

# **Charter Township of Fenton**

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**Financial Report  
with Supplemental Information  
December 31, 2010**

# Charter Township of Fenton

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# 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, 2010, 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, 2010 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 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.

*Alante & Moran, PLLC*

April 18, 2011

# 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 financial activities for the fiscal year ended December 31, 2010. Please read it in conjunction with the Charter Township of Fenton'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 Township as a whole and present a longer-term view of the Township'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 Township 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 Activities

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

	Governmental Activities				Percent Change
	2008	2009	2010	Change	
Other assets	\$ 3,461,123	\$ 3,585,192	\$ 3,888,256	\$ 303,064	8%
Capital assets	<u>2,955,186</u>	<u>2,765,994</u>	<u>3,565,290</u>	<u>799,296</u>	29%
Total assets	6,416,309	6,351,186	7,453,546	1,102,360	17%
Current liabilities	2,370,322	2,392,983	2,461,640	68,657	3%
Long-term liabilities	<u>1,063,821</u>	<u>1,006,606</u>	<u>1,971,625</u>	<u>965,019</u>	96%
Total liabilities	<u>3,434,143</u>	<u>3,399,589</u>	<u>4,433,265</u>	<u>1,033,676</u>	30%
Net assets:					
Invested in capital assets, net of related debt	2,154,437	2,093,478	2,076,147	(17,331)	-1%
Restricted	276,935	438,511	646,226	207,715	47%
Unrestricted	<u>550,794</u>	<u>419,608</u>	<u>297,908</u>	<u>(121,700)</u>	-29%
Total net assets	<u>\$ 2,982,166</u>	<u>\$ 2,951,597</u>	<u>\$ 3,020,281</u>	<u>\$ 68,684</u>	2%

# Charter Township of Fenton

## Management's Discussion and Analysis (Continued)

	Governmental Activities				
	2008	2009	2010	Change	Percent Change
<b>Revenue</b>					
Program revenue:					
Charges for services	\$ 149,858	\$ 136,859	\$ 167,006	\$ 30,147	22%
Operating grants	23,858	6,780	34,297	27,517	406%
Capital grants	-	8,610	-	(8,610)	
General revenue:					
Property taxes	816,655	818,998	797,201	(21,797)	-3%
Township-wide assessments	807,605	869,155	869,057	(98)	
State-shared revenue	908,216	795,166	841,241	46,075	6%
Investment earnings	34,093	26,752	19,174	(7,578)	-28%
Other revenue	<u>210,373</u>	<u>208,944</u>	<u>226,857</u>	<u>17,913</u>	9%
Total revenue	<u>2,950,658</u>	<u>2,871,264</u>	<u>2,954,833</u>	<u>83,569</u>	3%
<b>Program Expenses</b>					
General government	1,207,950	1,233,113	368,199	(864,914)	-70%
Legislative	65,703	52,283	79,912	27,629	53%
Public safety	1,301,799	1,365,027	1,373,088	8,061	1%
Public works	951,252	1,078,100	1,895,014	816,914	76%
Interest on long-term debt	<u>44,763</u>	<u>42,465</u>	<u>38,992</u>	<u>(3,473)</u>	-8%
Total expenses	<u>3,571,467</u>	<u>3,770,988</u>	<u>3,755,205</u>	<u>(15,783)</u>	0%
<b>Change in Net Assets</b>	<u><b>\$ (620,809)</b></u>	<u><b>\$ (899,724)</b></u>	<u><b>\$ (800,372)</b></u>	<u><b>\$ 99,352</b></u>	-11%

The governmental net assets increased 2 percent from a year ago - increasing from \$2,951,597 to \$3,020,281. In contrast, last year's net assets decreased by 1 percent.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - decreased by \$121,700 for the governmental activities. This represents a decrease of approximately 29 percent. The current level of unrestricted net assets for our governmental activities stands at \$297,908, which may be used to meet the Township's ongoing obligations to citizens and creditors.

# Charter Township of Fenton

## Management's Discussion and Analysis (Continued)

### 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 two years (in thousands of dollars):

	Business-Type Activities				Percent
	2008	2009	2010	Change	Change
Other assets	\$ 2,914,942	\$ 3,566,216	\$ 3,341,805	\$ (224,411)	-6%
Capital assets	41,943,903	43,222,956	42,458,156	(764,800)	-2%
Total assets	44,858,845	46,789,172	45,799,961	(989,211)	-2%
Current liabilities	1,243,906	840,132	967,187	127,055	15%
Long-term liabilities	32,015,307	33,133,772	31,515,588	(1,618,184)	-5%
Total liabilities	33,259,213	33,973,904	32,482,775	(1,491,129)	-4%
Net assets:					
Invested in capital assets, net of related debt	10,251,634	10,570,479	11,121,741	551,262	5%
Unrestricted	1,347,998	2,244,789	2,195,445	(49,344)	-2%
Total net assets	<u>\$ 11,599,632</u>	<u>\$ 12,815,268</u>	<u>\$ 13,317,186</u>	<u>\$ 501,918</u>	4%

