

**Village of Fowlerville
Livingston County, Michigan**

FINANCIAL STATEMENTS

June 30, 2010

Village of Fowlerville
Livingston County, Michigan

June 30, 2010

VILLAGE COUNCIL AND ADMINISTRATION

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Village of Fowlerville

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Fowlerville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 Village of Fowlerville's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 3, 2010

East Lansing ■ Rochester Hills ■ St. Johns

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

The following is a discussion and analysis of the Village of Fowlerville's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2010. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the Village of Fowlerville's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets or the amount assets exceeded liabilities were \$14,074,430 at the close of 2010 (excluding component units).
- Governmental activities net assets were \$4,952,865.
- Business-type activities net assets were \$9,121,565.
- Component unit net assets were \$782,476.

Fund Level:

- At the close of the fiscal year, the Village of Fowlerville's governmental funds reported a combined ending fund balance of \$1,408,753 with \$165,222 being reserved for specific purposes.
- The General Fund's fund balance increased by \$107,500. This increase in fund balance was mainly due to decreases in community and economic development expenditures.

Capital and Long-term Debt Activities:

- The total long-term debt for the governmental activities of the primary government was \$2,380,000.
- The total long-term debt for the business-type activities of the primary government was \$3,665,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the Village of Fowlerville consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information*, such as budget to actual comparisons for the General Fund, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds.

Government-wide Financial Statements (Reporting the Village of Fowlerville as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village of Fowlerville as a whole and about its activities. Their purpose is to assist in answering the question, is the Village of Fowlerville, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village of Fowlerville's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village of Fowlerville's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Village of Fowlerville's net assets changed during fiscal year 2010. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Both statements report the following activities:

- **Governmental Activities** - Most of the Village of Fowlerville's basic services are reported under this category. Taxes, charges for services, and intergovernmental revenue primarily fund these services. Most of the Village of Fowlerville's general government departments such as the police department, the Village Council, public works, the Village's share of fire costs, and recreation programs are reported under these activities. This also includes activities such as the Major and Local street maintenance, the cemetery, and the various refuse services.
- **Business-type Activities** - These activities operate like private businesses. The Village of Fowlerville charges fees to recover the cost of the services provided. The Village of Fowlerville Water & Sewer System services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the Village of Fowlerville's Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the Village of Fowlerville. Organizations included as component units are the Downtown Development Authority and the Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however, depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

Fund Financial Statements (Reporting the Village of Fowlerville Major Funds)

The fund financial statements, which begin on page 3, provide information on the Village of Fowlerville's significant (major) funds and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village of Fowlerville uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Motor Pool) as well as enterprise funds such as the Water Fund.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. GASB Statement No. 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues, or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Fowlerville include the General Fund, Municipal Street Fund, the Sewer Fund, and the Water Fund. All other funds are classified as nonmajor funds and are reported in aggregate. The Village of Fowlerville includes detailed information on its nonmajor funds in other supplementary sections of this report.

The Village of Fowlerville's funds are divided into two categories - governmental and proprietary, and use different accounting approaches:

- **Governmental Funds** - Most of the Village of Fowlerville's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village of Fowlerville's programs. The *General Fund* is a Governmental Fund.
- **Proprietary Funds** - Services for which the Village of Fowlerville charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the Village of Fowlerville's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 13 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together by fund type and are presented in aggregate single columns in the appropriate basic financial statements.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville AS A WHOLE

As previously stated, the Village of Fowlerville's combined net assets were \$14,092,899 at the end of this fiscal year. The net assets of the governmental activities were \$4,971,333 and the business-type activities were \$9,121,566.

Net Assets as of June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 1,908,480	\$ 1,576,349	\$ 3,354,282	\$ 2,699,510	\$ 5,262,762	\$ 4,275,859
Capital Assets	<u>5,793,599</u>	<u>5,790,921</u>	<u>9,774,636</u>	<u>9,740,473</u>	<u>15,568,235</u>	<u>15,531,394</u>
Total Assets	<u>\$ 7,702,079</u>	<u>\$ 7,367,270</u>	<u>\$13,128,918</u>	<u>\$12,439,983</u>	<u>\$20,830,997</u>	<u>\$19,807,253</u>
Current Liabilities	\$ 328,515	\$ 187,141	\$ 497,353	\$ 184,093	\$ 825,868	\$ 371,234
Noncurrent Liabilities	<u>2,420,699</u>	<u>2,442,305</u>	<u>3,510,000</u>	<u>3,665,000</u>	<u>5,930,699</u>	<u>6,107,305</u>
Total Liabilities	<u>\$ 2,749,214</u>	<u>\$ 2,629,446</u>	<u>\$ 4,007,353</u>	<u>\$ 3,849,093</u>	<u>\$ 6,756,567</u>	<u>\$ 6,478,539</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 3,413,599	\$ 3,390,921	\$ 6,109,636	\$ 5,925,473	\$ 9,523,235	\$ 9,316,394
Restricted	731,336	595,568	-	-	731,336	595,568
Unrestricted	<u>807,930</u>	<u>751,335</u>	<u>3,011,929</u>	<u>2,665,417</u>	<u>3,819,859</u>	<u>3,416,752</u>
Total Net Assets	<u>\$ 4,952,865</u>	<u>\$ 4,737,824</u>	<u>\$ 9,121,565</u>	<u>\$ 8,590,890</u>	<u>\$14,074,430</u>	<u>\$13,328,714</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village of Fowlerville's net assets changed during the fiscal year:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for Services	\$ 732,830	\$ 767,682	\$ 1,530,190	\$ 1,383,103	\$ 2,263,020	\$ 2,150,785
Operating Grants and Contributions	465,417	375,755	-	-	465,417	375,755
Capital Grants and Contributions	59,278	683,185	185,158	-	244,436	683,185
General Revenues						
Property Taxes	954,054	976,867	-	-	954,054	976,867
State Shared Rev.	245,592	276,129	-	-	245,592	276,129
Investment Earnings	6,322	24,188	12,888	54,164	19,210	78,352
Intergovernmental	100,181	-	-	-	100,181	-
Miscellaneous	<u>4,413</u>	<u>442</u>	<u>-</u>	<u>-</u>	<u>4,413</u>	<u>442</u>
Total Revenues	2,568,087	3,104,248	1,728,236	1,437,267	4,296,323	4,541,515

