

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Fenton	County Genesee
Fiscal Year End December 31, 2007	Opinion Date May 2, 2008	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

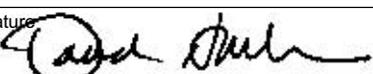
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 810-767-5350		
Street Address 111 East Court Street, Suite 1A		City Flint	State MI	Zip 48502
Authorizing CPA Signature 	Printed Name Tadd Harburn		License Number 1101014134	

**Financial Statements**

**Charter Township of Fenton  
Genesee County, Michigan**

**with Supplemental Information**

**December 31, 2007**

**Charter Township of Fenton  
Financial Statements  
For the Year Ended December 31, 2007**

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**Charter Township of Fenton  
Financial Statements  
For the Year Ended December 31, 2007**

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**Charter Township of Fenton  
Genesee County, Michigan  
List of Elected Officials  
December 31, 2007**

Bonnie K. Mathis, Supervisor

Robert E. Krug, Clerk

Patrick J. Carmody, Treasurer

Tony L. Brown, Trustee

Mark A. Goupil, Trustee

John R. Tucker, Trustee

Lorraine M. Zimmer, Trustee



*Independent Auditors' Report*

Board of Trustees  
Charter Township of Fenton  
Fenton, Michigan

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 (Township) as of and for the year then ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 at December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

*Plante & Moran, PLLC*

May 2, 2008

## **Management's Discussion and Analysis**

## **Charter Township of Fenton Management's Discussion and Analysis**

This section of the Fenton Township annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on December 31, 2007. Please read it in conjunction with the Township's financial statements, which follow this section.

### **Financial Highlights**

- The Township's total net assets were \$13.7 million at December 31, 2007. Unrestricted net assets were \$2.1 million.
- During the year, the Township's expenditures were \$248,447 more than the \$3,698,159 generated in taxes and other revenues for all governmental funds combined.
- General Fund revenue exceeded expenditures by \$32,780. The year-end fund balance of \$534,937 represents approximately 3 months of expenditures, which is within the target range of 2½ to 4 months.

### **Overview of the Financial Statements**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide statements.
- The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the sewer system that the government operates like a business.
- Fiduciary fund statements provide information about the financial relationships where the Township acts as an agent, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Table 1 summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of Fenton Township's  
Government-wide and Fund Financial Statements  
Fund Statements**

<b>Type of Statements</b>	<b><u>Government-wide</u></b>	<b><u>Governmental Funds</u></b>	<b><u>Proprietary Funds</u></b>	<b><u>Fiduciary Funds</u></b>
Scope	Entire Township government (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Township operates similar to private businesses: the sewer system	Instances in which the Township is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Agency funds statement of assets and liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	Increases and decreases to assets and liabilities

## **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township's assets and liabilities - is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities – Most of the Township's basic services are included here, such as the police, fire, public works, parks, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is the only business-type activity.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- Governmental funds – Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements. The Township has five governmental funds: the General Fund, the Fire Fund, the Waste Collection Fund, the Mosquito Control Fund and the Special Assessment Debt Fund.
- Proprietary funds – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The Township has only one proprietary fund, the Sewer Fund.

- Fiduciary funds – The Township is the fiduciary, for assets held on the behalf of others. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate agency fund balance sheet. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

**Financial Analysis of the Township as a Whole**

**Net assets**

The Township’s governmental activities net assets are \$2.8 million. The unrestricted governmental activities net assets are \$415,416. Business-type activities net assets are \$10.9 million with \$9.3 million being invested in capital assets net of related debt.

**Business-type Activities**

Operating revenues of the Township’s business-type activities increased \$2.4 million from the prior year of \$3,799,654 to the current year total of \$6,160,916 as a result of an increase in user fees. Operating expenses increased by \$433,709. Net changes from non-operating activities increased from expense of \$768,919 to an expense of \$1,038,646, due primarily to an increase in bond interest expense.

**Charter Township of Fenton's Net Assets (Thousands)**

	Government Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 3,204	\$ 3,418	\$ 6,857	\$ 3,621	\$ 10,061	\$ 7,039
Capital assets	3,114	2,756	39,185	35,186	42,299	37,942
Total assets	<u>6,318</u>	<u>6,174</u>	<u>46,042</u>	<u>38,807</u>	<u>52,360</u>	<u>44,981</u>
Other liabilities	2,558	2,523	3,112	6,694	5,670	9,217
Long-term liabilities outstanding	965	1,162	32,015	22,851	32,980	24,013
Total liabilities	<u>3,523</u>	<u>3,685</u>	<u>35,127</u>	<u>29,545</u>	<u>38,650</u>	<u>33,230</u>
Net assets:						
Invested in capital assets, net of related debt	2,171	1,615	9,294	8,787	11,465	10,402
Restricted	209	500	-	-	209	500
Unrestricted	415	374	1,621	475	2,036	849
Total net assets	<u>\$ 2,795</u>	<u>\$ 2,489</u>	<u>\$ 10,915</u>	<u>\$ 9,262</u>	<u>\$ 13,710</u>	<u>\$ 11,751</u>

**Charter Township of Fenton's Changes in Net Assets (Thousands)**

	Government Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,716	\$ 1,148	\$ 6,160	\$ 3,800	\$ 7,876	\$ 4,948
Operating grants and contributions	7	35	-	-	7	35
Capital grants and contributions	124	-	129	406	253	406
General revenue:						
Property taxes	798	1,222	88	92	886	1,314
State-shared revenue	905	899	-	-	905	899
Other	241	241	171	27	412	268
<b>Total revenue</b>	<b>3,791</b>	<b>3,545</b>	<b>6,548</b>	<b>4,325</b>	<b>10,339</b>	<b>7,870</b>
<b>Expenses</b>						
Legislative	59	65	-	-	59	65
General government	1,144	1,161	-	-	1,144	1,161
Public safety	1,271	1,163	-	-	1,271	1,163
Public works	916	896	-	-	916	896
Interest on long-term debt	63	94	-	-	63	94
Water and sewer	-	-	4,895	4,053	4,895	4,053
<b>Total expenses</b>	<b>3,453</b>	<b>3,379</b>	<b>4,895</b>	<b>4,053</b>	<b>8,348</b>	<b>7,432</b>
Excess of revenue over expenses	338	166	1,653	272	1,991	438
Net assets - 1/1/2007	2,489	2,323	9,262	8,990	11,751	11,313
Net assets - 12/31/2007	\$ 2,827	\$ 2,489	\$ 10,915	\$ 9,262	\$ 13,742	\$ 11,751

**Financial Analysis of the Township's Funds**

As the Township completed the year, its General Fund reported a fund balance of \$534,937. This was an increase of \$32,780 from the prior year. The Township's General Fund revenues excluding other financing sources were \$2.23 million this year. Property taxes were \$797,825 or 36 percent of the total revenues. State revenue sharing made up \$917,378 or 41 percent of the total revenue. The remaining 23 percent of General Fund revenues are comprised mostly of charges for services, fines and forfeits and interest revenue.

