

Charter Township of Fenton

**Financial Report
with Supplemental Information
December 31, 2014**

Charter Township of Fenton

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Fenton

Report on the Financial Statements

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 (the "Township") as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Charter Township of Fenton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

To the Board of Trustees
Charter Township of Fenton

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedules, and the OPEB schedule of funding progress, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Fenton's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

May 28, 2015

Charter Township of Fenton

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Fenton's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2014. 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 position 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'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 Activities

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

	Governmental Activities				Percent Change
	2012*	2013	2014	Change	
Assets					
Other assets	\$ 3,821,920	\$ 4,137,556	\$ 4,533,505	\$ 395,949	10%
Capital assets	<u>3,940,962</u>	<u>3,724,113</u>	<u>3,511,638</u>	<u>(212,475)</u>	-6%
Total assets	7,762,882	7,861,669	8,045,143	183,474	2%
Liabilities					
Current liabilities	289,819	321,154	360,606	39,452	12%
Long-term liabilities	<u>1,814,357</u>	<u>1,737,359</u>	<u>1,688,490</u>	<u>(48,869)</u>	-3%
Total liabilities	2,104,176	2,058,513	2,049,096	(9,417)	1%
Deferred Inflows of Resources	<u>1,859,495</u>	<u>1,862,647</u>	<u>2,063,542</u>	<u>200,895</u>	11%
Net Position					
Net investment in capital assets	2,644,462	2,553,913	2,472,738	(81,175)	-3%
Restricted	744,829	937,847	1,169,296	231,449	25%
Unrestricted	<u>409,920</u>	<u>448,749</u>	<u>290,471</u>	<u>(158,278)</u>	-35%
Total net position	<u>\$ 3,799,211</u>	<u>\$ 3,940,509</u>	<u>\$ 3,932,505</u>	<u>\$ (8,004)</u>	0%

(* Amounts in 2012 have been restated for the implementation of GASB No. 65, as disclosed in the notes to the financial statements.)

Charter Township of Fenton

Management's Discussion and Analysis (Continued)

	Governmental Activities				Percent
	2012	2013	2014	Change	Change
Revenue					
Program revenue:					
Charges for services	\$ 450,617	\$ 444,151	\$ 451,338	\$ 7,187	2%
Operating grants	14,511	8,032	76,476	68,444	852%
General revenue:					
Property taxes	656,684	626,966	712,779	85,813	14%
Township-wide assessments	1,387,923	1,384,283	1,384,260	(23)	0%
State-shared revenue	1,134,057	1,156,130	1,208,803	52,673	5%
Investment earnings	16,126	2,248	899	(1,349)	-60%
Other revenue	<u>354,402</u>	<u>698,391</u>	<u>408,160</u>	<u>(290,231)</u>	-42%
Total revenue	4,014,320	4,320,201	4,242,715	(77,486)	-2%
Program Expenses					
General government	1,467,868	1,201,131	1,209,140	8,009	1%
Legislative	54,633	48,855	53,611	4,756	10%
Public safety	818,606	1,364,449	1,336,689	(27,760)	-2%
Public works	1,402,809	1,167,404	1,258,103	90,699	8%
Recreation and cultural	112,055	54,166	-	(54,166)	-100%
Interest on long-term debt	<u>48,526</u>	<u>41,463</u>	<u>43,176</u>	<u>1,713</u>	4%
Total expenses	3,904,497	3,877,468	3,900,719	23,251	1%
Transfers	<u>-</u>	<u>(300,000)</u>	<u>(350,000)</u>	<u>(50,000)</u>	
Change in Net Position	<u>\$ 109,823</u>	<u>\$ 142,733</u>	<u>\$ (8,004)</u>	<u>\$ (150,737)</u>	-106%

The governmental net position decreased slightly from a year ago - decreasing from \$3,940,509 to \$3,932,505. Last year's net position increased by 4 percent.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations - decreased by \$158,278 for the governmental activities. This represents a decrease of approximately 35 percent. The current level of unrestricted net position for our governmental activities stands at \$290,471, which may be used to meet the Township's ongoing obligations to citizens and creditors.

The Township saw an increase in public works expense during the year due to various road projects that were completed during the year. The Township saw a decrease in other revenue of approximately \$293,000 which was due to the property held for resale that was sold in the prior year. The Township saw a decrease in recreation and cultural expense due to no purchases of equipment through use of PEG funds.

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 position and changes in net position, compared to the prior two years:

	Business-type Activities				Percent Change
	2012*	2013	2014	Change	
Assets					
Other assets	\$ 2,808,630	\$ 2,703,486	\$ 1,858,773	\$ (844,713)	-31%
Capital assets	40,065,730	39,004,825	38,386,017	(618,808)	-2%
Total assets	42,874,360	41,708,311	40,244,790	(1,463,521)	-4%
Deferred Outflows of Resources	-	129,402	126,039	(3,363)	-3%
Liabilities					
Current liabilities	757,725	741,261	703,836	(37,425)	-5%
Long-term liabilities	27,821,699	26,181,782	24,112,359	(2,069,423)	-8%
Total liabilities	28,579,424	26,923,043	24,816,195	(2,106,848)	-8%
Net Position					
Net investment in capital assets	12,356,232	13,571,990	15,045,128	1,473,138	11%
Unrestricted	1,938,704	1,342,680	509,506	(833,174)	-62%
Total net position	<u>\$ 14,294,936</u>	<u>\$ 14,914,670</u>	<u>\$ 15,554,634</u>	<u>\$ 639,964</u>	4%

(* Amounts in 2012 have been restated for the implementation of GASB No. 65, as disclosed in the notes to the financial statements.)