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Expenses						
General Gov't.	\$ 684,390	\$ 644,104	\$ -	\$ -	\$ 686,390	\$ 644,104
Public Safety	721,272	614,452	-	-	721,272	614,452
Public Works	682,967	439,099	-	-	682,967	439,099
Community and Economic Develop.	82,102	319,687	-	-	82,102	319,687
Recreation and Cultural	78,457	39,326	-	-	78,457	39,326
Interest on long-term debt	103,858	109,490	-	-	103,858	109,490
Sewer	-	-	780,508	839,514	780,508	839,514
Water	-	-	417,053	476,198	417,053	476,198
Total Expenses	<u>2,353,046</u>	<u>2,166,158</u>	<u>1,197,561</u>	<u>1,315,712</u>	<u>3,550,607</u>	<u>3,481,870</u>
Increase in Net Assets Before Transfers	215,041	938,090	530,675	121,555	745,716	1,059,645
Transfers	-	(140,000)	-	140,000	-	-
Increase in Net Assets	215,041	798,090	530,675	261,555	745,716	1,059,645
Net Assets - Beginning	<u>4,737,824</u>	<u>3,939,734</u>	<u>8,590,890</u>	<u>8,329,335</u>	<u>13,328,714</u>	<u>12,269,069</u>
Net Assets - Ending	<u>\$ 4,952,865</u>	<u>\$ 4,737,824</u>	<u>\$ 9,121,565</u>	<u>\$ 8,590,890</u>	<u>\$14,074,430</u>	<u>\$13,328,714</u>

Governmental Activities:

The result of fiscal year 2010 governmental activity was an increase of \$215,041 in net assets to \$4,952,865. Of the total governmental activities' net assets, \$3,413,599 is invested in capital assets less related debt and \$731,336 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the Village of Fowlerville's government. The balance of \$807,930 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories in governmental activities were property taxes at 37.2%; charges for services at 28.5%; and operating grants and contributions at 18.1%. The Village of Fowlerville levies a property tax millage for general government operations at 8.5048 mills, which is not assigned to any specific service or activity. The Village also levies .4698 mills of special voted millage for mosquito abatement, 2.0409 mills for refuse services, including weekly garbage pick-up, composting, chipping, and leaf pick-up. Lastly, the Village levies 3.4017 mills for street maintenance and construction and .6802 mills for cemetery maintenance.

Expenses:

Public Safety is the largest governmental activity, expending \$721,272 of the approximately \$2.4 million total expenses. This activity includes the annual costs for the operation of the Village's police department.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Business-type Activities:

Net assets in the business-type activities increased by \$530,675 during the fiscal year 2010. This was mainly due to higher charges for water and sewer services and an increase of connection fees.

Of the total \$9,121,565 of net assets in the business-type activities, \$3,011,929 is reported as unrestricted and \$6,109,636 is invested in capital assets (net of related debt).

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville MAJOR AND NONMAJOR FUNDS

As the Village of Fowlerville completed fiscal year 2010, its governmental funds reported *combined* fund balances of \$1,408,753. The net changes are summarized in the following chart:

	General Fund	Nonmajor Governmental Funds
Fund Balance 6/30/10	\$ 614,700	\$ 794,053
Fund Balance 6/30/09	\$ 507,200	\$ 763,327
Net Change	\$ 107,500	\$ 30,726

General Fund:

The General Fund is the chief operating fund of the Village of Fowlerville. Unless otherwise required by statute, contractual agreement, or Council policy all Village of Fowlerville revenue and expenditures are recorded in the General Fund. As of June 30, 2010, the General Fund reported a fund balance of \$614,700. This amount is an increase of \$107,500 from the fund balance of \$507,200 reported as of June 30, 2009.

The General Fund fiscal year 2010 revenues exceeded expenditures by \$33,222 and the net other financing sources and uses of the General Fund increased the fund balance by \$74,278.

General Fund Budgetary Highlights:

The Village of Fowlerville's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues and other financing sources totaled \$1,968,739; \$37,585 below the final amended budget. The most significant variation was the charges for services revenue, which had a negative variation of \$26,477. This was caused by less people doing preplanning/purchasing of grave plots.

The Village of Fowlerville's expenditures totaled \$1,861,239; \$75,506 below the final amended budget. The most significant variation was in the area of public works, which had a positive variation of \$28,852.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Water & Sewer Funds:

The Water Fund had an increase in its net assets of \$232,682. Operating revenues showed an increase of \$25,140, while total operating expenses decreased by \$50,269. In 2010 the Water Fund had total operating expenses of \$395,608 and total operating revenues of \$516,968 for an operating income of \$121,360. This increase was due to an increase in rates.

The Sewer Fund had an increase in its net assets of \$297,993 in 2010. Operating revenues increased by \$121,947 and operating expenses decreased by \$46,577. This was due to an increase in rates. In 2010, the Sewer Fund had total operating expenses of \$634,394 and total operating revenues of \$1,013,222 for operating income of \$378,828.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2010, the Village of Fowlerville had invested \$5,793,599 and \$9,774,636 (net of accumulated depreciation) for governmental and business-type capital assets (including construction in progress), respectively. Key additions to the governmental activities include additions to construction in progress for on-going road construction in the amount of \$174,025. Significant additions to the business-type capital assets include improvements to the sewer system and water system in the Sewer Fund and Water Fund. Accumulated depreciation was \$2,197,079 for the governmental activities and \$3,845,353 for the business-type activities. Depreciation charges for the fiscal year totaled \$269,519 for the governmental activities and \$366,462 for the business-type activities. For more detailed information related to capital assets, refer to pages 22-23 of the financial statements.

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Land	\$ 1,383,713	\$ 422,764	\$ 1,806,477
Land Improvements, net	2,135,369	-	2,135,369
Construction in progress	235,625	485,453	721,078
Buildings, net	573,063	3,242,252	3,815,315
Vehicles, net	151,892	9,676	161,568
Machinery and Equipment, net	82,335	16,283	98,618
Infrastructure, net	1,231,602	-	1,231,602
Water System, net	-	2,175,565	2,175,565
Sewer System, net	-	3,422,643	3,422,643
Capital assets, net	<u>\$ 5,793,599</u>	<u>\$ 9,774,636</u>	<u>\$ 15,568,235</u>

Long-term Debt - As of June 30, 2010, the Village of Fowlerville had \$2,450,713 in bonds and accumulated vacation and sick time outstanding for the governmental activities. Of this amount, \$2,380,000 is bonds and \$70,713 is compensated absences. This level of net obligation is \$3,096 higher than the obligation recorded as of June 30, 2009.

The business-type activities showed total outstanding of \$3,665,000 as of June 30, 2010. The debt is comprised of capital improvement bonds. This level of net obligation is \$150,000 lower than the obligation recorded as of June 30, 2009.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Outstanding Debt as of June 30, 2010:

Primary Government Governmental Activities	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Bonds	\$ 2,400,000	\$ -	\$ 20,000	\$ 2,380,000
Compensated absences	<u>67,617</u>	<u>14,781</u>	<u>11,685</u>	<u>70,713</u>
Total Governmental Activities	2,467,617	14,781	31,685	2,450,713
Business Type Activities				
Water and Sewer Bonds	<u>3,815,000</u>	<u>-</u>	<u>150,000</u>	<u>3,665,000</u>
Total Primary Government	<u>\$ 6,282,617</u>	<u>\$ 14,781</u>	<u>\$ 181,685</u>	<u>\$ 6,115,713</u>

Limitations on Debt:

State statute limits the Village of Fowlerville's debt obligations to ten (10) percent of the current state equalized value (SEV). The Village of Fowlerville's SEV, as of June 30, 2010, was \$106,090,060; therefore, the Village of Fowlerville's debt limitation was \$10,609,006. The Village of Fowlerville remains well below its legal debt limit.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of Fowlerville.