**Capital Assets**

At the end of 2007, the Township had invested \$11.5 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB).

**Charter Township of Fenton's Capital Assets**  
(Thousands - net of depreciation)

	Government Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 115	\$ 60	\$ -	\$ -	\$ 115	\$ 60
Land improvements	125	138	-	-	125	138
Construction in progress	-	-	8,349	4,227	8,349	4,227
Buildings	1,719	1,620	35	37	1,754	1,657
Machinery and equipment	823	580	-	-	823	580
Furniture and fixtures	-	2	-	-	-	2
Road improvements	333	356	-	-	333	356
Sewer infrastructure	-	-	30,801	30,923	30,801	30,923
<b>Total</b>	<b>\$ 3,115</b>	<b>\$ 2,756</b>	<b>\$ 39,185</b>	<b>\$ 35,187</b>	<b>\$ 42,300</b>	<b>\$ 37,943</b>

**Long-term Debt**

At year-end the Township had \$1.236 million in governmental long-term debt, including \$210,000 in special assessment debt. In the Sewer Enterprise Fund the Township had \$33.883 million in bonds outstanding.

**Limitations on Debt**

The state limits the amount of general obligation debt the Township can issue to 10 percent of the assessed value of all taxable property within the Township's corporate limits. Our legal debt limit is \$92.457 million. Debt issued for sewer activities and special assessments are exempt from the 10 percent limitation.

**Contacting the Township's Financial Administration**

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

# **Basic Financial Statements**

**Government-wide Financial Statements**

**Charter Township of Fentor**  
**Statement of Net Assets**  
**December 31, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,778,516	\$ 1,540,199	\$ 3,318,715
Receivables (net of allowances for uncollectibles)	1,370,621	1,208,478	2,579,099
Internal balances	16,201	(16,201)	-
Prepays	38,817	123,052	161,869
Deferred charges	-	9,750	9,750
Restricted assets:			
Cash and cash equivalents	-	3,992,132	3,992,132
Capital assets, not being depreciated	114,667	8,456,036	8,570,703
Capital assets (net of accumulated depreciation)	3,000,105	30,729,141	33,729,246
<b>Total assets</b>	<b>6,318,927</b>	<b>46,042,587</b>	<b>52,361,514</b>
<b>Liabilities</b>			
Accounts payable	223,378	377,810	601,188
Accrued interest payable	32,460	362,090	394,550
Deposits	29,580	-	29,580
Due to other governmental unit:	116,897	-	116,897
Unearned revenue	1,884,913	504,245	2,389,158
Noncurrent liabilities			
Current portion of debt	271,254	1,867,666	2,138,920
Long term portion of deb	965,075	32,015,306	32,980,381
<b>Total liabilities</b>	<b>3,523,557</b>	<b>35,127,117</b>	<b>38,650,674</b>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	2,170,846	9,294,337	11,465,183
Restricted for:			
Fire operations	64,438	-	64,438
Waste collection	57,776	-	57,776
Mosquito	86,894	-	86,894
Unrestricted	415,416	1,621,133	2,036,549
<b>Total net assets</b>	<b>\$ 2,795,370</b>	<b>\$ 10,915,470</b>	<b>\$ 13,710,840</b>

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

**Charter Township of Fenton  
Statement of Activities  
For the Year Ended December 31, 2007**

<b>Functions/Program:</b>	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Legislative	\$ 59,464	\$ -	\$ -	\$ -
General government	1,144,007	233,437	-	97,877
Public safety	1,270,769	684,903	-	26,651
Public works	916,311	797,170	6,598	-
Interest on long term debt	95,438	-	-	-
Total governmental activities	3,485,989	1,715,510	6,598	124,528
Business-type activities				
Sewer	4,895,425	6,160,916	-	129,769
Total business-type activities	4,895,425	6,160,916	-	129,769
Total primary government	<b>\$ 8,381,414</b>	<b>\$ 7,876,426</b>	<b>\$ 6,598</b>	<b>\$ 254,297</b>

General revenue  
  Property taxes  
  State-shared revenue  
  Unrestricted investment earnings  
  Franchise fees  
  Total general revenue

**Change in Net Assets**

**Net Assets - Beginning of year**

**Net Assets - End of year**

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

Net (Expense) Revenue and Changes in Net Asset  
Primary Government

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Governmental Activities	Business-type Activities	Total
\$ (59,464)	\$ -	\$ (59,464)
(812,693)	-	(812,693)
(559,215)	-	(559,215)
(112,543)	-	(112,543)
(95,438)	-	(95,438)
(1,639,353)	-	(1,639,353)
-	1,395,260	1,395,260
-	1,395,260	1,395,260
(1,639,353)	1,395,260	(244,093)
797,825	87,527	885,352
905,956	-	905,956
56,675	170,512	227,187
184,443	-	184,443
1,944,899	258,039	2,202,938
305,546	1,653,299	1,958,845
2,489,824	9,262,171	11,751,995
<b>\$ 2,795,370</b>	<b>\$ 10,915,470</b>	<b>\$ 13,710,840</b>

## **Fund Financial Statements**

**Charter Township of Fentor  
Governmental Fund:  
Balance Sheet  
December 31, 2007**

	General Fund	Waste Collection Fund	Fire Fund
<b>Assets</b>			
Cash and equivalents	\$ 702,618	\$ 517,011	\$ 301,312
Receivables:			
Accounts	56,280	789	-
Taxes	245,441	-	-
Special assessments	47,611	247,538	257,822
Interest	3,008	-	-
Due from other funds	21,382	-	357
Due from other government:	309,899	-	26,565
Prepays	16,104	-	22,713
	<b>\$ 1,402,343</b>	<b>\$ 765,338</b>	<b>\$ 608,769</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 157,799	\$ 53,430	\$ 12,149
Deposits payable	29,580	-	-
Due to other government:	116,897	-	-
Due to other funds	4,156	-	1,382
Unearned revenue	558,974	654,132	521,495
	867,406	707,562	535,026
<b>Fund Balances</b>			
Reserved for prepaids	16,104	-	22,713
Unreserved and undesignated, reported in			
General fund	518,833	-	-
Special revenue funds	-	57,776	51,030
Debt service fund	-	-	-
	534,937	57,776	73,743
Total liabilities and fund balances	<b>\$ 1,402,343</b>	<b>\$ 765,338</b>	<b>\$ 608,769</b>