	Business-type Activities				Percent Change
	2012	2013	2014	Change	
Operating revenue	\$ 6,015,320	\$ 6,015,995	\$ 6,023,923	\$ 7,928	0%
Operating expenses, other than depreciation	3,118,582	3,226,874	3,747,382	520,508	16%
Depreciation and amortization	1,218,008	1,190,248	1,206,475	16,227	1%
Operating Income	1,678,730	1,598,873	1,070,066	(528,807)	-33%
Interest income	827	907	543	(364)	-40%
Interest expense	1,281,110	1,445,502	990,083	(455,419)	-32%
Nonoperating expenses	2,849	2,249	2,499	250	11%
Capital contributions	84,350	167,705	211,937	44,232	26%
Transfers	-	300,000	350,000	50,000	
Change in Net Position	<u>\$ 479,948</u>	<u>\$ 619,734</u>	<u>\$ 639,964</u>	<u>\$ 20,230</u>	3%

The Township's business-type activities consist of the Sewer Fund. The net position of business-type activities increased by 3 percent. Last year's net position increased by 4 percent. Unrestricted net position of the business-type activities decreased by \$833,174 or 62 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
	2012	2013	2014	Change	Change
Revenue					
Property taxes	\$ 656,684	\$ 626,966	\$ 712,779	\$ 85,813	14%
Charges for services	337,153	328,995	323,051	(5,944)	-2%
Licenses and permits	69,276	77,408	93,954	16,546	21%
State-shared revenues	1,134,057	1,156,130	1,208,803	52,673	5%
Federal, state, and local grants	33,832	27,861	97,107	69,246	249%
Cable franchise fees	349,416	369,784	394,173	24,389	7%
Fines and forfeitures	16,187	16,484	13,702	(2,782)	-17%
Interest and rentals	16,126	2,248	899	(1,349)	-60%
Special assessments	1,399,276	1,384,283	1,384,260	(23)	0%
Other	13,198	322,457	13,987	(308,470)	-96%
Total revenue	4,025,205	4,312,616	4,242,715	(69,901)	-2%
Expenditures					
Current:					
General government	1,090,212	1,176,910	1,134,597	(42,313)	-4%
Legislative	54,633	48,855	53,611	4,756	10%
Public safety	1,233,350	1,212,577	1,209,061	(3,516)	0%
Public works	1,304,727	1,077,346	1,165,368	88,022	8%
Recreation and culture	112,055	54,166	-	(54,166)	-100%
Debt service	208,072	174,777	174,476	(301)	0%
Total expenditures	4,003,049	3,744,631	3,737,113	(7,518)	0%
Excess of Revenue Over Expenditures					
	22,156	567,985	505,602	(62,383)	-11%
Other Financing Sources (Uses)					
Proceeds from sales of capital assets	-	6,150	-	(6,150)	-100%
Transfers - Net	-	(300,000)	(350,000)	(50,000)	17%
Total other financing uses	-	(293,850)	(350,000)	(56,150)	19%
Net Change in Fund Balances	22,156	274,135	155,602	(118,533)	-43%
Fund Balances - Beginning of year	1,672,038	1,694,194	1,968,329	274,135	16%
Fund Balances - End of year	\$ 1,694,194	\$ 1,968,329	\$ 2,123,931	\$ 155,602	8%

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 \$1,416,588. This represents an increase of \$36,775 from the prior year. The Township's General Fund revenues excluding other financing sources were \$2.7 million. Property taxes were \$712,779 or 26 percent of the total revenue. State revenue sharing made up \$1,236,252 or 45 percent of total revenue.

Capital Asset and Debt Administration

At the end of 2014, the Township had invested \$16.2 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 million in governmental long-term debt. In the Sewer Enterprise Fund, the Township has \$24.1 million in bonds outstanding.

Economic Factors and Next Year's Budgets and Rates

The budget for 2014 was amended as required by State law. Both the original and amended budgets have been shown in this document for 2014. The Township has again produced a timely budget for 2015.

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 Position December 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 3,015,294	\$ 801,469	\$ 3,816,763
Receivables	1,602,885	838,183	2,441,068
Internal balances	(200,000)	200,000	-
Prepaid expenses	109,248	15,683	124,931
Land held for resale	6,078	-	6,078
Net OPEB asset	-	3,438	3,438
Capital assets (Note 4):			
Assets not subject to depreciation	93,280	5,485	98,765
Assets subject to depreciation	3,418,358	38,380,532	41,798,890
Total assets	8,045,143	40,244,790	48,289,933
Deferred Outflows of Resources -			
Bond refunding loss being amortized	-	126,039	126,039
Liabilities			
Accounts payable	205,095	80,146	285,241
Accrued interest payable	14,574	197,500	212,074
Due to other governmental units	105,637	-	105,637
Deposits payable	35,300	-	35,300
Unearned user fees	-	426,190	426,190
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 6)	45,790	-	45,790
Current portion of long-term debt (Note 6)	131,300	2,145,638	2,276,938
Due in more than one year:			
Compensated absences (Note 6)	36,286	-	36,286
Net OPEB obligation	567,514	-	567,514
Long-term debt (Note 6)	907,600	21,966,721	22,874,321
Total liabilities	2,049,096	24,816,195	26,865,291
Deferred Inflows of Resources			
Property taxes levied for the following year	492,626	-	492,626
Other resources received before the period resources may be used	1,570,916	-	1,570,916
Total deferred inflows of resources	2,063,542	-	2,063,542
Net Position			
Net investment in capital assets	2,472,738	15,045,128	17,517,866
Restricted for:			
Fire operations	655,169	-	655,169
Waste collection	6,779	-	6,779
Mosquito control	45,395	-	45,395
Public access programming	461,953	-	461,953
Unrestricted	290,471	509,506	799,977
Total net position	<u>\$ 3,932,505</u>	<u>\$ 15,554,634</u>	<u>\$ 19,487,139</u>