The Village is entering the sixth year of adjusting the water and sewer rates to bring the rates in line with the costs relating the operations of the water system and the wastewater treatment plant.

The Village continues its aggressive road preservation project throughout the Village. Significant amounts of the street and general funds will be required to complete this project.

CONTACTING THE VILLAGE OF FOWLERVILLE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village of Fowlerville's finances and to demonstrate the Village of Fowlerville's accountability for the money it receives. If there are questions about this report or a need for additional information contact the Village Manager's Office at (517) 223-3771.

BASIC FINANCIAL STATEMENTS

Village of Fowlerville

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,621,199	\$ 2,578,973	\$ 4,200,172	\$ 1,242,149
Cash - restricted	-	4,948	4,948	-
Receivables	52,719	576,868	629,587	395
Current portion of contracts receivable	-	-	-0-	3,368
Due from other governmental units	195,878	185,158	381,036	-
Inventory	-	31,097	31,097	-
Prepays	15,922	-	15,922	-
Internal balances	22,762	(22,762)	-0-	-
Total current assets	1,908,480	3,354,282	5,262,762	1,245,912
Noncurrent assets				
Noncurrent portion of contracts receivable	-	-	-0-	8,901
Capital assets not being depreciated	1,619,338	908,217	2,527,555	-
Capital assets, net of accumulated depreciation	4,174,261	8,866,419	13,040,680	2,274,326
Total noncurrent assets	5,793,599	9,774,636	15,568,235	2,283,227
TOTAL ASSETS	7,702,079	13,128,918	20,830,997	3,529,139
LIABILITIES				
Accounts payable	173,417	318,729	492,146	7,842
Accrued wages	37,628	-	37,628	-
Accrued interest payable	17,075	20,500	37,575	26,206
Other accrued liabilities	36,646	3,124	39,770	1,045
Due to other governmental units	-	-	-0-	30,000
Unearned revenue	33,735	-	33,735	217
Current portion of compensated absences	5,014	-	5,014	-
Current portion of long-term debt	25,000	155,000	180,000	389,453
Total current liabilities	328,515	497,353	825,868	454,763
Noncurrent liabilities				
Noncurrent portion of compensated absences	65,699	-	65,699	-
Noncurrent portion of long-term debt	2,355,000	3,510,000	5,865,000	2,291,900
Total noncurrent liabilities	2,420,699	3,510,000	5,930,699	2,291,900
TOTAL LIABILITIES	2,749,214	4,007,353	6,756,567	2,746,663
NET ASSETS				
Invested in capital assets, net of related debt	3,413,599	6,109,636	9,523,235	649,326
Restricted for streets	651,227	-	651,227	-
Restricted for perpetual care				
Expendable	27,021	-	27,021	-
Nonexpendable	53,088	-	53,088	-
Unrestricted	807,930	3,011,929	3,819,859	133,150
TOTAL NET ASSETS	\$ 4,952,865	\$ 9,121,565	\$ 14,074,430	\$ 782,476

See accompanying notes to financial statements.

Village of Fowlerville

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 684,390	\$ 463,221	\$ 141,129	\$ -	\$ (80,040)	\$ -	\$ (80,040)	\$ -
Public safety	721,272	1,259	118,368	-	(601,645)	-	(601,645)	-
Public works	682,967	268,350	187,028	59,278	(168,311)	-	(168,311)	-
Health and welfare	-	-	4,110	-	4,110	-	4,110	-
Recreation and cultural	78,457	-	14,782	-	(63,675)	-	(63,675)	-
Community and economic development	82,102	-	-	-	(82,102)	-	(82,102)	-
Interest on long-term debt	103,858	-	-	-	(103,858)	-	(103,858)	-
Total governmental activities	2,353,046	732,830	465,417	59,278	(1,095,521)	-0-	(1,095,521)	-0-
Business-type activities								
Sewer	780,508	1,013,222	-	55,023	-	287,737	287,737	-
Water	417,053	516,968	-	130,135	-	230,050	230,050	-
Total business-type activities	1,197,561	1,530,190	-0-	185,158	-0-	517,787	517,787	-0-
Total primary government	\$ 3,550,607	\$ 2,263,020	\$ 465,417	\$ 244,436	(1,095,521)	517,787	(577,734)	-0-
Component units:								
Downtown Development Authority	\$ 437,847	\$ -	\$ -	\$ 61,627	-	-	-0-	(376,220)
Local Development Finance Authority	648,467	-	-	-	-	-	-0-	(648,467)
Total component units	\$ 1,086,314	\$ -0-	\$ -0-	\$ 61,627	-0-	-0-	-0-	(1,024,687)
General revenues:								
Property taxes					954,054	-	954,054	1,381,623
State shared revenue					245,592	-	245,592	-
Investment earnings					6,322	12,888	19,210	37,871
Intergovernmental					100,181	-	100,181	-
Miscellaneous					4,413	-	4,413	507
Total general revenues					1,310,562	12,888	1,323,450	1,420,001
Change in net assets					215,041	530,675	745,716	395,314
Net assets, beginning of the year					4,737,824	8,590,890	13,328,714	387,162
Net assets, end of the year					\$ 4,952,865	\$ 9,121,565	\$ 14,074,430	\$ 782,476

See accompanying notes to financial statements.

Village of Fowlerville

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2010

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 466,629	\$ 881,774	\$ 1,348,403
Accounts receivable	52,117	-	52,117
Prepays	15,922	-	15,922
Due from other governmental units	105,135	90,088	195,223
Due from other funds	111,573	9,507	121,080
TOTAL ASSETS	\$ 751,376	\$ 981,369	\$ 1,732,745
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Account payable	\$ 41,634	\$ 128,718	\$ 170,352
Accrued wages	35,468	2,160	37,628
Other accrued liabilities	35,742	243	35,985
Due to other funds	20,097	26,195	46,292
Deferred revenue	3,735	30,000	33,735
TOTAL LIABILITIES	136,676	187,316	323,992
FUND BALANCES			
Reserved for:			
Prepays	15,922	-	15,922
Refuse collection	9,936	-	9,936
Cemetery maintenance	27,021	53,088	80,109
Mosquito control	2,893	-	2,893
Composting	56,362	-	56,362
Unreserved			
Undesignated, reported in:			
General fund	502,566	-	502,566
Special revenue funds	-	740,965	740,965
TOTAL FUND BALANCES	614,700	794,053	1,408,753
TOTAL LIABILITIES AND FUND BALANCES	\$ 751,376	\$ 981,369	\$ 1,732,745

See accompanying notes to financial statements.