	Business-Type Activities				Percent
	2008	2009	2010	Change	Change
Operating revenue	\$ 6,038,474	\$ 6,027,438	\$ 6,023,873	\$ (3,565)	0%
Operating expenses, other than depreciation	3,191,076	2,697,928	2,888,361	190,433	7%
Depreciation and amortization	939,874	956,508	1,234,221	277,713	29%
<b>Operating income (loss)</b>	1,907,524	2,373,002	1,901,291	(471,711)	-20%
Property tax revenue	83,918	10	-	(10)	-100%
Interest income	84,278	8,110	4,784	(3,326)	-41%
Interest expense	1,442,095	1,354,544	1,421,158	66,614	5%
Nonoperating expenses	4,213	2,860	2,439	(421)	-15%
Nonoperating revenue	-	125,428	-	(125,428)	
Capital contributions	54,750	66,490	19,440	(47,050)	-71%
<b>Change in Net Assets</b>	<u>\$ 684,162</u>	<u>\$ 1,215,636</u>	<u>\$ 501,918</u>	<u>\$ (713,718)</u>	-59%

The Township's business-type activities consist of the Sewer Fund. The net assets of business type activities increased by 4 percent. In contrast to last year's net assets increased by 10 percent. Unrestricted net assets of the business-type activities decreased by \$49,344 or 2 percent.



# Charter Township of Fenton

## Management's Discussion and Analysis (Continued)

### The Township Funds

The following table shows the total governmental fund activity, on a modified accrual basis:

	Governmental Funds				Percent Change
	2008	2009	2010	Change	
<b>Revenue</b>					
Property taxes	\$ 816,655	\$ 818,998	\$ 797,201	\$ (21,797)	-3%
Charges for services	332,858	388,910	422,458	33,548	9%
Licenses and permits	52,971	35,899	41,577	5,678	16%
State-shared revenues	908,216	795,166	841,241	46,075	6%
Federal, state, and local grants	46,260	25,022	53,201	28,179	113%
Cable franchise fees	200,373	208,944	226,857	17,913	9%
Fines and forfeitures	26,496	14,444	18,761	4,317	30%
Interest and rentals	34,093	26,752	19,174	(7,578)	-28%
Special assessments	1,373,609	1,436,930	1,429,120	(7,810)	-1%
Other	-	-	1,350	1,350	0%
Total revenue	3,791,531	3,751,065	3,850,940	99,875	3%
<b>Expenditures</b>					
Current:					
General government	1,153,384	1,066,879	1,240,899	174,020	16%
Legislative	65,703	52,283	79,912	27,629	53%
Public safety	1,193,701	1,230,034	1,232,454	2,420	0%
Public works	928,661	1,055,509	1,828,992	773,483	73%
Debt service	243,265	225,696	200,998	(24,698)	-11%
Total expenditures	3,584,714	3,630,401	4,583,255	952,854	26%
<b>Excess of Revenue Over (Under)</b>					
<b>Expenditures</b>	206,817	120,664	(732,315)	(852,979)	-707%
<b>Other Financing Sources (Uses)</b>					
Proceeds from sales of capital assets	10,000	-	-	-	0%
Issuance of debt/debt defeasance	-	-	990,000	990,000	100%
Total other financing sources (uses)	10,000	-	990,000	990,000	100%
<b>Net Change in Fund Balance</b>	216,817	120,664	257,685	137,021	114%
<b>Fund Balances - Beginning of year</b>	830,864	1,047,681	1,168,345	120,664	12%
<b>Fund Balances - End of year</b>	<b>\$ 1,047,681</b>	<b>\$ 1,168,345</b>	<b>\$ 1,426,030</b>	<b>\$ 257,685</b>	<b>22%</b>

# **Charter Township of Fenton**

## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

As the Township completed the year, its General Fund reported a fund balance of \$730,765. This represents an increase of \$43,290 from the prior year. The Township's General Fund revenues excluding other financing sources were \$2.26 million. Property taxes were \$797,201 or 35 percent of the total revenue. State revenue sharing made up \$841,241 or 37 percent of total revenue.

### **Capital Asset and Debt Administration**

At the end of 2010, the Township had invested \$13.0 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 \$2 million in governmental long-term debt, including \$70,000 in special assessment debt. In the Sewer Enterprise Fund the Township has \$32 million in bonds outstanding.

### **Economic Factors and Next Year's Budgets and Rates**

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 2010 was amended as required by State law. Both the original and amended budgets have been shown in this document for 2010. The Township has again produced a timely budget for 2011.