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

Charter Township of Fenton

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,209,140	\$ 215,405	\$ -	\$ -
Legislative	53,611	-	-	-
Public safety	1,336,689	235,933	-	-
Public works	1,258,103	-	76,476	-
Interest on long-term debt	43,176	-	-	-
Total governmental activities	3,900,719	451,338	76,476	-
Sewer Fund	5,946,439	6,023,923	-	211,937
Total primary government	<u>\$ 9,847,158</u>	<u>\$ 6,475,261</u>	<u>\$ 76,476</u>	<u>\$ 211,937</u>
General revenue:				
Property taxes				
Special assessment revenue				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenues				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended December 31, 2014**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (993,735)	\$ -	\$ (993,735)
(53,611)	-	(53,611)
(1,100,756)	-	(1,100,756)
(1,181,627)	-	(1,181,627)
(43,176)	-	(43,176)
(3,372,905)	-	(3,372,905)
-	289,421	289,421
(3,372,905)	289,421	(3,083,484)
712,779	-	712,779
1,384,260	-	1,384,260
1,208,803	-	1,208,803
899	543	1,442
394,173	-	394,173
13,987	-	13,987
3,714,901	543	3,715,444
(350,000)	350,000	-
(8,004)	639,964	631,960
3,940,509	14,914,670	18,855,179
\$ 3,932,505	\$ 15,554,634	\$ 19,487,139

Charter Township of Fenton

Governmental Funds Balance Sheet December 31, 2014

	General Fund	Waste Collection Fund	Fire Fund	Nonmajor Fund - Mosquito Fund	Total
Assets					
Cash and cash equivalents (Note 3)	\$ 1,362,583	\$ 560,597	\$ 863,123	\$ 228,991	\$ 3,015,294
Receivables:					
Property taxes receivable	237,898	-	-	-	237,898
Special assessments receivable	42,020	354,384	254,784	80,287	731,475
Cable revenue receivables	104,106	156	-	33	104,295
Due from other governmental units	489,267	-	39,950	-	529,217
Due from other funds	200	-	-	-	200
Prepaid expenses	66,730	-	42,518	-	109,248
Land held for resale	6,078	-	-	-	6,078
Total assets	<u>\$ 2,308,882</u>	<u>\$ 915,137</u>	<u>\$ 1,200,375</u>	<u>\$ 309,311</u>	<u>\$ 4,733,705</u>
Liabilities					
Accounts payable	\$ 58,731	\$ 62,502	\$ 11,226	\$ 72,636	\$ 205,095
Due to other governmental units	105,637	-	-	-	105,637
Due to other funds	200,000	-	200	-	200,200
Deposits payable	35,300	-	-	-	35,300
Total liabilities	399,668	62,502	11,426	72,636	546,232
Deferred Inflows of Resources					
Property taxes levied for the following year	492,626	-	-	-	492,626
Special assessments levied for the following year	-	845,856	533,780	191,280	1,570,916
Total deferred inflows of resources	492,626	845,856	533,780	191,280	2,063,542
Fund Balances					
Nonspendable:					
Land held for resale	6,078	-	-	-	6,078
Prepays	66,730	-	42,518	-	109,248
Restricted:					
Fire operations	-	-	612,651	-	612,651
Public access programming	461,953	-	-	-	461,953
Waste Collection	-	6,779	-	-	6,779
Mosquito Control	-	-	-	45,395	45,395
Unassigned	881,827	-	-	-	881,827
Total fund balances	<u>1,416,588</u>	<u>6,779</u>	<u>655,169</u>	<u>45,395</u>	<u>2,123,931</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,308,882</u>	<u>\$ 915,137</u>	<u>\$ 1,200,375</u>	<u>\$ 309,311</u>	<u>\$ 4,733,705</u>

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 Position December 31, 2014

Fund Balance Reported in Governmental Funds	\$ 2,123,931
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	3,511,638
Bonds payable are not due and payable in the current period and are not reported in the funds	(1,038,900)
Accrued interest is not due and payable in the current period and is not reported in the funds	(14,574)
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	(82,076)
Other long-term liabilities, such as net postemployment obligations, do not present a claim on current financial resources and are not reported as fund liabilities	<u>(567,514)</u>
Net Position of Governmental Activities	<u>\$ 3,932,505</u>

Charter Township of Fenton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2014

	General Fund	Waste Collection Fund	Fire Fund	Nonmajor Fund - Mosquito Fund	Total
Revenue					
Property taxes	\$ 712,779	\$ -	\$ -	\$ -	\$ 712,779
Licenses and permits	93,954	-	-	-	93,954
Federal grants	69,658	-	-	-	69,658
State-shared revenue and grants	1,236,252	-	-	-	1,236,252
Charges for services	186,483	-	136,568	-	323,051
Fines and forfeitures	13,702	-	-	-	13,702
Investment income	899	-	-	-	899
Other revenue:					
Special assessments	823	702,376	527,995	153,066	1,384,260
Cable franchise fees	394,173	-	-	-	394,173
Other miscellaneous income	13,987	-	-	-	13,987
Total revenue	2,722,710	702,376	664,563	153,066	4,242,715
Expenditures					
Current:					
General government	1,134,597	-	-	-	1,134,597
Legislative	53,611	-	-	-	53,611
Public safety	760,467	-	448,594	-	1,209,061
Public works	212,784	753,940	-	198,644	1,165,368
Debt service:					
Principal	131,300	-	-	-	131,300
Interest on long-term debt	43,176	-	-	-	43,176
Total expenditures	2,335,935	753,940	448,594	198,644	3,737,113
Transfers Out	(350,000)	-	-	-	(350,000)
Net Change in Fund Balances	36,775	(51,564)	215,969	(45,578)	155,602
Fund Balances - Beginning of year	1,379,813	58,343	439,200	90,973	1,968,329
Fund Balances - End of year	\$ 1,416,588	\$ 6,779	\$ 655,169	\$ 45,395	\$ 2,123,931

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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 155,602
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	61,829
Depreciation expense	(274,304)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	131,300
Increase in accumulated employee sick and vacation pay and other postemployment benefit obligations 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	<u>(82,431)</u>
Change in Net Position of Governmental Activities	<u>\$ (8,004)</u>