Village of Fowlerville

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

June 30, 2010

Total fund balances - governmental funds \$ 1,408,753

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 7,325,733	
Accumulated depreciation is	<u>(1,698,036)</u>	
Capital assets, net		5,627,697

An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the government-wide Statement of Net Assets.	384,203
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds payable	(2,380,000)	
Accrued interest payable	(17,075)	
Compensated absences	<u>(70,713)</u>	
		<u>(2,467,788)</u>

Net assets of governmental activities \$ 4,952,865

Village of Fowlerville

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2010

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 740,015	\$ 214,039	\$ 954,054
Licenses and permits	2,734	-	2,734
Intergovernmental	741,326	377,254	1,118,580
Charges for services	376,181	-	376,181
Fines and forfeits	12,324	1,283	13,607
Interest and rents	4,504	2,660	7,164
Other	17,377	4,110	21,487
TOTAL REVENUES	1,894,461	599,346	2,493,807
EXPENDITURES			
Current			
General government	650,544	-	650,544
Public safety	687,697	46	687,743
Public works	373,829	167,572	541,401
Recreation and cultural	71,732	-	71,732
Community and economic development	20,945	61,627	82,572
Debt service	-	124,000	124,000
Capital outlay	56,492	215,375	271,867
TOTAL EXPENDITURES	1,861,239	568,620	2,429,859
EXCESS OF REVENUES OVER EXPENDITURES	33,222	30,726	63,948
OTHER FINANCING SOURCES (USES)			
Sale of cemetery lots	64,608	-	64,608
Perpetual care	9,670	-	9,670
Transfers in	-	125,000	125,000
Transfers out	-	(125,000)	(125,000)
TOTAL OTHER FINANCING SOURCES (USES)	74,278	-0-	74,278
NET CHANGE IN FUND BALANCES	107,500	30,726	138,226
Fund balances, beginning of year	507,200	763,327	1,270,527
Fund balances, end of year	<u>\$ 614,700</u>	<u>\$ 794,053</u>	<u>\$ 1,408,753</u>

See accompanying notes to financial statements.

Village of Fowlerville

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 138,226

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 272,197	
Depreciation expense	<u>(207,406)</u>	
Excess of capital outlay over depreciation expense		64,791

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement		20,000
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An internal service fund is used by management to charge the costs of certain activities to individual funds. The net assets of the internal service fund decreased in the current period.		(4,944)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in deferred revenue in the current year was:		(79)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	143	
(Increase) in accrued compensated absences	<u>(3,096)</u>	
		<u>(2,953)</u>

Change in net assets of governmental activities \$ 215,041

Village of Fowlerville

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2010

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,896,965	\$ 682,008	\$ 2,578,973	\$ 272,796
Cash - restricted	4,242	706	4,948	-
Receivables				
Accounts	383,418	182,523	565,941	602
Special assessment	10,927	-	10,927	-
Inventory	-	31,097	31,097	-
Due from other funds	-	-	-0-	17,194
Due from other governmental units	55,023	130,135	185,158	655
Total current assets	2,350,575	1,026,469	3,377,044	291,247
Noncurrent assets				
Capital assets not being depreciated	256,123	652,094	908,217	-
Capital assets, net of accumulated depreciation	6,673,886	2,192,533	8,866,419	165,902
Total noncurrent assets	6,930,009	2,844,627	9,774,636	165,902
TOTAL ASSETS	9,280,584	3,871,096	13,151,680	457,149
LIABILITIES				
Current liabilities				
Accounts payable	88,429	230,300	318,729	3,065
Accrued liabilities	334	2,790	3,124	661
Accrued interest payable	15,300	5,200	20,500	-
Due to other funds	10,255	12,507	22,762	69,220
Current portion of long-term debt	137,692	17,308	155,000	-
Total current liabilities	252,010	268,105	520,115	72,946
Noncurrent liabilities				
Noncurrent portion of long-term debt	3,084,758	425,242	3,510,000	-
TOTAL LIABILITIES	3,336,768	693,347	4,030,115	72,946
NET ASSETS				
Investment in capital assets, net of related debt	3,707,559	2,402,077	6,109,636	165,902
Unrestricted	2,236,257	775,672	3,011,929	218,301
TOTAL NET ASSETS	\$ 5,943,816	\$ 3,177,749	\$ 9,121,565	\$ 384,203

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2010

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
OPERATING REVENUES				
Charges for services	\$ 1,013,222	\$ 516,968	\$ 1,530,190	\$ 175,533
OPERATING EXPENSES				
Administrative	103,862	104,906	208,768	118,633
Wastewater operations	319,241	-	319,241	-
Water distribution	-	135,531	135,531	-
Depreciation	211,291	155,171	366,462	45,409
TOTAL OPERATING EXPENSES	634,394	395,608	1,030,002	164,042
OPERATING INCOME	378,828	121,360	500,188	11,491
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	10,256	2,632	12,888	1,269
Loss on disposal of equipment	-	-	-0-	(16,704)
Interest expense and fiscal agent fees	(146,114)	(21,445)	(167,559)	(1,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	(135,858)	(18,813)	(154,671)	(16,435)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	242,970	102,547	345,517	(4,944)
Capital contributions	55,023	130,135	185,158	-
CHANGE IN NET ASSETS	297,993	232,682	530,675	(4,944)
Net assets, beginning of year	5,645,823	2,945,067	8,590,890	389,147
Net assets, end of year	\$ 5,943,816	\$ 3,177,749	\$ 9,121,565	\$ 384,203

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 952,454	\$ 501,662	\$ 1,454,116	\$ 176,726
Cash paid to suppliers	(330,220)	(186,179)	(516,399)	(150,283)
Cash paid for employee benefits	(5,575)	(19,853)	(25,428)	-
Cash paid to employees	(10,646)	(44,599)	(55,245)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	606,013	251,031	857,044	26,443
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	(148,514)	(27,872)	(176,386)	-
Principal payments	(132,692)	(17,308)	(150,000)	-
Interest and fees paid	(146,700)	(21,648)	(168,348)	(1,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(427,906)	(66,828)	(494,734)	(1,000)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	1,517,453	301,909	1,819,362	200,479
Interest revenue	10,256	2,632	12,888	1,269
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,527,709	304,541	1,832,250	201,748
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,705,816	488,744	2,194,560	227,191
Cash and cash equivalents, beginning of year	195,391	193,970	389,361	45,605
Cash and cash equivalents, end of year	<u>\$ 1,901,207</u>	<u>\$ 682,714</u>	<u>\$ 2,583,921</u>	<u>\$ 272,796</u>

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2010

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Internal</u> <u>Service</u> <u>(Motor Pool)</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 378,828	\$ 121,360	\$ 500,188	\$ 11,491
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	211,291	155,171	366,462	45,409
Change in accounts receivable	(81,620)	(18,209)	(99,829)	(602)
Change in special assessment receivable	11,343	-	11,343	-
Change in due from other funds	9,509	2,903	12,412	2,128
Change in due from other governmental units	-	-	-0-	(333)
Change in inventory	-	(3,703)	(3,703)	-
Change in accounts payable	81,008	3,587	84,595	2,406
Change in accrued liabilities	(876)	1,091	215	171
Change in due to other funds	(3,470)	(11,169)	(14,639)	(34,227)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 606,013</u>	<u>\$ 251,031</u>	<u>\$ 857,044</u>	<u>\$ 26,443</u>