### **Contacting the Township Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township finances and to show the Township'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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,882,723	\$ 2,307,779	\$ 4,190,502
Receivables	1,327,512	797,381	2,124,893
Internal balances	(2,021)	2,021	-
Prepaid items	634,820	234,624	869,444
Restricted assets - Cash and cash equivalents	45,140	-	45,140
Land held for resale	82	-	82
Capital assets:			
Assets not subject to depreciation	129,182	-	129,182
Assets subject to depreciation	3,436,108	42,458,156	45,894,264
Total assets	7,453,546	45,799,961	53,253,507
<b>Liabilities</b>			
Accounts payable	351,234	261,061	612,295
Accrued interest payable	28,362	283,846	312,208
Due to other governmental units	185,716	-	185,716
Deposits payable	19,190	-	19,190
Deferred revenue	1,877,138	422,280	2,299,418
Noncurrent liabilities: (Note 7)			
Due within one year	210,997	1,760,924	1,971,921
Due in more than one year	1,760,628	29,754,664	31,515,292
Total liabilities	4,433,265	32,482,775	36,916,040
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	2,076,147	10,942,568	13,018,715
Restricted for:			
Fire operations	492,420	-	492,420
Waste collection	54,427	-	54,427
Mosquito	99,379	-	99,379
Unrestricted	297,908	2,374,618	2,672,526
Total net assets	<u>\$ 3,020,281</u>	<u>\$ 13,317,186</u>	<u>\$ 16,337,467</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	\$ 368,199	\$ 300,933	\$ -	\$ -
Legislative	79,912	-	-	-
Public safety	1,373,088	733,572	-	-
Public works	1,895,014	1,558	34,297	-
Interest on long-term debt	38,992	-	-	-
Total governmental activities	3,755,205	1,036,063	34,297	-
Business-type activities:				
Sewer fund	5,546,179	6,023,873	-	19,440
Total primary government	<b>\$ 9,301,384</b>	<b>\$ 7,059,936</b>	<b>\$ 34,297</b>	<b>\$ 19,440</b>
General revenues:				
Taxes and collection fees				
Township-wide assessments				
State-shared revenue				
Interest				
Cable franchise fees				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2010**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (67,266)	\$ -	\$ (67,266)
(79,912)	-	(79,912)
(639,516)	-	(639,516)
(1,859,159)	-	(1,859,159)
<u>(38,992)</u>	<u>-</u>	<u>(38,992)</u>
(2,684,845)	-	(2,684,845)
<u>-</u>	<u>497,134</u>	<u>497,134</u>
(2,684,845)	497,134	(2,187,711)
797,201	-	797,201
869,056	-	869,056
841,241	-	841,241
19,174	4,784	23,958
<u>226,857</u>	<u>-</u>	<u>226,857</u>
<u>2,753,529</u>	<u>4,784</u>	<u>2,758,313</u>
68,684	501,918	570,602
<u>2,951,597</u>	<u>12,815,268</u>	<u>15,766,865</u>
<b><u>\$ 3,020,281</u></b>	<b><u>\$ 13,317,186</u></b>	<b><u>\$ 16,337,467</u></b>

# Charter Township of Fenton

## Governmental Funds Balance Sheet December 31, 2010

	General Fund	Waste Collection Fund	Fire Fund	Non-Major Funds	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 877,409	\$ 569,255	\$ 210,850	\$ 225,209	\$ 1,882,723
Receivables:					
Property taxes receivable	208,239	245,324	253,799	-	707,362
Special assessments receivable	116,066	-	-	87,412	203,478
Accounts	62,231	-	-	-	62,231
Accrued interest receivable	365	-	-	-	365
Due from other governmental units	306,076	-	48,000	-	354,076
Due from other funds	50,000	-	737	-	50,737
Prepaid items	52,211	-	582,609	-	634,820
Land held for resale	82	-	-	-	82
Restricted assets - Unspent bond proceeds	45,140	-	-	-	45,140
<b>Total assets</b>	<b>\$ 1,717,819</b>	<b>\$ 814,579</b>	<b>\$ 1,095,995</b>	<b>\$ 312,621</b>	<b>\$ 3,941,014</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 287,878	\$ 59,833	\$ 3,523	\$ -	\$ 351,234
Due to other governmental units	185,716	-	-	-	185,716
Due to other funds	2,758	-	50,000	-	52,758
Deposits payable	19,190	-	-	-	19,190
Deferred revenue	491,512	700,320	532,545	181,709	1,906,086
<b>Total liabilities</b>	<b>987,054</b>	<b>760,153</b>	<b>586,068</b>	<b>181,709</b>	<b>2,514,984</b>
<b>Fund Balances</b>					
Reserved for prepaid expenses and inventory	52,293	-	509,927	-	562,220
Unreserved, reported in:					
General Fund - Undesignated	678,472	-	-	-	678,472
Special Revenue Funds:					
Designated - Subsequent year's expenditures	-	2,500	-	15,400	17,900
Undesignated	-	51,926	-	83,979	135,905
Debt Service Funds - Undesignated	-	-	-	31,533	31,533
<b>Total fund balances</b>	<b>730,765</b>	<b>54,426</b>	<b>509,927</b>	<b>130,912</b>	<b>1,426,030</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,717,819</b>	<b>\$ 814,579</b>	<b>\$ 1,095,995</b>	<b>\$ 312,621</b>	<b>\$ 3,941,014</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Charter Township of Fenton

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets Year Ended December 31, 2010

<b>Fund Balance Reported in Governmental Funds</b>	\$ 1,426,030
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	3,565,290
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	28,948
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(1,604,283)
Accrued interest is not due and payable in the current period and is not reported in the funds	(28,362)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(120,630)
Other long-term liabilities, such as net post employment obligations, do not present a claim on current financial resources and are not reported as fund liabilities	<u>(246,712)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 3,020,281</u></b>