Charter Township of Fenton

Proprietary Funds Statement of Net Position December 31, 2014

	<u>Enterprise Fund</u>
	<u>Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 801,469
Receivables:	
Delinquent usage receivable	401,255
User fees	431,114
Connection fees	5,814
Due from other funds	200,000
Prepaid expenses	<u>15,683</u>
Total current assets	1,855,335
Noncurrent assets:	
Net OPEB asset	3,438
Capital assets (Note 4):	
Assets not subject to depreciation	5,485
Assets subject to depreciation	<u>38,380,532</u>
Total noncurrent assets	<u>38,389,455</u>
Total assets	40,244,790
Deferred Outflows of Resources -	
Bond refunding loss being amortized	126,039
Liabilities	
Current liabilities:	
Accounts payable	80,146
Accrued interest payable	197,500
Unearned revenue	426,190
Current portion of long-term debt (Note 6)	<u>2,145,638</u>
Total current liabilities	2,849,474
Noncurrent liabilities - Long-term debt	<u>21,966,721</u>
Total liabilities	<u>24,816,195</u>
Net Position	
Net investment in capital assets	15,045,128
Unrestricted	<u>509,506</u>
Total net position	<u><u>\$ 15,554,634</u></u>

Charter Township of Fenton

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2014

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
Operating Revenue - Charges for services	\$ 6,023,923
Operating Expenses	
Sewer treatment fees	2,165,085
Other contractual services	1,056,427
Equipment repairs and maintenance	53,362
Insurance	27,401
Billing fees and postage	7,447
Administrative expense	173,084
Utilities	147,030
Miscellaneous	117,546
Depreciation	1,206,475
Total operating expenses	<u>4,953,857</u>
Operating Income	1,070,066
Nonoperating Revenue (Expenses)	
Investment income	543
Bond interest expense	(990,083)
Bond agent fees	(2,499)
Total nonoperating expenses	<u>(992,039)</u>
Income - Before contributions	78,027
Capital Contributions - Tap-in fees	211,937
Transfers In	<u>350,000</u>
Change in Net Position	639,964
Net Position - Beginning of year	<u>14,914,670</u>
Net Position - End of year	<u><u>\$ 15,554,634</u></u>

Charter Township of Fenton

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2014

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 5,983,133
Payments to suppliers	(3,634,597)
Payments to employees	(24,500)
Internal activity - Payments to other funds	(250,000)
Other	3,363
Net cash provided by operating activities	<u>2,077,399</u>
Cash Flows from Noncapital Financing Activities -	
Transfers from other funds	350,000
Cash Flows from Capital and Related Financing Activities	
Tap-in fees	217,302
Purchase of capital assets	(587,667)
Principal and interest paid on capital debt	(5,543,243)
Proceeds for issuance of bonds	2,500,000
Net cash used in capital and related financing activities	<u>(3,413,608)</u>
Net Decrease in Cash and Cash Equivalents	(986,209)
Cash and Cash Equivalents - Beginning of year	<u>1,787,678</u>
Cash and Cash Equivalents - End of year	<u>\$ 801,469</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 1,070,066
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	1,206,475
Changes in assets and liabilities:	
Receivables	(40,790)
Prepaid and other assets	(542)
Accounts payable	(59,757)
Due to other funds	(100,000)
Net OPEB obligation	(1,416)
Other	3,363
Net cash provided by operating activities	<u>\$ 2,077,399</u>

Charter Township of Fenton

Fiduciary Funds Statement of Fiduciary Net Position December 31, 2014

	Retiree Health Care Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 1,729,052
Investments - Mutual funds	217,904	-
Total assets	217,904	<u>\$ 1,729,052</u>
Liabilities		
Accounts payable	-	\$ 11,174
Due to other governmental units	-	147
Refundable deposits, bonds, etc.	-	250,664
Undistributed taxes	-	1,467,067
Total liabilities	-	<u>\$ 1,729,052</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 217,904</u>	

Charter Township of Fenton

Fiduciary Funds Statement of Changes in Fiduciary Net Position Retiree Health Care Fund Year Ended December 31, 2014

	<u>Retiree Health Care Fund</u>
Additions	
Investment income:	
Interest and dividends	\$ 3,268
Net increase in fair value of investments	5,938
Investment-related expenses	<u>(913)</u>
Net investment income	8,293
Contributions - Employer	<u>32,870</u>
Total additions	41,163
Deductions - Benefit payments	<u>8,370</u>
Net Increase in Net Position Held in Trust	32,793
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>185,111</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 217,904</u></u>

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies

Reporting Entity

The Charter Township of Fenton is governed by an elected seven-member council (board). The accompanying financial statements present the Township. The Township had no component units at December 31, 2014.

Accounting and Reporting Principles

The Township follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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 for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Accounting

The Township accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Township reports the following funds as “major” governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to 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 and emergency medical services.
- The Mosquito Control Fund is used to account for the customer charges which are to be used to pay contracted services for mosquito control (note that this is not a "major fund" because the amount of activity is not financially significant).

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The Township reports the following fund as a “major” enterprise fund:

- The Sewer Disposal System is a separate fund maintained for the operations of the sanitary sewer collection system that transports sewage to the treatment plant operated by Genesee County.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- The Retiree Health Care 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 organizations, and other governments. These agency funds are reported as fiduciary funds and are not included in the government-wide statement of net position and statement of activities.

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Interfund Activity - During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash, Cash Equivalents, 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. Investments are stated at fair value.

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 the assets lives are not capitalized.

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

<u>Capital Asset Class</u>	<u>Lives</u>
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

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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 pay 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. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

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 position. Bond premiums and discounts 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 expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund is generally used to liquidate governmental long-term debt.

Other Postemployment Benefit Costs - The Township offers retiree healthcare 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 statements 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. The net pension OPEB obligation has generally been liquidated from the funds from which the individual employees' salaries are paid, which are generally the General Fund, the Fire Fund, and the Sewer Fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has a deferred outflow in the Sewer Fund and government-wide statements related to bond refunding loss that is being amortized.