Village of Fowlerville

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2010

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ 173,398	\$ 1,068,751	\$ 1,242,149
Rent receivable	395	-	395
Current portion of contracts receivable	3,368	-	3,368
Total current assets	177,161	1,068,751	1,245,912
Noncurrent assets			
Noncurrent portion of contracts receivable	8,901	-	8,901
Capital assets, net of accumulated depreciation	-	2,274,326	2,274,326
Total noncurrent assets	8,901	2,274,326	2,283,227
TOTAL ASSETS	186,062	3,343,077	3,529,139
LIABILITIES			
Current liabilities			
Accounts payable	4,842	3,000	7,842
Security deposit payable	1,045	-	1,045
Accrued interest payable	8,112	18,094	26,206
Unearned revenue	217	-	217
Due to other governmental units	28,815	1,185	30,000
Current portion of long-term debt	129,453	260,000	389,453
Total current liabilities	172,484	282,279	454,763
Noncurrent liabilities			
Noncurrent portion of long-term debt	926,900	1,365,000	2,291,900
TOTAL LIABILITIES	1,099,384	1,647,279	2,746,663
NET ASSETS			
Invested in capital assets, net of related debt	-	649,326	649,326
Unrestricted	(913,322)	1,046,472	133,150
TOTAL NET ASSETS	\$ (913,322)	\$ 1,695,798	\$ 782,476

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
Program Expenses			
Community and economic development	\$ 437,847	\$ 648,467	\$ 1,086,314
Program Revenues			
Capital grants and contributions	61,627	-	61,627
NET PROGRAM EXPENSES	(376,220)	(648,467)	(1,024,687)
General Revenues			
Property taxes	523,283	858,340	1,381,623
Investment earnings	32,110	5,761	37,871
Other	507	-	507
TOTAL GENERAL REVENUES	555,900	864,101	1,420,001
CHANGE IN NET ASSETS	179,680	215,634	395,314
Net assets, beginning of the year	(1,093,002)	1,480,164	387,162
Net assets, end of the year	<u>\$ (913,322)</u>	<u>\$ 1,695,798</u>	<u>\$ 782,476</u>

See accompanying notes to financial statements.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Located in Livingston County, Michigan, Fowlerville is incorporated as a general law village in which citizens elect the council members. The Village is not included in any other governmental "reporting entity", as defined by the *Government Accounting Standards Board (GASB)*, since council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Village provides the following services, as authorized under the General Law Village Act, to approximately 2,972 residents: public safety (police), public improvements (streets, sidewalks, sewers, and water system), planning and zoning, recreation and general administrative services. The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Village of Fowlerville (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the Village's audited financial statements and are not audited separately.

2. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the Village of Fowlerville remains financially accountable for these entities or the nature and significance of the relationship between these entities and the Village of Fowlerville is such that exclusion of these entities would render the financial statements misleading or incomplete.

Downtown Development Authority (DDA) - The Authority is responsible for the management of property tax revenues captured in the DDA district within the Village boundaries. Members of the DDA board are appointed by the Village Council and the Council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the DDA.

Local Development Finance Authority (LDFA) - The Authority is responsible for the management of property tax revenues captured in the LDFA district in the Village boundaries. Members of the LDFA board are appointed by the Village Council and the Council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the LDFA.

3. Joint Venture

Fowlerville Area Fire Authority - The Fowlerville Area Fire Authority was created on January 1, 2005 by a joint venture agreement between the Townships of Handy, Iosco, and Conway and the Village of Fowlerville. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority's administrative offices. Each Township appoints one (1) member and the Village appoints one (1) member to the Board. The Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All activities of the primary government are included. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental fund:

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

The Village reports the following major enterprise funds:

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

The Village also reports an internal service fund to account for the management of mobile equipment provided to other departments of the Village on a cost reimbursement basis.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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 Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Village Manager is required to submit to the Village Council a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through passage of a resolution.
- d. The Village Manager is authorized to transfer budget amounts of \$500 or less between departments within any fund with subsequent Council ratification. Any revisions altering the total expenditures of a particular fund must be approved by the Council. Annual appropriations lapse at fiscal year end.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

7. Budgets and Budgetary Accounting - continued

- e. Budgets for the General and Special Revenue Funds are adopted on an activity basis and are consistent with accounting principles generally accepted in the United States of America.
- f. Budgeted amounts are reported as originally adopted or amended by the Village Council during the year.

8. Cash and Cash Equivalents

Cash consists of various savings and money market checking accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less. The cash equivalents and investments are recorded at cost, which approximates fair value.

9. Property Tax

The Village of Fowlerville bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Fowlerville on July 1 and are payable without penalty through September 15. The July 1 levy is composed of the Village's millage, voted millage, and special assessments. All real property taxes not paid to the Village by the due date are turned over to the Livingston County Treasurer for collection. The Livingston County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection.

The Village is permitted to levy taxes up to 12.50 mills (\$12.50 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2010, the Village levied 8.5048 mills per \$1,000 of assessed valuation for general governmental services. In addition, the Village levies .6802 for cemetery maintenance, 2.0409 for garbage service, 3.4017 for street lights, and .4698 for mosquito control. The total Taxable Value for the 2009 levy for property within the Village was \$106,090,060.

10. Inventory

Inventory in the Enterprise Funds consists of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis.

11. Prepays

Prepaid expenditures, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

12. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

13. Compensated Absences

Village employees hired before August 1, 2005 are granted sick/personal leave in varying amounts. Village employees hired after August 1, 2005 are granted a single allotment of paid time off in lieu of separate amounts of sick and vacation leave. In the event of termination, an employee is paid for portions of accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2010 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

Employees accrue vacation time throughout the year based on prior years' service. Vacation time must be used or lost, with limited exceptions.

14. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component units columns. Capital assets are those with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	2 - 15 years
Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	10 - 40 years
Water system and improvements	7 - 50 years
Infrastructure	20 - 30 years

15. Deferred and Unearned Revenue

Deferred revenue consists of miscellaneous charges for which there is an enforceable claim as of June 30, 2010. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered 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.

Government-wide and proprietary financial statements report unearned revenues for resources that have been received but not yet earned.

16. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

17. Reserved Fund Balances

Reserved fund balances are used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been segregated for a specific future use.

18. Restricted Net Assets

Restrictions of net assets shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source, which precludes their use for unrestricted purposes.

19. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured up to \$250,000 for interest-bearing savings deposits in an insured bank and up to \$250,000 for interest-bearing demand deposits at participating FDIC-insured institutions. FDIC insurance coverage through its Transaction Account Guarantee (TAG) Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent through June 30, 2010 and 0.25 percent after July 1, 2010) NOW accounts. This program is scheduled to end December 31, 2010, unless extended by the FDIC. Furthermore, if specific deposits are regulated by statute or bond indenture, these deposits are to be separately insured up to \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will have unlimited coverage at all FDIC-insured institutions.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2010, the carrying amounts of the Village's deposits were \$4,651,461 and the bank balance was \$4,711,713, of which \$380,592 was covered by federal depository insurance. The balance of \$4,331,121 was uninsured, but collateralized with securities held by a third-party pledging financial institution. The primary government had \$50 of imprest cash on hand.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). At June 30, 2010, the Village held a Government Operating Money Market Fund with a carrying amount of \$795,758 and a fair value of \$746,113. The Village's investment in the Government Operating Money Market Fund is rated Aaa by Moody's.