# Charter Township of Fenton

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2010

	General Fund	Waste Collection Fund	Fire Fund	Non-Major Funds	Total
<b>Revenue</b>					
Taxes and collection fees	\$ 797,201	\$ -	\$ -	\$ -	\$ 797,201
Licenses and permits	41,577	-	-	-	41,577
Federal grants	27,401	-	-	-	27,401
State revenue	867,041	-	-	-	867,041
Charges for services	266,183	-	156,275	-	422,458
Fines and forfeits	18,761	-	-	-	18,761
Interest	12,631	773	1,472	4,298	19,174
Other revenue:					
Special assessments	-	716,505	531,505	181,110	1,429,120
Cable franchise fees	226,857	-	-	-	226,857
Other revenue	1,350	-	-	-	1,350
Total revenue	<u>2,259,002</u>	<u>717,278</u>	<u>689,252</u>	<u>185,408</u>	<u>3,850,940</u>
<b>Expenditures</b>					
Current:					
General government	1,240,899	-	-	-	1,240,899
Legislative	79,912	-	-	-	79,912
Public safety	728,947	-	503,507	-	1,232,454
Public works	952,830	722,770	-	153,392	1,828,992
Debt Service:					
Principal	116,483	-	11,750	30,000	158,233
Interest	36,641	-	467	5,657	42,765
Total expenditures	<u>3,155,712</u>	<u>722,770</u>	<u>515,724</u>	<u>189,049</u>	<u>4,583,255</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	(896,710)	(5,492)	173,528	(3,641)	(732,315)
<b>Other Financing Sources (Uses)</b>					
Face value of debt issue	990,000	-	-	-	990,000
Transfers in	-	-	50,000	-	50,000
Interfund transfers out	(50,000)	-	-	-	(50,000)
Total other financing sources (uses)	<u>940,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>990,000</u>
<b>Net Change in Fund Balances</b>	43,290	(5,492)	223,528	(3,641)	257,685
<b>Fund Balances - Beginning of year</b>	<u>687,475</u>	<u>59,918</u>	<u>286,399</u>	<u>134,553</u>	<u>1,168,345</u>
<b>Fund Balances - End of year</b>	<u>\$ 730,765</u>	<u>\$ 54,426</u>	<u>\$ 509,927</u>	<u>\$ 130,912</u>	<u>\$ 1,426,030</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.



# Charter Township of Fenton

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2010

**Net Change in Fund Balances - Total Governmental Funds** \$ 257,685

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	1,057,387
Depreciation expense	(258,091)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	12,620
--	--------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	158,233
---	---------

Decrease in accrued interest on long-term debt reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	3,773
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Increase in accumulated employee sick and vacation pay, other post employment benefit obligations and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(133,252)
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Proceeds on debt used to improve Township roads reported in the fund statements	<u>(990,000)</u>
---	------------------

**Change in Net Assets of Governmental Activities** \$ 108,355

# Charter Township of Fenton

## Proprietary Fund Statement of Net Assets December 31, 2010

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,307,779
Receivables:	
Delinquent usage receivable	298,860
Accounts	1,350
User fees	483,605
Connection fees	13,566
Due from other funds	2,021
Prepaid items	<u>234,624</u>
Total current assets	3,341,805
Noncurrent assets:	
Capital assets	<u>42,458,156</u>
Total assets	45,799,961
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	261,061
Accrued interest payable	283,846
Deferred revenue	422,280
General obligation contracts payable - Current	<u>1,760,924</u>
Total current liabilities	2,728,111
Noncurrent liabilities:	
General obligation contracts payable - Long-term	<u>29,754,664</u>
Total noncurrent liabilities	<u>29,754,664</u>
Total liabilities	<u>32,482,775</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	10,942,568
Unrestricted	<u>2,374,618</u>
Total net assets	<u>\$ 13,317,186</u>

# Charter Township of Fenton

## Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2010

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
<b>Operating Revenue</b>	
Charges for services	\$ 6,023,873
Total operating revenue	6,023,873
<b>Operating Expenses</b>	
Sewer treatment fees	1,713,927
Other contractual services	653,074
Equipment repairs and maintenance	92,303
Insurance	46,851
Billing fees and postage	7,112
Administrative expense	276,433
Utilities	87,636
Miscellaneous	11,025
Depreciation	1,234,221
Total operating expenses	<u>4,122,582</u>
<b>Operating Income</b>	1,901,291
<b>Nonoperating Revenue (Expenses)</b>	
Investment income	4,784
Bond interest expense	(1,421,158)
Bond agent fees	(2,439)
<b>Income - Before contributions</b>	<u>482,478</u>
<b>Capital Contributions</b>	
Tap in fees	<u>19,440</u>
<b>Change in Net Assets</b>	501,918
<b>Net Assets - Beginning of year</b>	<u>12,815,268</u>
<b>Net Assets - End of year</b>	<u><u>\$ 13,317,186</u></u>

# Charter Township of Fenton

## Proprietary Fund Statement of Cash Flows Year Ended December 31, 2010

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
<b>Cash Flow from Operating Activities</b>	
Receipts from customers	\$ 6,028,610
Payments to suppliers	(2,461,628)
Payments to employees	(72,866)
Internal activity - Payments to other funds	(240,349)
Net cash provided by operating activities	<u>3,253,767</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Tap in fees	40,144
Purchase of capital assets	(469,421)
Principal and interest paid on capital debt	(3,005,417)
Net cash used in capital and related financing activities	<u>(3,434,694)</u>
<b>Cash Flows from Investment Activities</b>	
Interest received on investments	<u>3,859</u>
<b>Net Increase in Cash and Cash Equivalents</b>	(177,068)
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>2,484,847</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 2,307,779</b></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>	
Cash and investments	<u>\$ 2,307,779</u>
Total cash and cash equivalents	<u><b>\$ 2,307,779</b></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 1,901,291
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	1,234,221
Changes in assets and liabilities:	
Receivables	4,737
Prepaid and other assets	9,099
Accounts payable	141,201
Due to other funds	(349)
Net OPEB obligation	(36,433)
Net cash provided by operating activities	<u><b>\$ 3,253,767</b></u>