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

Non-Major Funds	Total Governmental Funds
\$ 257,575	\$ 1,778,516
154	57,223
-	245,441
175,514	728,485
-	3,008
-	21,739
-	336,464
-	38,817
<b>\$ 433,243</b>	<b>\$ 3,209,693</b>

\$ -	\$ 223,378
-	29,580
-	116,897
-	5,538
268,835	2,003,436
268,835	2,378,829
-	38,817
-	518,833
86,894	195,700
77,514	77,514
164,408	830,864
<b>\$ 433,243</b>	<b>\$ 3,209,693</b>

**Charter Township of Fenton  
Governmental Fund  
Reconciliation of the Balance Sheet  
to the Statement of Net Assets  
Year Ended December 31, 2007**

Fund balances reported in governmental fund	\$	830,864
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the fund:		3,114,772
Long-term liabilities, including bond and contract payables, are not due and payable in the current period and therefore are not reported in the funds:		(1,236,329)
Accrued interest payable is not due and payable in the current period and therefore are not reported in the fund:		(32,460)
Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditure:		<u>118,523</u>
Net assets of governmental activities:	<b>\$</b>	<b><u><u>2,795,370</u></u></b>

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

**Charter Township of Fenton  
Governmental Funds  
Statement of Revenue, Expenditures, and Changes in Fund Balances  
Year Ended December 31, 2007**

	General Fund	Waste Collection Fund	Fire Fund
<b>Revenue</b>			
Taxes and collection fees	\$ 797,825	\$ -	\$ -
Special assessments	-	599,843	500,305
Licenses and permits	255,212	-	-
State revenue	917,378	-	-
Charges for services	198,000	-	109,005
Fines and forfeits	20,391	-	-
Interest	16,120	15,935	4,987
Other revenue	24,971	-	26,651
Total revenue	<u>2,229,897</u>	<u>615,778</u>	<u>640,948</u>
<b>Expenditures</b>			
<b>Current:</b>			
Legislative	59,464	-	-
General government	1,073,476	-	-
Public safety	674,155	-	909,745
Public works	200,835	641,107	-
Other	189,187	-	-
<b>Debt Service:</b>			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>2,197,117</u>	<u>641,107</u>	<u>909,745</u>
<b>Excess of Revenue Over (Under) Expenditure</b>	<u>32,780</u>	<u>(25,329)</u>	<u>(268,797)</u>
<b>Fund Balances - Beginning of year</b>	<u>502,157</u>	<u>83,105</u>	<u>342,540</u>
<b>Fund Balances -End of year</b>	<u><u>\$ 534,937</u></u>	<u><u>\$ 57,776</u></u>	<u><u>\$ 73,743</u></u>

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

Non-Major Funds	Total Governmental Funds
\$ -	\$ 797,825
201,828	1,301,976
-	255,212
-	917,378
-	307,005
-	20,391
9,708	46,750
-	51,622
<hr/> 211,536	<hr/> 3,698,159
-	59,464
141,147	1,214,623
-	1,583,900
-	841,942
-	189,187
45,001	45,001
12,489	12,489
<hr/> 198,637	<hr/> 3,946,606
<hr/> 12,899	<hr/> (248,447)
<hr/> 151,509	<hr/> 1,079,311
<hr/> <b>\$ 164,408</b>	<hr/> <b>\$ 830,864</b>

**Charter Township of Fentor  
Governmental Fund:  
Reconciliation of the Statement of Revenue  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities:  
Year Ended December 31, 2007**

<b>Net Change in Fund Balances - Total Governmental Fund</b>	<b>\$</b>	<b>(248,447)</b>
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p>Governmental funds report capital outlays as expenditures; however in the statement of activities these costs are allocated over their estimated useful lives as depreciation</p>		
- Capital outlay		479,694
- Depreciation expense		(219,027)
<p>The payment of principal on long-term debt (e.g., bonds) consume current financial resources of governmental funds. However, on the statement of net assets, repayments of principal are recorded as a reduction to long term debt payable and do not affect net asset</p>		
		242,015
<p>The interest expense on long-term debt reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment</p>		
		(32,460)
<p>Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statement until they come due for payment</p>		
		(9,605)
<p>Capital grant contributions - donation</p>		
		97,877
<p>Revenues are recorded in the statement of activities when earned: they are not reported in the funds until collected or collectible within 60 days of year end</p>		
		(4,501)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u><u>305,546</u></u></b>

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

**Charter Township of Fentor  
Proprietary Fund  
Statement of Net Assets  
December 31, 2007**

	<u>Sewer Enterprise Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,540,199
Receivables:	
Accounts	28,496
Taxes	558,937
Special assessments	1,782
User fees	541,122
Connection fees	28,630
Accrued interest	49,511
Due from other funds	3,799
Prepaid items	123,052
Total current assets	<u>2,875,528</u>
Noncurrent assets:	
Restricted assets - cash and cash equivalents	3,992,132
Capital assets:	
Sewer utility system	43,603,883
Construction in progress	8,456,036
Less accumulated depreciation	<u>12,874,742</u>
Net capital assets	<u>39,185,177</u>
Deferred loss on bond refunding	<u>9,750</u>
Total noncurrent assets	<u>43,187,059</u>
Total assets	<u>46,062,587</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	377,810
Accrued interest	362,090
Due to other funds	20,000
Unearned revenue	504,245
General obligation contracts payable-current	<u>1,867,666</u>
Total current liabilities	3,131,811
Noncurrent liabilities	
General obligation contracts payable - long term	<u>32,015,306</u>
Total liabilities	<u>35,147,117</u>
<b>Net assets</b>	
Invested in capital assets, net of related deb	9,294,337
Unrestricted	<u>1,621,133</u>
Total net assets	<u><b>\$ 10,915,470</b></u>

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

**Charter Township of Fenton**  
**Proprietary Fund**  
**Statement of Revenue, Expenses, and Changes in Net Assets**  
**Year Ended December 31, 2007**