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. There are deferred inflows in the governmental funds and in the government-wide statements related to property taxes and special assessments that have been collected by the Township prior to year end but are used to fund 2015 operations.

Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance.

Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed: Amounts that have been formally set aside by the Township for use for specific purposes. Commitments are made and can be rescinded only via resolutions of the Township board.

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Assigned: Intent to spend resources on specific purposes expressed by the governing body. Assignments must be authorized by resolution and approved by the governing body.

Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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. Unpaid property taxes become a lien on the property on March 1 of the second year following the year of the levy.

The Township's 2013 tax is levied and collectible on December 1, 2013 and is recognized as revenue in the year ended December 31, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the Township totaled \$669 million, on which taxes levied consisted of 0.7122 mills for operating purposes. This resulted in \$462,711 for operating. These amounts are recognized in the respective General Fund financial statements as tax revenue.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2014		\$ (1,037,510)
Current year permit revenue		90,907
Related expenses:		
Direct costs	\$ (38,204)	
Estimated indirect costs	<u>(54,461)</u>	<u>(92,665)</u>
Current year shortfall		<u>(1,758)</u>
Cumulative shortfall at December 31, 2014		<u>\$ (1,039,268)</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.

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note 3 - Deposits and Investments (Continued)

The Township has designated two 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 custodial credit risk, which is 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 \$5,640,574 of 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 - Capital Assets

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

	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 93,280	\$ -	\$ -	\$ 93,280
Capital assets being depreciated:				
Roads	1,747,855	26,762	-	1,774,617
Buildings and improvements	2,219,883	8,962	-	2,228,845
Machinery and equipment	2,658,285	26,105	-	2,684,390
Furniture and fixtures	16,174	-	-	16,174
Land improvements	395,618	-	-	395,618
Subtotal	7,037,815	61,829	-	7,099,644
Accumulated depreciation:				
Roads	474,225	92,735	-	566,960
Buildings and improvements	785,363	60,670	-	846,033
Machinery and equipment	1,899,872	100,342	-	2,000,214
Furniture and fixtures	16,176	-	-	16,176
Land improvements	231,346	20,557	-	251,903
Subtotal	3,406,982	274,304	-	3,681,286
Net capital assets being depreciated	3,630,833	(212,475)	-	3,418,358
Net capital assets	\$ 3,724,113	\$ (212,475)	\$ -	\$ 3,511,638

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2014	Reclassifications	Additions	Disposals	Balance December 31, 2014
Capital assets not being depreciated:					
Land	\$ 5,485	\$ -	\$ -	\$ -	\$ 5,485
Construction in progress	117,343	(117,343)	-	-	-
Subtotal	122,828	(117,343)	-	-	5,485
Capital assets being depreciated:					
Buildings	47,990	117,343	354,838	-	520,171
Sewer lines and equipment	58,482,739	-	232,829	-	58,715,568
Subtotal	58,530,729	117,343	587,667	-	59,235,739
Accumulated depreciation:					
Buildings	22,397	-	13,404	-	35,801
Improvements other than buildings	19,626,335	-	1,193,071	-	20,819,406
Subtotal	19,648,732	-	1,206,475	-	20,855,207
Net capital assets being depreciated	38,881,997	117,343	(618,808)	-	38,380,532
Net capital assets	\$ 39,004,825	\$ -	\$ (618,808)	\$ -	\$ 38,386,017

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

Governmental activities:

General government	\$ 66,897
Public safety	114,672
Public works	92,735
Total governmental activities	\$ 274,304

Business-type activities - Sewer

\$ 1,206,475

Note 5 - Interfund Receivables and Payables

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Fire Fund	\$ 200
Sewer Fund	General Fund	200,000
	Total	\$ 200,200

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, 2014

Note 5 - Interfund Receivables and Payables (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 350,000

The transfers from the General Fund to the Sewer Fund represent transfers of unrestricted resources.

Note 6 - 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:

	<u>Principal Outstanding December 31, 2014</u>
General obligation contracts payable at December 31, 2014 in the Sewer Fund are comprised of the following individual issues:	
\$1,240,000 Ripley Rolston contract due in annual installments of \$100,000 through October 1, 2017, interest at 5 to 5.5 percent	\$ 300,000
\$4,419,010 Refinancing of Sewer Disposal System No. 3 Series 1996A contract due in annual installments of \$452,488 to \$459,318 through May 1, 2016, interest at 4.75 to 5 percent	906,683
\$8,235,000 Refinancing of Sewer Disposal System No. 3 Bonds Series 2004B and Improvement Projects Series 2004A contract due in annual installments of \$40,000 to \$1,040,000 through December 31, 2024, interest at 2 to 5 percent	8,195,000
Bond refunding premium	630,196

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note 6 - Long-term Debt (Continued)

	Principal Outstanding December 31, 2014
\$11,000,000 2007 General Obligation Limited Tax Capital Improvement Bonds contract due in annual installments of \$455,000 to \$810,000 through September 1, 2027, interest at 4 to 4.5 percent	\$ 8,195,000
\$1,990,667 Refinancing of Sewer Disposal System No. 3 Series 2007 contract due in annual installments of \$155,992 to \$320,847 through April 1, 2019, interest at 4 percent	1,370,245
Bond refunding discount	(68,214)
\$2,500,000 Refinancing of Sewer Disposal System No. 3 Bonds Series 2003A contract due in annual installments of \$210,000 to \$240,000 through December 31, 2024, interest at 2 to 4 percent	2,290,000
Bond refunding premium	83,449
\$2,600,000 2009 General Obligation Limited Tax Capital Improvement Bonds contract due in annual installments of \$100,000 to \$205,000 through November 1, 2029, interest at 4.875 percent	2,210,000
Total	<u>\$ 24,112,359</u>

Governmental long-term debt payable at December 31, 2014 consists of the following liabilities:

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	\$ 213,900
2010 General Obligation Limited Tax Capital Improvement Bonds payable in annual installments ranging from \$60,000 to \$90,000 through May 1, 2025, plus interest at 6.1 percent offset by 45 percent interest subsidy, secured by the Township's limited tax full faith credit	825,000
Compensated absences	82,076
Total general long-term debt	<u>\$ 1,120,976</u>

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note 6 - Long-term Debt (Continued)

A summary of changes in long-term debt during 2014 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:					
General Obligation Limited Tax Bonds	\$ 885,000	\$ -	\$ 60,000	\$ 825,000	\$ 60,000
Installment obligations - The State Bank	285,200	-	71,300	213,900	71,300
Total notes payable	1,170,200	-	131,300	1,038,900	131,300
Accumulated sick and vacation time	72,407	55,459	45,790	82,076	45,790
Total governmental activities	<u>\$ 1,242,607</u>	<u>\$ 55,459</u>	<u>\$ 177,090</u>	<u>\$ 1,120,976</u>	<u>\$ 177,090</u>
Business-type Activities					
General obligation contracts:					
Ripley Rolston Contract	\$ 400,000	\$ -	\$ 100,000	\$ 300,000	\$ 100,000
Sewer Disposal System No. 3 2003A	2,525,000	-	2,525,000	-	-
Sewage Disposal System No. 3 2004B	150,000	-	150,000	-	-
Improvement Projects Series 2004 A	400,000	-	400,000	-	-
Refunded Sewage Disposal System No. 3 2004 B and Improvement Projects Series 2004 A	8,235,000	-	40,000	8,195,000	600,000
Bond Refunding Premium Sewer Disposal System No. 3 1996A-Refunding	693,216	-	63,020	630,196	-
District 3 Expansion (98) Refunding 2007	1,366,000	-	459,317	906,683	454,194
Bond Refunding Discount General Obligation Capital Improvement Bonds 2007	1,526,237	-	155,992	1,370,245	191,444
General Obligation Capital Improvement Bonds 2009	(73,671)	-	(5,457)	(68,214)	-
Refunded Sewage Disposal System No. 3 2003	8,650,000	-	455,000	8,195,000	480,000
Bond refunding premium	2,310,000	-	100,000	2,210,000	105,000
	-	2,500,000	210,000	2,290,000	215,000
	-	91,794	8,345	83,449	-
Total business-type activities	<u>\$ 26,181,782</u>	<u>\$ 2,591,794</u>	<u>\$ 4,661,217</u>	<u>\$ 24,112,359</u>	<u>\$ 2,145,638</u>

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note 6 - Long-term Debt (Continued)

Annual requirements to amortize all debt outstanding as of December 31, 2014 including interest payments, are as follows:

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 131,300	\$ 36,298	\$ 167,598	\$ 2,145,638	\$ 925,929	\$ 3,071,567
2016	136,300	30,993	167,293	2,308,432	846,895	3,155,327
2017	136,300	25,604	161,904	2,007,619	773,899	2,781,518
2018	70,000	20,130	90,130	1,964,392	711,203	2,675,595
2019	70,000	17,781	87,781	1,980,847	646,186	2,627,033
2020-2024	405,000	50,409	455,409	9,810,000	2,038,482	11,848,482
2025-2029	90,000	1,510	91,510	3,250,000	411,207	3,661,207
Total	\$ 1,038,900	\$ 182,725	\$ 1,221,625	\$ 23,466,928	\$ 6,353,801	\$ 29,820,729

Act 359, Public Acts of 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, 2014, the Charter Township of Fenton incurred \$213,900 applicable to the limitation (the sewer utility contracts and special assessment debt are excluded from the limitation). The Township's debt limit is \$70,733,895.

Advance and Current Refundings - During February 2014, the Township refinanced its Sewer Disposal System No. 3 Bonds Series 2003 in the amount of \$2,500,000. The debt has a maturity of 10 years and bears an interest rate of 2 percent through May 2020, 3 percent for 2021, and 4 percent for 2022 through 2024. The proceeds of \$2,570,724 (after payment of \$21,250 in issuance costs and a bond premium of \$91,974) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed. The advance refunding reduced total debt service payments over the next 10 years by \$220,594, which represents an economic gain of \$190,428.

Future Revenue 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 total \$4,689,856. During the current year, net revenues of the system were \$2,489,021 compared to the annual debt requirements of \$1,293,060.

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note 7 - 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 employee 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.

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 incurred and paid claims in the current year related to sewer backups. The sewer backups exceeded the amount of insurance coverage which resulted in the Township paying for the excess claims expense. There is no unpaid claim balance at the beginning or end of the year for unemployment claims.

Note 8 - Defined Contribution Pension Plan

The Township has a defined contribution pension plan (Charter Township of Fenton Group 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 were \$767,632 and \$519,348, respectively. The Township's 2014 contributions were \$52,507. Employees contributed \$39,737 during 2014.

Note 9 - 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, 2014

Note 9 - 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 calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 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, 2014, the Township has estimated the cost of providing retiree health care benefits through an actuarial valuation as of December 31, 2013. 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 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 111,391
Interest on the prior year's net OPEB obligation	34,491
Less adjustment to the annual required contribution	<u>(41,666)</u>
Annual OPEB cost	104,216
Amounts contributed:	
Payments of current premiums	(8,370)
Advance funding by Sewer Fund	<u>(24,500)</u>
Increase in net OPEB obligation	71,346
OPEB obligation - Beginning of year	<u>492,730</u>
OPEB obligation - End of year	<u>\$ 564,076</u>

The Sewer Fund opted to contribute more than the ARC applicable to the Sewer Fund for the current year, resulting in a net OPEB asset 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
12/31/12	12/31/11	\$ 110,586	12.0 %
12/31/13	12/31/13	111,391	26.0
12/31/14	12/31/13	111,391	29.5

Charter Township of Fenton

Notes to Financial Statements December 31, 2014

Note 9 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
12/31/08	\$ -	\$ 1,380,749	\$ 1,380,749	- %
12/31/11	110,622	1,041,248	930,626	10.6
12/31/13	160,611	1,029,542	868,931	15.6

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 - Nongroup-specific age-based turnover data from GASB Statement No. 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, 2005-2020.