# Charter Township of Fenton

## Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2010

	Retiree Health	
	<u>Care Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 3,571,163
Investments	75,939	-
Total assets	75,939	<u>\$ 3,571,163</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 20,208
Due to other governmental units	-	2,369
Deposits payable	-	216,106
Undistributed taxes	-	3,332,480
Total liabilities	-	<u>\$ 3,571,163</u>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 75,939</u>	

# Charter Township of Fenton

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## Fiduciary Funds Statement of Changes in Fiduciary Net Assets - Retiree Health Care Fund Year Ended December 31, 2010

	<u>Retiree Health Care Fund</u>
<b>Additions</b>	
Investment income:	
Net increase in fair value of investments	\$ 3,073
Contributions:	
Employer contributions	<u>72,866</u>
Total additions	75,939
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>-</u>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><u>\$ 75,939</u></u>

# Charter Township of Fenton

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## Notes to Financial Statements December 31, 2010

### 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, 2010.

#### **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

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## Notes to Financial Statements December 31, 2010

### 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, 2010

### 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 Postemployment Benefit Trust Fund accumulates resources for postemployment benefit payments for Township retired employees.

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 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 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, 2010

### 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 2009 tax is levied and collectible on December 1, 2009 and is recognized as revenue in the year ended December 31, 2010, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2009 taxable valuation of the Township totaled \$772 million, on which taxes levied consisted of 0.7122 mills for operating purposes. This resulted in \$547,710 for operating. These amounts are recognized in the respective General 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.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**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, 2010

### 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.

**Other Postemployment Benefit Costs** - The Township offers retiree health care benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government wide and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

# Charter Township of Fenton

## Notes to Financial Statements December 31, 2010

### Note 1 - Summary of Significant Accounting Policies (Continued)

**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.

### 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:

Shortfall at January 1, 2010		\$	(852,745)
Current year permit revenue			38,110
Related expenses:			
Direct costs	\$	(57,243)	
Estimated indirect costs		<u>(72,413)</u>	<u>(129,656)</u>
Current year shortfall			<u>(91,546)</u>
Cumulative shortfall at December 31, 2010		\$	<u>(944,291)</u>

# Charter Township of Fenton

## Notes to Financial Statements December 31, 2010

### 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.

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 no bank deposits (checking and savings accounts) that were uninsured and uncollateralized. 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.

### 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	\$ 28,948	\$ 1,877,138	\$ 1,906,086	\$ -
User fees	-	-	-	422,280

# Charter Township of Fenton

## Notes to Financial Statements December 31, 2010

### Note 5 - Capital Assets

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

	Balance January 1, 2010	Additions	Disposals	Balance December 31, 2010
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 129,182	\$ -	\$ -	\$ 129,182
Subtotal	129,182	-	-	129,182
Capital assets being depreciated:				
Roads	451,827	868,611	-	1,320,438
Buildings and improvements	2,195,008	3,040	-	2,198,048
Machinery and equipment	2,237,673	25,565	-	2,263,238
Furniture and fixtures	16,172	-	-	16,172
Land Improvements	235,447	160,171	-	395,618
Subtotal	5,136,127	1,057,387	-	6,193,514
Accumulated depreciation:				
Roads	163,786	66,022	-	229,808
Buildings and improvements	544,872	59,405	-	604,277
Machinery and equipment	1,637,936	106,550	-	1,744,486
Furniture and fixtures	16,174	-	-	16,174
Land improvements	136,547	26,114	-	162,661
Subtotal	2,499,315	258,091	-	2,757,406
Net capital assets being depreciated	2,636,812	799,296	-	3,436,108
Net capital assets	\$ 2,765,994	\$ 799,296	\$ -	\$ 3,565,290

# Charter Township of Fenton

## Notes to Financial Statements December 31, 2010

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2010	Additions	Disposals	Balance December 31, 2010
Capital assets not being depreciated:				
Construction in progress	\$ 13,433,696	\$ 469,421	\$ (13,903,117)	\$ -
Subtotal	13,433,696	469,421	(13,903,117)	-
Capital assets being depreciated:				
Buildings	47,990	-	-	47,990
Sewer lines and equipment	44,512,394	13,903,117	-	58,415,511
Subtotal	44,560,384	13,903,117	-	58,463,501
Accumulated depreciation:				
Buildings	15,997	1,600	-	17,597
Improvements other than buildings	14,755,127	1,232,621	-	15,987,748
Subtotal	14,771,124	1,234,221	-	16,005,345
Net capital assets being depreciated	29,789,260	12,668,896	-	42,458,156
Net capital assets	\$ 43,222,956	\$ 13,138,317	\$ (13,903,117)	\$ 42,458,156

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

Governmental activities:	
General government	\$ 70,543
Public safety	121,526
Public works	66,022
Total governmental activities	<u>\$ 258,091</u>
Business-type activities:	
Sewer	<u>\$ 1,234,221</u>

# Charter Township of Fenton

## Notes to Financial Statements December 31, 2010

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Fire	\$ 50,000
Fire	General	737
Sewer	General	2,021
	Total	<u>\$ 52,758</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.