	Sewer Enterprise Fund
<b>Operating Revenue</b>	
Charges for services	\$ 6,160,916
<b>Operating expenses</b>	
Contractual services:	
Sewer treatment fees	1,722,317
Other	543,194
Administrative expense	180,000
Depreciation	938,664
Utilities	73,903
Billing fees and postage	6,073
Equipment repairs and maintenance	86,954
Insurance	37,727
Miscellaneous	9,908
Total operating expenses	3,598,740
<b>Operating Income</b>	2,562,176
<b>Nonoperating Revenue (Expenses)</b>	
Property taxes	87,527
Interest income:	
Connection fees	5,643
Savings account and certificates of deposit	164,869
Bond interest expense	(1,292,916)
Bond agent fees	(3,769)
<b>Income - Before capital contributions</b>	1,523,530
Capital contributions - Tap in fees	129,769
<b>Change in Net Assets</b>	1,653,299
<b>Net Assets - Beginning of year</b>	9,262,171
<b>Net Assets - End of year</b>	<b>\$ 10,915,470</b>

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

**Charter Township of Fenton  
Proprietary Fund  
Statement of Cash Flows  
Year Ended December 31, 2007**

	<u>Sewer Enterprise Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 5,893,493
Cash payments to suppliers for goods and services	(2,757,225)
Net cash provided by operating activities	<u>3,136,268</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal payments on bonds	(7,472,273)
Bond proceeds	12,990,667
Interest and paying agent fees paid on bonds	(1,129,092)
Property taxes received	137,615
Connection fees - customers	145,645
Purchase of capital assets	(4,936,677)
Interest received on special assessments and connection fee	5,643
Net cash used in capital and related financing activities	<u>(258,472)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest received on investment:	137,423
Net cash used in investing activities	<u>137,423</u>
<b>Net Increase in Cash and Cash Equivalents</b>	3,015,219
<b>Cash and Cash Equivalent: - Beginning of year</b>	<u>2,517,112</u>
<b>Cash and Cash Equivalents -End of year</b>	<u><b>\$ 5,532,331</b></u>
<b>Balance Sheet Classification of Cash and Cash Equivalent:</b>	
Cash and cash equivalents	\$ 1,540,199
Restricted assets - cash and cash equivalents	<u>3,992,132</u>
Total cash and cash equivalents	<u><b>\$ 5,532,331</b></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities:</b>	
Operating income	<u>\$ 2,562,176</u>
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation expense	938,664
Changes in assets and liabilities:	
Receivables	(181,235)
Due from other funds	(849)
Prepays	(123,052)
Accounts payable	5,903
Due to other funds	20,000
Unearned revenue	(85,339)
Total adjustments	<u>574,092</u>
Net Cash Provided by Operating Activities	<u><b>\$ 3,136,268</b></u>

**Noncash Operating and Financing Activities**

Interest expense of \$19,500 was recognized in 2007 as the deferred loss on refunding was amortize

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

**Charter Township of Fenton  
Fiduciary Funds  
Statement of Fiduciary Assets and Liabilities  
December 31, 2007**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and equivalents	\$ 2,674,308
Total assets	<u><u>\$ 2,674,308</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 7,107
Deposits payable	199,356
Due to other governments	9,895
Undistributed taxes	2,457,950
Total liabilities	<u><u>\$ 2,674,308</u></u>

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

## **Notes to Basic Financial Statements**

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Charter Township of Fenton and any component units. Accounting principles require that a component unit be included in the Township's reporting entity when there exists a significant operational or financial relationship with the Township. The Township had no component units at December 31, 2007.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**I. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Property taxes, state revenue sharing, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

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

The *waste collection fund* is used to account for the customer charges which are to be used to pay contracted services for rubbish collection.

The *fire fund* is used to account for the revenues and expenditures related to fire protection.

The Township reports the following major proprietary fund:

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

Additionally, the government reports the following fund types:

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

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

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

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**I. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Proprietary funds distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue 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 revenue of the Township enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

1. Deposits and investments

The Township's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown net of an allowance for uncollectibles.

The Township levies property taxes on December 1 each year, and the taxes are payable without penalty through February 28. These taxes become liens on the property at the levy date. However, the revenues generated by the tax levy cannot be appropriated until the budget year following the levy date. The asset created by the levy on December 1 is recorded in the appropriate fund as current taxes receivable. In addition, a deferred revenue offset account is recorded on the fund financial statement recognizing the asset as unavailable for current appropriation.

The 2006 taxable valuation of the Township totaled \$743 million, on which taxes levied consisted of 0.7125 mills for operating purposes, and 0.1167 mills for debt service. This resulted in \$527,746 for operating, and \$87,102 for debt service. These amounts are recognized in the respective General and Sewer Fund financial statements as tax revenue.

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**I. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

3. 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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	15
Building and improvements	40
Sewer system infrastructure	50
Machinery and equipment	3-15
Furniture and fixtures	5
Roads	20

4. Compensated absences

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

5. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**I. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

5. Long-term obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund equity

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

7. 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.

**II. Stewardship, Compliance, and Accountability**

**A. Budgets**

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

1. The Township Board prepares a preliminary operating budget covering the General Fund and the Special Revenue Funds in accordance with accounting principles generally accepted in the United States of America for presentation at a public hearing.
2. A public hearing is held in conjunction with a regular board meeting.
3. The Township Board adopts the budget on the departmental level at a regular board meeting.
4. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances at December 31, 2007, has not been calculated.
5. Presented budgeted amounts are as originally adopted and as amended by the Township Board.

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**II. Stewardship, Compliance, and Accountability (Continued)**

**B. 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 shortfall generated since January 1, 2000 is as follows:

Shortfall at January 1, 2007		\$456,131
Current year building permit revenue	\$67,318	
Related expenses:		
Direct costs	\$106,837	
Estimated indirect costs	<u>98,268</u>	
Total construction code expenses	<u>205,105</u>	
Current year shortfall		<u>137,787</u>
Shortfall at December 31, 2007		<u>\$593,918</u>

**III. Detailed Notes on All Funds**

**A. 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 mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

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

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**III. Detailed Notes on All Funds (Continued)**

**A. Deposits and Investments (Continued)**

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$6,257,342 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, \$2,125,854 of investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

Interest rate risk of investments:

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

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Mutual fund	\$2,125,854	Not available
U.S. government bond - Mutual fund	1,561,118	34 days

Credit risk of investments:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. government bond - Mutual fund	1,561,118	AAA	S&P

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**III. Detailed Notes on All Funds (Continued)**