Health Insurance Premiums - 2013 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 2.0 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

Notes to Financial Statements December 31, 2014

Note 9 - Other Postemployment Benefits (Continued)

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of 7 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, 2014 was 30 years.

Note 10 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Township is currently evaluating the impact this standard will have on the financial statements when adopted, during the Township's 2016 fiscal year.

Required Supplemental Information

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 652,000	\$ 701,000	\$ 712,779	\$ 11,779
Licenses and permits	94,200	124,200	93,954	(30,246)
Federal grants	10,000	86,000	69,658	(16,342)
State-shared revenue and grants	1,207,300	1,231,100	1,236,252	5,152
Charges for services	182,100	189,700	186,483	(3,217)
Fines and forfeitures	21,500	21,500	13,702	(7,798)
Investment income	1,500	1,500	899	(601)
Other revenue:				
Special assessments	-	-	823	823
Cable franchise fees	378,000	385,000	394,173	9,173
Other miscellaneous income	164,000	164,000	13,987	(150,013)
Total revenue	2,710,600	2,904,000	2,722,710	(181,290)
Expenditures - Current				
General government	1,183,000	1,228,300	1,134,597	93,703
Legislative	75,400	65,400	53,611	11,789
Public safety	749,700	805,900	760,467	45,433
Public works	271,600	322,200	212,784	109,416
Recreation and culture	108,000	110,000	-	110,000
Debt service:				
Principal	131,300	131,300	131,300	-
Interest on long-term debt	41,600	43,300	43,176	124
Total expenditures	2,560,600	2,706,400	2,335,935	370,465
Other Financing Uses - Transfers out	(150,000)	(450,000)	(350,000)	100,000
Net Change in Fund Balance	-	(252,400)	36,775	289,175
Fund Balance - Beginning of year	1,379,813	1,379,813	1,379,813	-
Fund Balance - End of year	<u>\$ 1,379,813</u>	<u>\$ 1,127,413</u>	<u>\$ 1,416,588</u>	<u>\$ 289,175</u>

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Waste Collection Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Other revenue - Special assessments	\$ 703,000	\$ 703,000	\$ 702,376	\$ (624)
Expenditures - Current - Public works	758,000	759,000	753,940	5,060
Net Change in Fund Balance	(55,000)	(56,000)	(51,564)	4,436
Fund Balance - Beginning of year	58,343	58,343	58,343	-
Fund Balance - End of year	<u>\$ 3,343</u>	<u>\$ 2,343</u>	<u>\$ 6,779</u>	<u>\$ 4,436</u>

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Fire Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 110,500	\$ 123,500	\$ 136,568	\$ 13,068
Investment income	200	200	-	(200)
Other revenue - Special assessments	529,000	529,000	527,995	(1,005)
Total revenue	639,700	652,700	664,563	11,863
Expenditures - Current -				
Public safety	590,000	595,100	448,594	146,506
Net Change in Fund Balance	49,700	57,600	215,969	158,369
Fund Balance - Beginning of year	439,200	439,200	439,200	-
Fund Balance - End of year	\$ 488,900	\$ 496,800	\$ 655,169	\$ 158,369

Charter Township of Fenton

Required Supplemental Information Schedule of Funding Progress - OPEB Year Ended December 31, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual OPEB Costs	Percentage of OPEB Costs Contributed
12/31/08	\$ -	\$ 1,380,749	\$ 1,380,749	-	\$ 107,282	35.0
12/31/11	110,622	1,041,248	930,626	10.6	104,986	12.5
12/31/13	160,611	1,029,542	868,931	15.6	112,678	25.5

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/12	12/31/11	\$ 110,586	12.0
12/31/13	12/31/13	111,391	26.0
12/31/14	12/31/13	111,391	30.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	2.0%
*Includes inflation at	2.0%
Cost of living adjustments	None

Charter Township of Fenton

Note to Required Supplemental Information Year Ended December 31, 2014

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 Budgetary Comparison Schedule - Nonmajor Governmental Fund Mosquito Fund Year Ended December 31, 2014

	Original Budget - Unaudited	Amended Budget - Unaudited	Actual	Variance with Amended Budget
Revenue - Other revenue - Special assessments	\$ 152,500	\$ 152,500	\$ 153,066	\$ 566
Expenditures - Current - Public works	169,300	199,000	198,644	356
Net Change in Fund Balance	(16,800)	(46,500)	(45,578)	922
Fund Balance - Beginning of year	90,973	90,973	90,973	-
Fund Balance - End of year	<u>\$ 74,173</u>	<u>\$ 44,473</u>	<u>\$ 45,395</u>	<u>\$ 922</u>

Charter Township of Fenton

Other Supplemental Information Fiduciary Funds - Agency Funds December 31, 2014

	Agency Funds		
	Trust and Agency Fund	Current Tax Collection Fund	Total Agency Funds
Assets - Cash and cash equivalents	\$ 261,985	\$ 1,467,067	\$ 1,729,052
Liabilities			
Accounts payable	\$ 11,174	\$ -	\$ 11,174
Due to other governmental units	147	-	147
Deposits payable	250,664	-	250,664
Undistributed taxes	-	1,467,067	1,467,067
Total liabilities	\$ 261,985	\$ 1,467,067	\$ 1,729,052

May 28, 2015

To the Board of Trustees
Charter Township of Fenton

We have audited the financial statements of the Charter Township of Fenton (the "Township") as of and for the year ended December 31, 2014 and have issued our report thereon dated May 28, 2015. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Related Informational Items

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the board of trustees of the Charter Township of Fenton.

Section II presents legislative and other informational items relevant to the Township. These comments are offered in the interest of helping the Township in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

We would like to take this opportunity to thank the Township's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism were invaluable.

