by the voters before it can be enacted.

FACT Act - Potential Impact on Municipal Utility Systems

The Fair and Accurate Credit Transactions ACT was passed in 2003, with final regulations published at the end of 2007. These Federal Trade Commission (FTC) rules, and more specifically the Red Flag Rules encompassed in them, are applicable to municipal utility systems. The rules, put in place as a measure to protect against identity theft, indicate that a “creditor” with a “covered account” must implement a written identify theft prevention program to detect, prevent and mitigate identity theft in connection with the opening of a covered account or any existing covered account.

Under the rules, a creditor is defined very broadly, encompassing any entity that defers payment for goods and services, as defined under the Red Flag Rules. This most likely includes municipalities that “defer payments” by their utility customers when water, sewer, electric, gas, trash and the like are sold to customers day-by-day but paid for at the end of the billing cycle.

The act would require written policies and procedures to be put in place to identify and follow up on red flags. Red flags, just as an example, would be the presentation by the customer of suspicious personal information that is inconsistent with external sources or suspicious documents provided for identification that appear to be alerted. The regulations appear to be flexible so that each government would have the ability to design an identity theft program that is tailored to its particular operation, given its size, technology currently utilized, and the perceived risk of identity theft in its community.

The FTC has granted a six-month delay of enforcement regarding these red flag rules, which previously had a November 1, 2008 required implementation date. Those who are required to implement these red flag provisions now have until May 1, 2009 to develop and implement written identify theft prevention programs.

Charter Township of Fenton

Informational (Continued)

Other Legislative Items

- PA 307 and 308 of 2008 make changes to investment laws governing Michigan communities and schools. More specifically, this legislation allows governmental units in Michigan to invest in CDARS – Certifications of Deposit Account Registry Service. The CDARS program is a deposit placement service designed to allow FDIC-insured depository institutions to accept deposits of more than \$100,000 (\$250,000 for 2009) and obtain full coverage for the depositor by spreading the funds among as many separate FDIC-insured institutions as necessary in order to ensure full FDIC coverage.
- PA 379 of 2008 was passed late 2008 providing for an extension of 9-1-1 funding from the previous sunset date of February 28, 2009 until December 31, 2014. The bill continues to allow counties to assess a 9-1-1 charge, but the amount is limited to 42 cents per month, unless approved by county voters, in which case the maximum is \$3 per month. Counties with current monthly charges over \$.42 could maintain that assessment, but any future increases would be subject to the voter approval requirement.

SEC Disclosure Filings

The SEC announced late last year an amendment to Rule 15c2-12 that will, among other things, replace the existing four nationally recognized Municipal Securities Information Repositories (NRMSIRs) with one central NRMSIR at the Municipal Securities Rulemaking Board (MSRB), called the Electronic Municipal Market Access (EMMA) system.

This system, available on the internet at emma.msrb.org, will be the means by which issuers, or their agents will submit continuing disclosure documents free of charge. Unlike investors in corporate securities who have direct access to free company information through the SEC's EDGAR system, average investors in municipal securities have had no free and convenient way to get important information about the municipal bonds in which they invest. After the implementation of EMMA, these documents will be made available electronically to the general public at no cost.

This change to using EMMA is required beginning July 1, 2009. All continuing disclosure documents submitted to MSRB will need to be made electronically in portable document format (PDF) to facilitate this. Additionally, the MSRB has indicated that the submissions will need to be made in word-searchable PDF beginning January 1, 2010. Until July 1, 2009, issuers should submit continuing disclosures as they have been doing as required by their outstanding continuing disclosure agreements. The amended SEC rule does not, however, remove an obligation to provide continuing disclosure documents to a SID if required by applicable state law or by an outstanding continuing disclosure agreement in effect prior to July 1, 2009.

Charter Township of Fenton

Informational (Continued)

Property Assessment Cap

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2009	4.4%
2008	2.3%
2007	3.7%
2006	3.3%
2005	2.3%
2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%
1998	2.7%
1997	2.8%
1996	2.8%
1995	2.6%
1994	3.0%

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Township. In general terms, if growth on the Township's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Township to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Township's existing property tax base was less than inflation, the Headlee Amendment allowed the Township to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back". However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the Township is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

For the year ended December 31, 2008, the Township's Headlee maximum property tax rate for its operating levy was 0.7122 mills even though the voters approved a millage rate of 1.04 mills for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated in several published studies and reports, due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), will continue downward pressure on millage rates particularly given the significant gap that now exists between taxable value and state equalized value.