**B. Receivables**

Receivables as of year end for the Township's individual major funds and nonmajor in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Waste Collection Fund</u>	<u>Fire Fund</u>	<u>Sewer Disposal Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$245,441	\$ -	\$ -	\$ 935,876	\$ -	\$1,181,317
Accounts	56,280	789	-	598,248	154	655,471
Special assessment	47,611	593,984	476,645	1,782	250,040	1,370,062
Intergovernmental	309,899	-	26,565	-	-	336,464
Accrued interest	3,008	-	-	49,511	-	52,519
Net total receivables	<u>\$662,239</u>	<u>\$594,773</u>	<u>\$503,210</u>	<u>\$1,585,417</u>	<u>\$250,194</u>	<u>\$3,595,833</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes and special assessments	<u>\$118,523</u>	<u>\$1,884,913</u>

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
<b>Governmental Activities</b>				
Land	\$ 60,690	\$ 53,977	\$ -	\$ 114,667
Capital assets, being depreciated:				
Land improvements	229,234	2,056	-	231,290
Buildings and improvements	1,988,969	155,998	-	2,144,967
Road improvements	451,827	-	-	451,827
Machinery and equipment	1,882,003	365,540	-	2,247,543
Furniture and fixtures	16,172	-	-	16,172
Total capital assets being depreciated	<u>4,568,205</u>	<u>523,594</u>	<u>-</u>	<u>5,091,799</u>

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**III. Detailed Notes on All Funds (Continued)**

**C. Capital Assets (Continued)**

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2007</u>
<b>Governmental Activities</b>				
Less accumulated depreciation for:				
Land improvements	\$ (90,736)	\$ (15,159)	\$ -	\$ (105,895)
Buildings and improvements	(369,079)	(57,264)	-	(426,343)
Road improvements	(96,013)	(22,591)	-	(118,604)
Machinery and equipment	(1,302,454)	(122,224)	-	(1,424,678)
Furniture and fixtures	(14,385)	(1,789)	-	(16,174)
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	(1,872,667)	(219,027)	-	(2,091,694)
Total capital assets being depreciated - Net	<hr/>	<hr/>	<hr/>	<hr/>
	2,695,538	304,567	-	3,000,105
Governmental activities capital assets - Net	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 2,756,228	\$ 358,544	\$ -0-	\$ 3,114,772
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 4,227,421	\$4,886,962	\$ (658,347)	\$ 8,456,036
Total capital assets, not being depreciated	<hr/>	<hr/>	<hr/>	<hr/>
	4,227,421	4,886,962	(658,347)	8,456,036
Capital assets, being depreciated:				
Buildings	47,990	-	-	47,990
Improvements other than buildings	42,847,831	708,062	-	43,555,893
Total capital assets being depreciated	<hr/>	<hr/>	<hr/>	<hr/>
	42,895,821	708,062	-	43,603,883
Less accumulated depreciation for:				
Buildings	(11,198)	(1,600)	-	(12,798)
Improvements other than buildings	(11,924,880)	(937,064)	-	(12,861,944)
Total accumulated depreciation	<hr/>	<hr/>	<hr/>	<hr/>
	(11,936,078)	(938,664)	-	(12,874,742)
Total capital assets being depreciated - Net	<hr/>	<hr/>	<hr/>	<hr/>
	30,959,743	(230,602)	-	30,729,141
Business-type activities capital assets - Net	<hr/>	<hr/>	<hr/>	<hr/>
	\$35,187,164	\$4,656,360	\$ (658,347)	\$39,185,177

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

Governmental activities:	
General government	\$ 60,025
Public service	22,591
Public safety	<hr/>
	136,411
Total depreciation expense - Governmental activities	<hr/>
	\$219,027
Business-type activities - Sewer	<hr/>
	\$938,664

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**III. Detailed Notes on All Funds (Continued)**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of December 31, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 20,000
General	Fire	1,382
Fire	General	357
Sewer	General	<u>3,799</u>
	Total	<u>\$ 25,538</u>

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

**E. Leases**

Operating leases:

The Township has entered into two long-term noncancelable operating leases for copier/fax equipment. The following is a schedule, by year, of future minimum rental payments required under noncancelable operating lease as of December 31, 2007:

2008	\$ 3,946
2009	<u>589</u>
Total minimum payments required	<u>\$ 4,535</u>

Rental expense for the operating lease for the year ended December 31, 2007 amounted to \$8,717.

**F. 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:

General obligation contracts payable at December 31, 2007, in the Sewer Enterprise Fund are comprised of the following individual issues:

	<u>Principal Outstanding December 31, 2007</u>
\$3,370,000 Southwest Extensions Refunding Bonds, Series 1998 contract due in annual installments of \$330,000 to \$395,000 through May 1, 2008, interest at 4.25 to 4.55 percent	\$ 330,000

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**III. Detailed Notes on All Funds (Continued)**

**F. Long-term Debt (Continued)**

	<u>Principal Outstanding December 31, 2007</u>
\$2,531,321 Sewage Disposal System No. 3 Bonds, Series 1998 contract due in annual installments of \$67,355 to \$324,368 through April 1, 2008, interest at 4.75 percent	\$ 67,360
\$1,240,000 Ripley Rolston contract due in annual installments of \$75,000 to \$100,000 through October 1, 2017, interest at 5.0 to 5.5 percent	875,000
\$4,000,000 Sewage Disposal System No. 3 Bonds Series 2003A contract due in annual installments of \$125,000 to \$250,000 through December 1, 2024, interest at 4.05 percent	3,600,000
\$1,925,000 Torrey and Ponemah Road Arms contract due in annual installments of \$80,000 through May 1, 2008, interest at 5.89 percent	80,000
\$4,600,000 Sewage Disposal System No. 3 Bonds Series 2004B contract due in annual installments of \$100,000 to \$400,000 through April 2024, interest at 5 percent	4,400,000
\$8,000,000 Improvement Projects Series 2004A contract due in annual installments of \$250,000 to \$700,000 through April 2024, interest at 5 percent	7,500,000
\$4,419,010 Refinancing of Sewer Disposal System No. 3 Series 1996A contract due in annual installments of \$25,613 to \$462,733 through May 1, 2016, interest at 2.5 to 5 percent	4,039,945
\$11,000,000 2007 General Obligation Limited Tax Capital Improvement Bonds contract due in annual installments of \$345,000 to \$810,000 through September 1, 2027, interest at 4 to 4.5 percent	11,000,000
\$1,990,667 Refinancing of Sewer Disposal System No. 3 Series 2007 contract due in annual installments of \$7,091 to \$320,847 through April 1, 2019, interest at 4 percent	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">1,990,667</div>
	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$33,882,972</div>