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

To the Board of Trustees
Charter Township of Fenton

May 28, 2015

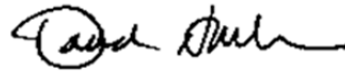
We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

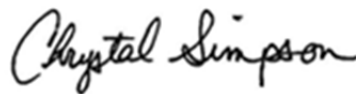
Plante & Moran, PLLC



Pamela Hill, CPA



Tadd Harburn, CPA



Chrystal Simpson, CPA

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 20, 2015, 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. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform 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 the Charter Township of Fenton. Such considerations were 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.

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 26, 2015.

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 appropriateness of accounting policies and their application. The significant accounting policies used by the 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 were not changed during the year ended December 31, 2014.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

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 estimates affecting the financial statements were the useful lives for capital assets and the actuarial valuation of other postemployment benefit obligation. Useful lives of capital assets are based on management's estimate of their useful lives based on prior history of similar assets. The actuarial valuation is based on key assumptions. We evaluated the key factors and assumptions used to develop the estimates in determining that they are 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 difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose 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.

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.

The attached schedule summarizes uncorrected misstatements of the financial statements which were requested to be recorded. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 28, 2015.

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 Township’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.

Section II - Legislative and Related Informational Items

Revenue Sharing

In 2014, the Township received \$1.2 million in constitutional revenue sharing. The State of Michigan's 2014-2015 budget eliminated the Economic Vitality Incentive Program (EVIP) and replaced it with what is now called "City, Village, and Township Revenue Sharing" (CVTRS). During 2014, the Township received \$20,580 in CVTRS dollars.

This new revenue-sharing model eliminates two of the three EVIP requirements, but it retains the requirement to publish a citizen's guide and performance dashboard, along with some enhancements related to debt service requirements and future budgets. The Township has already met these requirements. The State's budget for 2015-2016 is still in process. As a result, we are unsure what the impact will be on CVTRS distributions. The governor's proposed budget calls for a slight decrease in CVTRS but is projecting an increase in constitutional revenue sharing of about 3.1 percent. We will keep you apprised of any changes to CVTRS that occur during the 2015-2016 State budget process.

New Rules Governing Management of Federal Programs

The Office of Management and Budget (OMB) has issued significant reforms to the compliance requirements that must be followed by nonfederal entities receiving federal funding. All entities receiving federal dollars will need to understand the changes made as a result of these reforms and may be required to make changes to internal procedures, processes, and controls.

These reforms impact three key areas of federal grants management:

1. **Audit Requirements** - For fiscal years beginning on or after January 1, 2015, the threshold for obtaining a federal awards audit will increase from the current threshold of \$500,000 of annual federal spending to \$750,000. There will also be significant changes to the criteria for qualifying as a low-risk auditee and a reduction in the number of major programs required to be tested for some clients.

The Township has historically been below the current \$500,000 threshold. However, from time to time, depending upon the level of federal spending, the Township may still be subject to an audit requirement even at the new higher \$750,000 threshold.

2. **Cost Principles** - Effective for all federal awards received on or after December 26, 2014, the grant reforms related to cost principles go into effect. Not only were certain changes made to allowable costs under this new guidance, but there were significant changes in the area of time and effort reporting and indirect costs.

- 3. Administrative Requirements** - Also effective for all federal awards received on or after December 26, 2014, non-federal entities receiving federal funding must adhere to new rules related to administering federal awards. Most notably, these requirements may impact the Township's procurement systems, including maintaining written conflict of interest policies and disclosures.

These revisions are clearly the most significant changes to occur to federal grants management in recent history. Entities receiving federal funding will need to carefully digest these changes. Plante & Moran, PLLC (Plante Moran) has been on the cutting edge of these reforms, offering our clients free webinars, implementation checklists, and other tools to aid in implementation. The Township will need to ensure that the implementation of the new regulations occurs in a timely and complete manner. Plante Moran has many experts in this area and welcomes any questions or needs you may have in this area.

New Freedom of Information Act (FOIA) Regulations

The governor signed PA 563 of 2014 into effect in January 2015. This new act is effective beginning July 1, 2015 and will change the regulations on how governmental entities charge for FOIA requests. Under the new law, public bodies will need to establish and make publicly available written procedures and guidelines for FOIA requests. This can be done by providing paper copies or a link on the government's website. The written procedures and guidelines, which must be provided free of charge upon request, must include certain items, including fee calculations and procedures for submitting written requests and to appeal denials.

The new act has numerous other very specific requirements and guidelines that will require a significant change in practice. We strongly advise you to read the entire act to ensure understanding with all the related provisions. Written documentation and appropriate tracking mechanisms will need to be put in place to ensure compliance by July 1, 2015.

Retro-pay Prohibition

Public Act 54 of 2011 prohibits retroactive pay on an expired contract and calls for employees working under an expired agreement to bear the cost of any increased healthcare costs until a new contract is in effect. During that period, the public employer is authorized to make payroll deductions necessary to pay the increased cost of maintaining those benefits.

PA 301 of 2014 provides for exceptions to the retro-pay prohibition for public safety personnel that are subject to compulsory arbitration of labor disputes under PA 312 of 1969. In addition, these employees would only be required to pay increases in insurance benefits after a collective bargaining agreement expired and before a new agreement is in place that would not exceed the amount of the employee's share under the Publicly Funded Health Insurance Contribution Act.

Client: **Charter Township of Fenton**
 Opinion Unit: **Business-type Activities/Sewer Fund**
 Y/E: **12/31/2014**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:											
A1	Metered billings in January 2015 for services provided in December 2014	\$ 48,000							\$ 48,000		\$ 48,000
A2											
JUDGMENTAL ADJUSTMENTS:											
B1	Estimate of liability for sewer backup expense				\$ 16,000					\$ 16,000	(16,000)
B2											
PROJECTED ADJUSTMENTS:											
C1											
C2											
Total		\$ 48,000	\$ -	\$ -	\$ 16,000	\$ -	\$ -	\$ -	\$ 48,000	\$ 16,000	\$ 32,000
PASSED DISCLOSURES:											
D1											
D2											