### 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, 2010
General obligation contracts payable at December 31, 2010, 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	\$ 650,000
\$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	3,100,000
\$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	4,100,000
\$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	6,575,000



# Charter Township of Fenton

## Notes to Financial Statements December 31, 2010

### Note 7 - Long-term Debt (Continued)

	Principal Outstanding December 31, 2010
\$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	\$ 2,747,368
\$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	9,905,000
\$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	1,838,220
\$2,600,000 2009 General Obligation Limited Tax Capital Improvement Bonds contract due in annual installments of \$95,000 to \$205,000 through November 1, 2029, interest at 4.875 percent	2,600,000
	<u>\$ 31,515,588</u>
Governmental long-term debt payable at December 31, 2010 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	\$ 45,183
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	499,100
2010 General Obligation Limited Tax Capital Improvement Bonds payable in annual installments ranging from \$50,000 to \$90,000, through May 1, 2025, plus interest at 4.5 percent, secured by the Township's limited tax full faith credit	990,000
Special Assessment Debt with Governmental Commitment Bonds payable to Citizens Banking Corporation, payable in Woodhull Landing, Curtwood/Silver Ridge, and Byram Lake Drive Special Assessment Road Improvement Projects and the Township's limited tax full faith and credit	70,000
Net OPEB obligation	246,712
Compensated absences	120,630
	<u>\$ 1,971,625</u>
Total general long-term debt	

# Charter Township of Fenton

## Notes to Financial Statements December 31, 2010

### Note 7 - Long-term Debt (Continued)

A summary of changes in long-term debt during 2010 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Notes payable:					
Genesee County Road Commission	\$ 90,366	\$ -	\$ 45,183	\$ 45,183	\$ 45,183
General Obligation Limited Tax Bonds	-	990,000	-	990,000	-
Installment obligations:					
The State Bank	11,750	-	11,750	-	-
The State Bank	570,400	-	71,300	499,100	71,300
Special assessment debt with governmental commitment:					
Citizens Banking Corporation	100,000	-	30,000	70,000	35,000
Total notes payable	772,516	990,000	158,233	1,604,283	151,483
Net post employment benefit obligation	122,342	132,995	8,625	246,712	-
Accumulated sick and vacation time	111,748	59,514	50,632	120,630	59,514
Total governmental activities	<u>\$ 1,006,606</u>	<u>\$ 1,182,509</u>	<u>\$ 217,490</u>	<u>\$ 1,971,625</u>	<u>\$ 210,997</u>
<b>Business-type Activities</b>					
General obligation contracts:					
Ripley Rolston Contract	\$ 725,000	\$ -	\$ 75,000	\$ 650,000	\$ 75,000
Sewer Disposal System No. 3 2003A	3,275,000	-	175,000	3,100,000	175,000
Sewage Disposal System No. 3 2004B	4,200,000	-	100,000	4,100,000	150,000
Improvement Projects Series 2004 A	6,900,000	-	325,000	6,575,000	325,000
Sewer Disposal System No. 3 1996A-Refunding	3,196,440	-	449,072	2,747,368	457,610
District 3 Expansion (98) Refunding 2007	1,910,898	-	72,678	1,838,220	83,314
General Obligation Capital Improvement Bonds 2007	10,290,000	-	385,000	9,905,000	400,000
General Obligation Capital Improvement Bonds 2009	2,600,000	-	-	2,600,000	95,000
	33,097,338	-	1,581,750	31,515,588	1,760,924
Net post employment benefit obligation	36,433	37,840	74,273	-	-
Total business-type activities	<u>\$ 33,133,771</u>	<u>\$ 37,840</u>	<u>\$ 1,656,023</u>	<u>\$ 31,515,588</u>	<u>\$ 1,760,924</u>

# Charter Township of Fenton

## Notes to Financial Statements December 31, 2010

### Note 7 - Long-term Debt (Continued)

Annual requirements to amortize all debt outstanding as of December 31, 2010, including interest payments, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 151,483	\$ 62,449	\$ 213,932	\$ 1,760,924	\$ 1,358,425	\$ 3,119,349
2012	156,300	52,620	208,920	1,853,838	1,285,312	3,139,150
2013	126,300	46,658	172,958	1,923,590	1,203,428	3,127,018
2014	131,300	41,519	172,819	2,020,310	1,113,780	3,134,090
2015	131,300	36,298	167,598	2,130,638	1,022,104	3,152,742
2016-2020	487,600	109,857	597,457	10,236,288	3,773,783	14,010,071
2021-2025	420,000	36,570	456,570	9,245,000	1,654,864	10,899,864
2026-2030	-	-	-	2,345,000	253,563	2,598,563
Total	\$ 1,604,283	\$ 385,971	\$ 1,990,254	\$ 31,515,588	\$ 11,665,259	\$ 43,180,847

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, 2010, the Charter Township of Fenton incurred \$499,100 applicable to the limitation (the sewer utility contracts and special assessment debt are excluded from the limitation). The Township's debt limit is \$87,317,181.