Governmental long-term debt payable at December 31, 2007 consists of the following liabilities:

	<u>Principal Outstanding December 31, 2007</u>
Installment obligation to Genesee County Road Commission payable in annual installments ranging from \$45,183 to \$89,646, through September 1, 2010, plus interest ranging from 5.083 to 6.96 percent, secured by the Township's limited tax full faith and credit	\$ 195,676
Installment purchase obligation to the State Bank, payable in annual installments of \$11,750 through July 1, 2010, plus interest at 4.0 percent, secured by the Township's limited tax full faith and credit	35,250

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**III. Detailed Notes on All Funds (Continued)**

**F. Long-term Debt (Continued)**

	<u>Principal Outstanding December 31, 2007</u>
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	<u>\$ 713,000</u>
Total notes payable	<u>943,926</u>
Compensated absences	<u>82,403</u>
Special Assessment Debt with Governmental Commitment Bonds payable to Michigan National Bank, payable in annual installments of \$25,000 through March 1, 2009, plus interest ranging from 5.35 to 5.40 percent, secured by the revenues of the Wenwood/Wendell Special Assessment Road Improvement Project and the Township's limited tax full faith and credit	50,000
Special Assessment Debt with Governmental Commitment Bonds payable to Citizens Banking Corporation, payable in annual installments of \$25,000 to \$35,000 through May 1, 2012, plus interest at 5.675 percent, secured by the revenues of the Curtwood Drive/Silver Ridge Road, Byram Lake Drive, Woodhull Landing Special Assessment Road Improvement Project and the Township's limited tax full faith and credit	<u>160,000</u>
Total special assessment debt with governmental commitment	<u>210,000</u>
Total general long-term debt	<u><u>\$1,236,329</u></u>

A summary of changes in general long-term debt during 2007 is as follows:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes payable:					
Genesee County Road Commission	\$ 273,641	\$ -	\$ 77,965	\$ 195,676	\$ 60,127
Citizens Bank	36,000	-	36,000	-	-
The State Bank	47,000	-	11,750	35,250	11,750
The State Bank	784,300	-	71,300	713,000	71,300
Special assessment debt with governmental commitment:					
Standard Federal	70,000	-	20,000	50,000	25,000
Citizens Banking Corporation	185,000	-	25,000	160,000	30,000
Accumulated sick and vacation time	<u>72,798</u>	<u>73,077</u>	<u>63,472</u>	<u>82,403</u>	<u>73,077</u>
	<u>\$1,468,739</u>	<u>\$ 73,077</u>	<u>\$305,487</u>	<u>\$1,236,329</u>	<u>\$271,254</u>

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**III. Detailed Notes on All Funds (Continued)**

**F. Long-term Debt (Continued)**

A summary of changes in general long-term debt during 2007 is as follows:

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2007</u>	Due Within <u>One Year</u>
Business Activities:					
General obligation contracts:					
Southwest extensions					
Refunding bonds 1998	\$ 720,000	\$ -	\$ 390,000	\$ 330,000	\$ 330,000
Sewage Disposal System No. 3					
Bonds 1998	2,141,181	-	2,073,821	67,360	67,360
Ripley Rolston Contract	950,000	-	75,000	875,000	75,000
Sewer Disposal System No. 3					
2003A	3,750,000	-	150,000	3,600,000	150,000
Torrey and Ponemah Road Arm					
Contract	160,000	-	80,000	80,000	80,000
Sewage Disposal System No. 3					
2004B	4,500,000	-	100,000	4,400,000	100,000
Improvements Projects Series					
2004A	7,750,000	-	250,000	7,500,000	300,000
Sewer Disposal system No. 3					
1996A – Refunding	4,393,397	-	353,452	4,039,945	413,215
Bond Anticipation Note	4,000,000	-	4,000,000	-	-
District 3 Expansion (98)	-	1,990,667	-	1,990,667	7,091
Refunding 2007					
General Obligation Capital					
Improvement Bonds 2007	-	11,000,000	-	11,000,000	345,000
	<u>\$28,364,578</u>	<u>\$12,990,667</u>	<u>\$7,472,273</u>	<u>\$33,882,972</u>	<u>\$1,867,666</u>

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**III. Detailed Notes on All Funds (Continued)**

**F. Long-term Debt (Continued)**

The annual requirements to amortize all debt outstanding as of December 31, 2007, including interest payments, are as follows:

Period Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 198,177	\$ 53,397	\$ 251,574	\$ 1,867,666	\$ 1,495,767	\$ 3,363,433
2009	183,233	43,817	227,050	1,517,968	1,353,129	2,871,097
2010	158,233	35,063	193,296	1,581,751	1,295,002	2,876,753
2011	151,483	27,429	178,912	1,665,924	1,231,675	2,897,599
2012	106,300	20,244	126,544	1,758,838	1,163,193	2,922,031
2013-2017	356,500	48,129	404,629	9,875,587	4,564,305	14,439,892
2018-2022	-	-	-	9,250,238	2,547,395	11,797,633
2023-2027	-	-	-	6,365,000	722,025	7,087,025
	<u>\$1,153,926</u>	<u>\$228,079</u>	<u>\$1,382,005</u>	<u>\$33,882,972</u>	<u>\$14,372,491</u>	<u>\$48,255,463</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10 percent of the assessed real and personal property in the Township. As of December 31, 2007, the Charter Township of Fenton incurred \$748,250 applicable to limitation (the sewer utility contracts and special assessment debt are excluded from the limitation). The Township's debt limit is \$91,849,182.

A discount on the 2007 General Obligation Capital Improvement Bonds was \$109,142 and is being amortized over the life of the bond. The unamortized portion of the discount is \$106,413 at December 31, 2007.

**Advance and Current Refundings-** During the year, the Genesee County issued \$5,615,000 in general obligation bonds with an average interest rate of 4 percent. The proceeds of these bonds were used to advance refund \$5,579,979 of outstanding Sewage Disposal System No. 3 bonds with an average interest rate of 4.86 percent. The original bonds were issued by the County on behalf of multiple municipalities including Fenton Township. The net proceeds of \$5,517,708 (after payment of \$49,871 in underwriting fees, insurance, and other issuance costs) plus an additional \$1,291 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. The Township's portion of the refunding debt is \$1,990,667. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the long-term debt. The advance refunding reduced total debt service payments over the next 11 years by approximately \$38,000 which represents an economic gain of approximately \$127,854.