Interest rate risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Concentration of credit risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business in accordance with Council approved policy.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH, CASH EQUIVALENTS, AND - CONTINUED

The following summarizes the categorization of cash and cash equivalents as of June 30, 2010:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 4,200,172	\$ 1,242,149	\$ 5,442,321
Cash - restricted	<u>4,948</u>	<u>-</u>	<u>4,948</u>
Total	<u>\$ 4,205,120</u>	<u>\$ 1,242,149</u>	<u>\$ 5,447,269</u>

NOTE C: DEFERRED AND UNEARNED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities 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>Unearned</u>
Park rental deposits	\$ 275
Construction settlement agreement	30,000
Garbage cart revenues	<u>3,460</u>
	<u>\$ 33,735</u>

The Downtown Development Authority, a component unit of the Village, reported \$217 in unearned rental income as well as \$12,269 of unavailable contract revenues from loan repayments at the end of the current fiscal year.

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at June 30, 2010:

Due to General Fund from:	
Water Fund	\$ 10,285
Sewer Fund	8,731
Internal service fund	69,220
Nonmajor governmental funds	<u>23,337</u>
	<u>\$ 111,573</u>
Due to nonmajor governmental funds from:	
General Fund	<u>\$ 9,507</u>
Due to internal service fund from:	
General Fund	\$ 10,590
Sewer Fund	1,524
Water Fund	2,222
Nonmajor governmental funds	<u>2,858</u>
	<u>\$ 17,194</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

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

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds, and component unit funds have been eliminated.

Transfers to nonmajor governmental funds from:	
Nonmajor governmental funds	\$ <u>125,000</u>

The transfer within the nonmajor governmental funds was to fund general operations.

The following transfer occurred within the Downtown Development Authority:

Transfers to 2007 Debt Service Fund from:	
Special Revenue Fund	\$ <u>70,250</u>

The following transfer occurred within the Local Development Finance Authority:

Transfers to 2005 Debt Service Fund from:	
Special Revenue Fund	\$ <u>259,200</u>

The transfers within the Downtown Development Authority and the Local Development Finance Authority were for debt service.

NOTE F: LONG-TERM CONTRACTS RECEIVABLE

The Village has several loans to individuals and businesses made through the Downtown Development Authority. The amounts attributable to these long-term contracts receivable have been recorded in the Downtown Development Authority Special Revenue Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from debtors that currently have signed promissory notes with the Village:

Year Ending <u>June 30,</u>	<u>Contracts Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 3,368	\$ 352
2012	2,596	220
2013	1,776	137
2014	1,847	65
2015	<u>2,682</u>	<u>5</u>
	<u>\$ 12,269</u>	<u>\$ 779</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government

	Balance <u>July 1, 2009</u>	Additions/ <u>Reclassifications</u>	Deletions/ <u>Reclassifications</u>	Balance <u>June 30, 2010</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,368,811	\$ 14,902	\$ -	\$ 1,383,713
Construction in progress	<u>2,165,133</u>	<u>174,025</u>	<u>(2,103,533)</u>	<u>235,625</u>
Subtotal	3,533,944	188,927	(2,103,533)	1,619,338
Capital assets being depreciated				
Land improvements	294,219	2,115,660	-	2,409,879
Buildings	1,049,396	-	-	1,049,396
Vehicles	674,234	52,310	(41,646)	684,898
Machinery and equipment	700,307	10,918	-	711,225
Infrastructure	<u>1,508,027</u>	<u>7,915</u>	<u>-</u>	<u>1,515,942</u>
Subtotal	4,226,183	2,186,803	(41,646)	6,371,340
Less accumulated depreciation for:				
Land improvements	(250,904)	(23,606)	-	(274,510)
Buildings	(439,982)	(36,351)	-	(476,333)
Vehicles	(487,862)	(70,086)	24,942	(533,006)
Machinery and equipment	(607,214)	(21,676)	-	(628,890)
Infrastructure	<u>(183,244)</u>	<u>(101,096)</u>	<u>-</u>	<u>(284,340)</u>
Subtotal	<u>(1,969,206)</u>	<u>(252,815)</u>	<u>24,942</u>	<u>(2,197,079)</u>
Net capital assets being depreciated	<u>2,256,977</u>	<u>1,933,988</u>	<u>(16,704)</u>	<u>4,174,261</u>
Total net capital assets	<u>\$ 5,790,921</u>	<u>\$ 2,122,915</u>	<u>\$(2,120,237)</u>	<u>\$ 5,793,599</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 34,602
Public safety	37,689
Public works	190,150
Recreation and cultural	<u>7,078</u>
Total depreciation expense	<u>\$ 269,519</u>

The current year depreciation expense for governmental activities of \$252,815 has been adjusted by \$16,704 for the disposal of capital assets during the year, in accordance with the GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 422,764	\$ -	\$ -	\$ 422,764
Construction in progress	<u>87,780</u>	<u>397,673</u>	<u>-</u>	<u>485,453</u>
Subtotal	510,544	397,673	-0-	908,217
Capital assets being depreciated				
Buildings	3,658,619	-	-	3,658,619
Machinery and equipment	430,316	-	(1,250)	429,066
Vehicles	51,986	-	-	51,986
Sewer system	4,878,153	4,127	(2,424)	4,879,856
Water system	<u>3,693,093</u>	<u>1,250</u>	<u>(2,098)</u>	<u>3,692,245</u>
Subtotal	12,712,167	5,377	(5,772)	12,711,772
Less accumulated depreciation				
Buildings	(341,675)	(74,692)	-	(416,367)
Machinery and equipment	(403,515)	(10,518)	1,250	(412,783)
Vehicles	(35,706)	(6,604)	-	(42,310)
Sewer system	(1,331,350)	(125,863)	-	(1,457,213)
Water system	<u>(1,369,992)</u>	<u>(148,785)</u>	<u>2,097</u>	<u>(1,516,680)</u>
Subtotal	<u>(3,482,238)</u>	<u>(366,462)</u>	<u>3,347</u>	<u>(3,845,353)</u>
Net capital assets being depreciated	<u>9,229,929</u>	<u>(361,085)</u>	<u>(2,425)</u>	<u>8,866,419</u>
Total net capital assets	<u>\$ 9,740,473</u>	<u>\$ 36,588</u>	<u>\$(2,425)</u>	<u>\$ 9,774,636</u>

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

Sewer	\$ 211,291
Water	<u>155,171</u>
Total depreciation expense	<u>\$ 366,462</u>