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 \$90,042 at December 31, 2010.

**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 \$21,506,249. During the current year, net revenues of the system were \$1,925,515 compared to the annual debt requirements of \$1,449,442.

### 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 and sewer discharge claims; the Township is uninsured for unemployment 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, 2010

### 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 \$10,000 in sewer discharge claims during the year.

### Note 9 - Restricted Assets

The balance of the restricted asset account is as follows:

	Governmental Activities
Unspent bond proceeds	\$ 45,140
Total restricted net assets	\$ 45,140

### Note 10 - 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 \$886,282 and \$571,407 respectively. The Township's 2010 contributions were \$58,569. Employees contributed \$42,189 during 2010.

### Note 11 - Other Postemployment Benefits

**Plan Description** - The Township provides retiree health care benefits to certain active employees after they retire or leave office. This is a single employer defined benefit plan administered by the Township. The benefits are provided under an ordinance passed by the Township.

# Charter Township of Fenton

## Notes to Financial Statements December 31, 2010

### Note 11 - Other Postemployment Benefits (Continued)

**Funding Policy** -The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). The Township has elected to use an actuary to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC is allocated between governmental activities and business-type activities based on payroll percentages.

**Funding Progress** - For the year ended December 31, 2010 the Township has estimated the cost of providing retiree health care benefits through an actuarial valuation as of December 31, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. This valuation’s computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 164,485
Interest on the prior year's net OPEB obligation	6,977
Less adjustment to the annual required contribution	<u>(9,182)</u>
Annual OPEB cost	162,280
Amounts contributed:	
Payments of current premiums	(1,477)
Advance funding	<u>(72,866)</u>
Increase in net OPEB obligation	87,937
<b>OPEB obligation</b> - beginning of year	<u>158,775</u>
<b>OPEB obligation</b> - end of year	<u>\$ 246,712</u>

The Sewer Fund opted to fully contribute the ARC for the current year and the prior year. Therefore, there is no OPEB obligation in the Sewer Fund.

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
12/31/09	12/31/08	\$ 164,485	3.5
12/31/10	12/31/08	164,485	45.2

# Charter Township of Fenton

## Notes to Financial Statements December 31, 2010

### Note 11 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
12/31/08	\$ -	\$ 1,380,749	\$ 1,380,749	-

#### Actuarial Methods and Assumptions -

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of 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.

The following assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55, or at the first subsequent year in which the member would qualify for benefits.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the NIH National Health Expenditure Projections, 2008-2018.

Health insurance premiums - 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 3.30% percent was based on past trend of wage increases.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

# Charter Township of Fenton

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## Notes to Financial Statements December 31, 2010

### **Note 11 - Other Postemployment Benefits (Continued)**

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of 4.8 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was thirty years.

### **Note 12 - Upcoming Accounting Pronouncements**

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes 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 governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The Township will implement Statement No. 54 beginning with the fiscal year ended December 31, 2011.

### **Note 13 - Prepaids**

Prepaid expenses increased in the current year due to a prepayment for the purchase of a fire truck of \$548,143.

## **Required Supplemental Information**

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# Charter Township of Fenton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes and collection fees	\$ 813,000	\$ 803,000	\$ 797,201	\$ (5,799)
Licenses and permits	58,400	58,400	41,577	(16,823)
Federal grants	10,000	50,000	27,401	(22,599)
State revenue	856,700	860,200	867,041	6,841
Charges for services	241,200	277,600	266,183	(11,417)
Fines and forfeits	27,000	27,000	18,761	(8,239)
Interest	30,500	27,000	12,631	(14,369)
Other revenue:				
Cable franchise fees	200,000	220,000	226,857	6,857
Other revenue	-	1,400	1,350	(50)
Total revenue	<u>2,236,800</u>	<u>2,324,600</u>	<u>2,259,002</u>	<u>(65,598)</u>
<b>Expenditures - Current</b>				
General government	1,157,900	1,322,800	1,240,899	81,901
Legislative	76,900	117,600	79,912	37,688
Public safety	720,600	760,100	728,947	31,153
Public works	184,100	1,008,500	952,830	55,670
Debt Service:				
Principal	71,300	71,300	116,483	(45,183)
Interest	25,700	34,000	36,641	(2,641)
Total expenditures	<u>2,236,500</u>	<u>3,314,300</u>	<u>3,155,712</u>	<u>158,588</u>
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	300	(989,700)	(896,710)	92,990
<b>Other Financing Sources (Uses)</b>				
Face value of debt issue	-	990,000	990,000	-
Interfund transfers out	-	(50,000)	(50,000)	-
<b>Net Change in Fund Balance</b>	300	(49,700)	43,290	92,990
<b>Fund Balance - Beginning of year</b>	<u>687,475</u>	<u>687,475</u>	<u>687,475</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 687,775</u></u>	<u><u>\$ 637,775</u></u>	<u><u>\$ 730,765</u></u>	<u><u>\$ 92,990</u></u>