In prior year, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At December 31, 2007, \$4 million of bonds outstanding are considered defeased.

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**III. Detailed Notes on All Funds (Continued)**

**F. Long-term Debt (Continued)**

**Future Revenues Pledged for Debt Payment:**

County Contractual Obligations

The above contractual obligations to the County are a result of the County issuance of bonds on the Township's behalf. The Township has pledged substantially all revenue of the Sewer fund, net of operating expenses, to repay the obligations; in addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for sewer improvements. The remaining principal and interest to be paid on the bonds is \$23,603,389. During the current year, net revenues of the system were \$2,950,984 compared to the annual debt requirements of \$1,791,168.

**G. Restricted Assets**

The balance of the restricted asset account is as follows:

	Business-type <u>Activities</u>
Unspent bond proceeds and related interest	<u>\$3,992,132</u>

**IV. Other Information**

**A. Pension Plan**

The Township has a defined contribution pension plan covering all eligible employees who wish to participate. The plan is administered by John Hancock Life Insurance Company. By Township ordinance, the Township contributes 10 percent and employees contribute 5 percent of wages to the plan. The employee may voluntarily contribute in excess of that amount. Benefits are fully vested after 20 months of service with the benefit payable at age 55, or retirement, if later. Employees between the ages of 18 and 65 with at least 90 days of service who wish to participate may elect coverage on January 1, of the plan year. Total payroll and covered payroll for the year was \$963,548 and \$668,755 respectively. The Township's 2007 contributions were \$68,890. Employees contributed \$44,087 during 2007.

**B. Postemployment Benefits Other than Pension**

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

The cost of the benefits is paid entirely by the Township as the costs are incurred. At year end, one retiree was eligible to receive these benefits. Benefits of \$8,513 were provided during 2007 and paid out of the General Fund.

**Charter Township of Fenton  
Notes to Financial Statements  
December 31, 2007**

**IV. Other Information (Continued)**

**B. Postemployment Benefits Other than Pension (Continued)**

Upcoming reporting change:

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009. Management is currently assessing the impact of this new accounting standard on the Township’s financial statement for future reporting periods.

**C. Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, 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; the Township is uninsured for unemployment and sewer discharge claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The Township estimates the liability for unemployment and sewer discharge claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The Township has not incurred or paid claims over the past two years and there is no unpaid claim balance at the beginning or ending of the year.

**D. Sale of Delinquent Property Taxes:**

The Township annually sells its delinquent real property taxes and special assessments to the County, which then becomes responsible for collecting the taxes, and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent of face value, and in return the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Township is less than the face value that has been received, because of the time value of money; however, the net present value to the County is greater than this amount, because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$358,295 from this sale. At the end of the tax reversion process (approximately 3 years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

## **Required Supplementary Information**

**Charter Township of Fenton  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
Year Ended December 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes and collection fees	\$ 769,700	\$ 793,400	\$ 797,825	\$ 4,425
Licenses and permits	302,500	288,800	255,212	(33,588)
Federal revenue	100,000	25,000	-	(25,000)
State revenue	930,700	901,100	917,378	16,278
Charges for services	163,500	183,500	198,000	14,500
Fines and forfeits	28,000	25,000	20,391	(4,609)
Interest	15,000	15,000	16,120	1,120
Other revenue	28,500	31,400	24,971	(6,429)
Total revenue	<u>2,337,900</u>	<u>2,263,200</u>	<u>2,229,897</u>	<u>(33,303)</u>
<b>Expenditures</b>				
Legislative:				
Township board	174,500	104,800	59,464	45,336
General government	1,079,500	1,134,700	1,073,476	61,224
Public safety	621,900	656,200	674,155	(17,955)
Public works	215,500	207,400	200,835	6,565
Other	246,500	201,500	189,187	12,313
Total expenditures	<u>2,337,900</u>	<u>2,304,600</u>	<u>2,197,117</u>	<u>107,483</u>
<b>Excess of Revenue Over (Under) Expenditure</b>	-	(41,400)	32,780	74,180
<b>Fund Balances - Beginning of year</b>	502,157	502,157	502,157	-
<b>Fund Balances - End of year</b>	<u><u>\$ 502,157</u></u>	<u><u>\$ 460,757</u></u>	<u><u>\$ 534,937</u></u>	<u><u>\$ 74,180</u></u>

**Charter Township of Fenton**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Waste Collection Special Revenue Fund**  
**Year Ended December 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Special assessments	\$ 600,000	\$ 600,000	\$ 599,843	\$ (157)
Interest	10,000	12,000	15,935	3,935
Total revenue	610,000	612,000	615,778	3,778
<b>Expenditures</b>				
Public works	651,500	651,500	641,107	10,393
<b>Excess of Expenditures Over Revenue</b>	(41,500)	(39,500)	(25,329)	14,171
<b>Fund Balance - Beginning of year</b>	83,105	83,105	83,105	-
<b>Fund Balance -End of year</b>	<b>\$ 41,605</b>	<b>\$ 43,605</b>	<b>\$ 57,776</b>	<b>\$ 14,171</b>

**Charter Township of Fenton  
Required Supplemental Information  
Budgetary Comparison Schedule - Fire Special Revenue Fund  
Year Ended December 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Special Assessments	\$ 500,000	\$ 500,000	\$ 500,305	\$ 305
Charges for services	63,000	108,000	109,005	1,005
Interest	5,000	5,000	4,987	(13)
Other revenue	500	27,100	26,651	(449)
<b>Total revenue</b>	<b>568,500</b>	<b>640,100</b>	<b>640,948</b>	<b>848</b>
<b>Expenditures</b>				
Public safety	602,800	1,001,500	909,745	91,755
<b>Excess of Revenue Over (Under) Expenditure</b>	<b>(34,300)</b>	<b>(361,400)</b>	<b>(268,797)</b>	<b>92,603</b>
<b>Fund Balance - Beginning of year</b>	<b>342,540</b>	<b>342,540</b>	<b>342,540</b>	<b>-</b>
<b>Fund Balance -End of year</b>	<b>\$ 308,240</b>	<b>\$ (18,860)</b>	<b>\$ 73,743</b>	<b>\$ 92,603</b>