Component Unit

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Local Development Finance Authority				
Capital assets being depreciated				
Infrastructure	\$ 3,084,116	\$ -	\$ -	\$ 3,084,116
Less accumulated depreciation				
Infrastructure	<u>(605,412)</u>	<u>(204,378)</u>	<u>-</u>	<u>(809,790)</u>
Net capital assets being depreciated	<u>2,478,704</u>	<u>(204,378)</u>	<u>-0-</u>	<u>2,274,326</u>
Total net capital assets	<u>\$ 2,478,704</u>	<u>\$(204,378)</u>	<u>\$ -0-</u>	<u>\$ 2,274,326</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
2008 General Obligation Bonds	\$ 2,400,000	\$ -	\$ 20,000	\$ 2,380,000	\$ 25,000
Compensated absences	<u>67,617</u>	<u>14,781</u>	<u>11,685</u>	<u>70,713</u>	<u>5,014</u>
	2,467,617	14,781	31,685	2,450,713	30,014
Business-type Activities					
2005 Sewer Improvement Bonds	2,885,000	-	115,000	2,770,000	120,000
2007 G.O. Capital Improvement Bonds	<u>930,000</u>	<u>-</u>	<u>35,000</u>	<u>895,000</u>	<u>35,000</u>
	<u>3,815,000</u>	<u>-0-</u>	<u>150,000</u>	<u>3,665,000</u>	<u>155,000</u>
TOTAL PRIMARY GOVERNMENT	6,282,617	14,781	181,685	6,115,713	185,014
COMPONENT UNITS					
Downtown Development Authority					
2007 General Obligation Bonds	450,000	-	50,000	400,000	55,000
2002 General Obligation Bonds	625,000	-	65,000	560,000	70,000
Land Contract	<u>100,464</u>	<u>-</u>	<u>4,111</u>	<u>96,353</u>	<u>4,453</u>
Subtotal	1,175,464	-0-	119,111	1,056,353	129,453
Local Development Finance Authority					
Local Development Bonds - 2005	1,270,000	-	180,000	1,090,000	180,000
Local Development Bonds - 2001	<u>610,000</u>	<u>-</u>	<u>75,000</u>	<u>535,000</u>	<u>80,000</u>
Subtotal	<u>1,880,000</u>	<u>-0-</u>	<u>255,000</u>	<u>1,625,000</u>	<u>260,000</u>
TOTAL COMPONENT UNITS	<u>3,055,464</u>	<u>-0-</u>	<u>374,111</u>	<u>2,681,353</u>	<u>389,453</u>
TOTAL REPORTING ENTITY	<u>\$ 9,338,081</u>	<u>\$ 14,781</u>	<u>\$ 555,796</u>	<u>\$ 8,797,066</u>	<u>\$ 574,467</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligation Bonds

\$995,000 2007 G.O. Capital Improvement Bonds, due in annual installments ranging from \$35,000 to \$75,000 through 2027, plus interest at 4.70 percent.	\$ 895,000
\$3,200,000 2005 Sewer Improvement Bonds, due in annual installments ranging from \$120,000 to \$235,000 through 2026, plus interest ranging from 4.00 to 5.00 percent.	2,770,000
\$2,400,000 2008 Downtown Development General Obligation Bonds, due in annual installments ranging from \$25,000 to \$225,000 through 2028, plus interest ranging from 4.250 to 4.375 percent.	<u>2,380,000</u>
	<u>\$ 6,045,000</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick leave. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to \$70,713 at June 30, 2010.

COMPONENT UNITS

Land Contract

The following land contract is considered an installment purchase under Act No. 99 PA of 1933, as amended, and is not subject to State of Michigan Department of Treasury approval:

\$128,000 Land contract due in monthly installments ranging from \$358 to \$430 through 2012, with interest at 8.0 percent. A lump sum of \$84,952 is due in December, 2012. \$ 96,353

General Obligation Bonds

\$990,000 2001 Garden Lane Extension Bonds, due in annual installments ranging from \$80,000 to \$100,000 plus interest through 2016, with interest ranging from 4.50 to 5.00 percent. \$ 535,000

\$990,000 2002 Development Bonds, due in annual installments ranging from \$70,000 to \$90,000 plus interest through 2016, with interest ranging from 4.50 to 5.00 percent. 560,000

\$1,430,000 2005 Local Development Bonds, due in annual installments ranging from \$180,000 to \$185,000 plus interest through 2016, with interest ranging from 4.00 to 4.50 percent. 1,090,000

\$500,000 2007 Downtown Development Authority Bonds, due in annual installments ranging from \$55,000 to \$75,000 plus interest through 2016, with interest at 4.5 percent. 400,000

\$ 2,585,000

Annual Requirements for Bonded Debt and Land Contract

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

Primary Government

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 180,000	\$ 264,318
2012	205,000	256,810
2013	225,000	248,253
2014	230,000	238,848
2015	240,000	229,243
2016-2020	1,655,000	972,688
2021-2025	2,285,000	547,734
2026-2028	<u>1,025,000</u>	<u>79,403</u>
	<u>\$ 6,045,000</u>	<u>\$ 2,837,297</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: LONG-TERM DEBT - CONTINUED

Annual Requirements for Bonded Debt and Land Contract - continued

Component Units

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Land Contract</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 385,000	\$ 115,700	\$ 4,453	\$ 7,547
2012	395,000	99,240	4,822	7,178
2013	405,000	81,833	87,078	3,441
2014	420,000	63,550	-	-
2015	440,000	44,203	-	-
2016	<u>540,000</u>	<u>25,700</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,585,000</u>	<u>\$ 430,226</u>	<u>\$ 96,353</u>	<u>\$ 18,166</u>

NOTE I: DEFINED BENEFIT RETIREMENT PLAN

Plan Description

The Village of Fowlerville approved participation in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Village of Fowlerville. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained at the Village offices or by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for eligible employees was established by the Village Council. The plan requires a 5% contribution from the employees.

Annual Pension Cost

For the year ended June 30, 2010, the Village of Fowlerville's annual pension cost of \$14,474 for the plan was equal to the Village of Fowlerville's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	<u>2007</u>	As of December 31, <u>2008</u>	<u>2009</u>
Actuarial value of assets	\$ 2,850,097	\$ 2,915,432	\$ 2,966,130
Actuarial accrued liability (AAL) (entry age)	2,663,378	2,669,997	2,794,506
Unfunded (overfunded) AAL	(186,719)	(245,435)	(171,624)
Funded ratio	107 %	109 %	106 %
Covered payroll	375,799	344,698	367,148
UAAL as a percentage of covered payroll	-0- %	-0- %	-0- %

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE I: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Three (3) year trend information - continued

	Year Ended June 30,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost	\$ 35,292	\$ 23,754	\$ 14,474
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-0-	-0-	-0-

NOTE J: DEFINED CONTRIBUTION RETIREMENT PLAN

Beginning August 1, 2005, the Village offers a Defined Contribution Plan created in accordance with Internal Revenue Code Section 401 to its employees. The plan is managed by ICMA (International City/County Management Association). For this plan, the Village contributes 5% of an employee's compensation for all eligible enrolled employees. In addition, the Village matches dollar for dollar the contributions of the individual employees up to 5%, if they choose to contribute.

For the year ended June 30, 2010, the Village contributed a combined amount of \$30,409 to the defined contribution plan for its employees.