# Charter Township of Fenton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund - Fire Fund Year Ended December 31, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Charges for services	\$ 103,500	\$ 121,700	\$ 156,275	\$ 34,575
Interest	3,000	3,000	1,472	(1,528)
Other revenue:				
Special assessments	530,000	531,500	531,505	5
Total revenue	636,500	656,200	689,252	33,052
<b>Expenditures - Current</b>				
Public safety	624,200	628,700	503,507	125,193
Debt Service	12,300	12,300	12,217	83
Total expenditures	636,500	641,000	515,724	125,276
<b>Excess of Revenue Over Expenditures</b>	-	15,200	173,528	158,328
<b>Other Financing Sources</b>				
Transfers in	-	50,000	50,000	-
<b>Net Change in Fund Balance</b>	-	65,200	223,528	158,328
<b>Fund Balance - Beginning of year</b>	286,399	286,399	286,399	-
<b>Fund Balance - End of year</b>	<b>\$ 286,399</b>	<b>\$ 351,599</b>	<b>\$ 509,927</b>	<b>\$ 158,328</b>

# Charter Township of Fenton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund - Waste Collection Fund Year Ended December 31, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest	\$ 2,500	\$ 1,000	\$ 773	\$ (227)
Other revenue:				
Special assessments	716,000	716,500	716,505	5
Total revenue	718,500	717,500	717,278	(222)
<b>Expenditures - Current</b>				
Public works	722,500	724,000	722,770	1,230
Total expenditures	722,500	724,000	722,770	1,230
<b>Net Change in Fund Balance</b>	(4,000)	(6,500)	(5,492)	1,008
<b>Fund Balance - Beginning of year</b>	59,918	59,918	59,918	-
<b>Fund Balance - End of year</b>	<b>\$ 55,918</b>	<b>\$ 53,418</b>	<b>\$ 54,426</b>	<b>\$ 1,008</b>

# Charter Township of Fenton

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## Note to Required Supplemental Information Year Ended December 31, 2010

**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**

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# Charter Township of Fenton

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2010

	Special Revenue Fund		
	Mosquito Fund	Debt Service Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 192,555	\$ 32,654	\$ 225,209
Receivables:			
Special assessments receivable	59,585	27,827	87,412
Total assets	<b>\$ 252,140</b>	<b>\$ 60,481</b>	<b>\$ 312,621</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Deferred revenue	\$ 152,761	\$ 28,948	\$ 181,709
<b>Fund Balances</b>			
Unreserved, reported in:			
Special Revenue Funds:			
Designated - subsequent year's expenditures	15,400	-	15,400
Undesignated	83,979	-	83,979
Debt Service Funds	-	31,533	31,533
Total fund balances	99,379	31,533	130,912
Total liabilities and fund balances	<b>\$ 252,140</b>	<b>\$ 60,481</b>	<b>\$ 312,621</b>

# Charter Township of Fenton

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2010

	Special Revenue Fund	Debt Service Funds	Total Nonmajor Governmental Funds
	Mosquito Fund	Debt Service Funds	Funds
<b>Revenue</b>			
Interest	\$ 325	\$ 3,973	\$ 4,298
Other revenue	152,551	28,559	181,110
Total revenue	152,876	32,532	185,408
<b>Expenditures</b>			
Current:			
Public works	153,392	-	153,392
Debt Service:			
Principal	-	30,000	30,000
Interest	-	5,657	5,657
Total expenditures	153,392	35,657	189,049
<b>Net Change in Fund Balances</b>	(516)	(3,125)	(3,641)
<b>Fund Balances - Beginning of year</b>	99,895	34,658	134,553
<b>Fund Balances - End of year</b>	<b>\$ 99,379</b>	<b>\$ 31,533</b>	<b>\$ 130,912</b>

# Charter Township of Fenton

## Other Supplemental Information Nonmajor Governmental Fund - Mosquito Fund Budgetary Comparison Year Ended December 31, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest	\$ 2,500	\$ 1,000	\$ 325	\$ (675)
Other revenue - Special assessments	152,000	152,500	152,551	51
Total revenue	154,500	153,500	152,876	(624)
<b>Expenditures - Current</b>				
Public works	165,000	168,900	153,392	15,508
<b>Net Change in Fund Balance</b>	(10,500)	(15,400)	(516)	14,884
<b>Fund Balance - Beginning of year</b>	99,895	99,895	99,895	-
<b>Fund Balance - End of year</b>	<u>\$ 89,395</u>	<u>\$ 84,495</u>	<u>\$ 99,379</u>	<u>\$ 14,884</u>



# Charter Township of Fenton

## Other Supplemental Information Agency Funds Statement of Assets and Liabilities December 31, 2010

	Agency Funds		
	Trust and Agency Fund	Current Tax Collection Fund	Total Agency Funds
<b>Assets</b>			
Cash and cash equivalents	<u>\$ 236,377</u>	<u>\$ 3,334,786</u>	<u>\$ 3,571,163</u>
<b>Liabilities</b>			
Accounts payable	\$ 20,208	\$ -	\$ 20,208
Due to other governmental units	63	2,306	2,369
Deposits payable	216,106	-	216,106
Undistributed taxes	-	3,332,480	3,332,480
Total liabilities	<u>\$ 236,377</u>	<u>\$ 3,334,786</u>	<u>\$ 3,571,163</u>