## **Other Supplementary Information**

**Charter Township of Fentor  
Nonmajor Governmental Fund  
Combining Balance Sheet  
December 31, 2007**

	Mosquito Control Fund	Special Assessment Debt Fund	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and equivalents	\$ 174,426	\$ 83,149	\$ 257,575
Receivables:			
Accounts	154	-	154
Special assessments	62,626	112,888	175,514
Total assets	<b>\$ 237,206</b>	<b>\$ 196,037</b>	<b>\$ 433,243</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Unearned revenue	\$ 150,312	\$ 118,523	\$ 268,835
Total liabilities	150,312	118,523	268,835
<b>Fund Balances</b>			
Special revenue funds	86,894	-	86,894
Debt service fund	-	77,514	77,514
Total fund balances	86,894	77,514	164,408
Total liabilities and fund balances	<b>\$ 237,206</b>	<b>\$ 196,037</b>	<b>\$ 433,243</b>

**Charter Township of Fenton  
Nonmajor Governmental Funds  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Year Ended December 31, 2007**

	Mosquito Control Fund	Special Assessment Debt Fund	Total Nonmajor Governmental Funds
<b>Revenue</b>			
Special assessments	\$ 149,712	\$ 52,116	\$ 201,828
Interest	5,317	4,391	9,708
Total revenue	<u>155,029</u>	<u>56,507</u>	<u>211,536</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	141,147	-	141,147
<b>Debt Service:</b>			
Principal	-	45,001	45,001
Interest	-	12,489	12,489
Total expenditures	<u>141,147</u>	<u>57,490</u>	<u>198,637</u>
<b>Excess of Revenue Over (Under) Expenditure</b>	13,882	(983)	12,899
<b>Fund Balances - Beginning of year</b>	<u>73,012</u>	<u>78,497</u>	<u>151,509</u>
<b>Fund Balances -End of year</b>	<u><u>\$ 86,894</u></u>	<u><u>\$ 77,514</u></u>	<u><u>\$ 164,408</u></u>

**Charter Township of Fenton  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Fund  
 Mosquito Special Revenue Fund  
 Year Ended December 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Special assessments	\$ 150,000	\$ 150,000	\$ 149,712	\$ (288)
Interest	3,500	4,000	5,317	1,317
Total revenue	153,500	154,000	155,029	1,029
<b>Expenditures</b>				
General government	151,000	151,000	141,147	9,853
<b>Excess of Revenue Over Expenditure:</b>	2,500	3,000	13,882	10,882
<b>Fund Balance - Beginning of year</b>	73,012	73,012	73,012	-
<b>Fund Balance -End of year</b>	<b>\$ 75,512</b>	<b>\$ 76,012</b>	<b>\$ 86,894</b>	<b>\$ 10,882</b>

**Charter Township of Fenton  
Agency Funds  
Balance Sheets  
December 31, 2007**

	Agency Funds		Totals
	Trust and Agency Fund	Current Tax Collection Fund	
<b>Assets</b>			
Cash and equivalents	\$ 206,477	\$ 2,467,831	\$ 2,674,308
Total assets	<b>\$ 206,477</b>	<b>\$ 2,467,831</b>	<b>\$ 2,674,308</b>
<b>Liabilities</b>			
Accounts payable	\$ 7,107	\$ -	\$ 7,107
Deposits payable	199,356	-	199,356
Due to other government:	14	9,881	9,895
Undistributed taxes	-	2,457,950	2,457,950
Total liabilities	<b>\$ 206,477</b>	<b>\$ 2,467,831</b>	<b>\$ 2,674,308</b>

# **Charter Township of Fenton**

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**Report to the Board of Trustees  
December 31, 2007**



To the Board of Trustees  
Charter Township of Fenton

We have recently completed our audit of the basic financial statements of Charter Township of Fenton (the "Fenton Township") for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Fenton Township:

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<b>Results of the Audit</b>	1-3
<b>Informational - Legislative matters, etc.</b>	5-6

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

*Plante & Moran, PLLC*

May 2, 2008

## Results of the Audit

May 2, 2008

To the Board of Trustees<sup>1</sup>  
Charter Township of Fenton

We have audited the financial statements of Charter Township of Fenton for the year ended December 31, 2007, and have issued our report thereon dated May 2, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 13, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Charter Township of Fenton. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 7, 2008.

### **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 Charter Township of Fenton are described in Note I to the financial statements. No

To the Board of Trustees  
Charter Township of Fenton

new accounting policies were adopted and the application of existing policies was not changed during 2007.

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

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

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

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

#### ***Difficulties Encountered in Performing the Audit***

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

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: Additions to capital assets for governmental activities.

#### ***Disagreements with Management***

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

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated May 2, 2008.

To the Board of Trustees  
Charter Township of Fenton

***Management Consultations with Other Independent Accountants***

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

***Other Audit Findings or Issues***

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

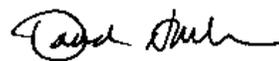
**Other Information in Documents Containing Audited Financial Statements**

Our responsibility relates to the Township’s financial statements and other information as identified in the auditor’s report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We read the management’s discussion and analysis and budgetary comparison schedules and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

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

Very truly yours,

**Plante & Moran, PLLC**



Tadd A. Harburn, CPA

# **Informational**

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### **Municipal Finance Act Revisions - REMINDER**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township’s year end (December 31, 2007) and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units.

### **RETIREE HEALTH CARE BENEFITS - REMINDER**

As mentioned last year, the Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions* which will require the Township to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The Township currently pays for premiums on a pay-as-you-go basis. The Township will need to decide how much of the total obligation to fund which may have an impact on the manner in which the benefit is budgeted.

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any underfunding must be reported as a liability on the government wide statement of net assets. This valuation will need to be performed by an actuary only if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. Plans with fewer than 100 participants may either hire an actuary, or perform the calculation themselves (at least every three years).

This statement is effective for the fiscal year beginning January 1, 2009. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates. The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the “interperiod equity” issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year’s contribution. Therefore, funding the contribution will actually reduce your long run cost.

# Charter Township of Fenton

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## Informational (Continued)

**New Quarterly Investment Reporting** - Public Act 213 of 2007 was recently passed which increases the frequency for reporting investment balances to the governing body by the Treasurer from annually to quarterly. The public act was effective when signed on December 27, 2007 which then results in the first reporting to boards in the first quarter of '08 regarding their investments as of December 31, 2007. We understand that the Township timely changed its reporting frequency to meet this law. Regarding the format of the reports, we are aware that the Michigan Committee on Governmental Accounting and Auditing has suggested that the required quarterly reports be in less detail than the annual reporting (which would include information regarding credit risk, etc) and may be as simple as a list of investments by institution with maturity date and interest rates.