NOTE K: RISK MANAGEMENT

The Village participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Village has no individual self-insured retention amounts and a \$250 deductible per occurrence of property and crime coverage. State pool members' limits of coverage (per occurrence) are \$5,000,000 for liability and about \$5,000,000 for property. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

NOTE L: SUBSEQUENT EVENTS

The Village entered into two construction contracts for road projects after the end of the current fiscal year. The Hibbard and North Street project was initiated on September 13, 2010, and will cost \$537,739.

The South Grand Street project was initiated on August 10, 2010 and will cost \$1,952,200. The South Grand Street project will be partially funded by the Highway Research Planning and Construction grant and passed through the Michigan Department of Transportation. The Village's portion of project costs will be \$1,148,400.

Both projects will be financed through local tax levies, revenues raised from utility billings, and Michigan Transportation Fund (Act 51) revenues.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE M: GASB PRONOUNCEMENT

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The Village will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 747,172	\$ 739,600	\$ 740,015	\$ 415
Licenses and permits	3,600	3,500	2,734	(766)
Intergovernmental				
Federal/State	325,200	351,140	365,151	14,011
Local	<u>367,350</u>	<u>388,500</u>	<u>376,175</u>	<u>(12,325)</u>
Total intergovernmental	692,550	739,640	741,326	1,686
Charges for services	455,079	402,658	376,181	(26,477)
Fines and forfeits	18,500	15,000	12,324	(2,676)
Interest and rents	24,500	10,392	4,504	(5,888)
Other	<u>13,000</u>	<u>16,054</u>	<u>17,377</u>	<u>1,323</u>
TOTAL REVENUES	1,954,401	1,926,844	1,894,461	(32,383)
OTHER FINANCING SOURCES				
Sale of cemetery lots	42,200	68,480	64,608	(3,872)
Perpetual care	<u>3,800</u>	<u>11,000</u>	<u>9,670</u>	<u>(1,330)</u>
TOTAL OTHER FINANCING SOURCES	<u>46,000</u>	<u>79,480</u>	<u>74,278</u>	<u>(5,202)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 2,000,401</u>	<u>\$ 2,006,324</u>	<u>\$ 1,968,739</u>	<u>\$ (37,585)</u>

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES

Year Ended June 30, 2010

EXPENDITURES	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Current				
General government				
Legislative	\$ 27,050	\$ 27,227	\$ 25,782	\$ 1,445
Executive	152,077	145,898	143,243	2,655
Clerk	49,160	55,178	53,024	2,154
Treasurer	115,859	116,309	114,449	1,860
Cemetery operations	91,995	89,935	89,945	(10)
Village hall and grounds	77,150	79,375	72,915	6,460
Other				
Other	28,933	24,398	20,360	4,038
Insurance	68,000	63,850	63,850	-0-
Contracted services	83,405	72,500	66,976	5,524
Total general government	693,629	674,670	650,544	24,126
Public safety				
Police department	607,623	690,229	687,697	2,532
Public works				
Refuse collection	311,827	270,188	254,737	15,451
Sanitary landfill	79,540	97,493	87,437	10,056
Mosquito control	30,500	35,000	31,655	3,345
Total public works	421,867	402,681	373,829	28,852
Recreation and cultural				
Recreation	84,948	82,124	71,732	10,392
Community and economic development				
Planning commission	19,387	26,058	20,945	5,113
Capital outlay	77,947	60,983	56,492	4,491
TOTAL EXPENDITURES	\$ 1,905,401	\$ 1,936,745	\$ 1,861,239	\$ 75,506

OTHER SUPPLEMENTARY INFORMATION

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2010

	Special Revenue			
	Major Street	Local Street	Municipal Street	Drug Law Enforcement
ASSETS				
Cash and cash equivalents	\$ 290,724	\$ 443,164	\$ 93,154	\$ 1,644
Due from other governmental units	42,781	46,919	388	-
Due from other funds	7,377	2,130	-	-
TOTAL ASSETS	\$ 340,882	\$ 492,213	\$ 93,542	\$ 1,644
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 58,643	\$ 70,075	\$ -	\$ -
Accrued wages	572	351	1,237	-
Other accrued liabilities	61	42	140	-
Due to other funds	16,743	5,381	4,071	-
Deferred revenue	30,000	-	-	-
TOTAL LIABILITIES	106,019	75,849	5,448	-0-
Fund balances				
Reserved for cemetery maintenance	-	-	-	-
Unreserved				
Undesignated, reported in:				
Special revenue funds	234,863	416,364	88,094	1,644
TOTAL FUND BALANCES	234,863	416,364	88,094	1,644
TOTAL LIABILITIES AND FUND BALANCES	\$ 340,882	\$ 492,213	\$ 93,542	\$ 1,644

<u>Debt Service</u>	<u>Capital Project</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
<u>2008 G.O. Bond</u>	<u>2008 Bond Construction</u>	<u>Greenwood Cemetery</u>	
\$ -	\$ -	\$ 53,088	\$ 881,774
-	-	-	90,088
-	-	-	9,507
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 53,088</u>	<u>\$ 981,369</u>
\$ -	\$ -	\$ -	\$ 128,718
-	-	-	2,160
-	-	-	243
-	-	-	26,195
-	-	-	30,000
-0-	-0-	-0-	187,316
-	-	53,088	53,088
-	-	-	740,965
<u>-0-</u>	<u>-0-</u>	<u>53,088</u>	<u>794,053</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 53,088</u>	<u>\$ 981,369</u>

Village of Fowlerville

Nonmajor Governmental Funds

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

Year Ended June 30, 2010

	Special Revenue			
	Major Street	Local Street	Municipal Street	Drug Law Enforcement
REVENUES				
Taxes	\$ -	\$ -	\$ 214,039	\$ -
Intergovernmental	169,945	83,738	-	-
Fines and forfeitures	-	-	-	1,283
Interest and rents	475	1,779	188	2
Other	-	-	-	-
TOTAL REVENUES	170,420	85,517	214,227	1,285
EXPENDITURES				
Current				
Public safety	-	-	-	46
Public works	81,910	61,428	24,234	-
Community and economic development	-	-	-	-
Debt service	-	-	-	-
Capital outlay	89,998	91,942	-	2,764
TOTAL EXPENDITURES	171,908	153,370	24,234	2,810
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,488)	(67,853)	189,993	(1,525)
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	-	-	-
Transfers out	-	-	(125,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	125,000	-0-	(125,000)	-0-
NET CHANGE IN FUND BALANCES	123,512	(67,853)	64,993	(1,525)
Fund balances, beginning of year	111,351	484,217	23,101	3,169
Fund balances, end of year	<u>\$ 234,863</u>	<u>\$ 416,364</u>	<u>\$ 88,094</u>	<u>\$ 1,644</u>

<u>Debt Service</u>	<u>Capital Project</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
<u>2008 G.O. Bond</u>	<u>2008 Bond Construction</u>	<u>Greenwood Cemetery</u>	
\$ -	\$ -	\$ -	\$ 214,039
123,571	-	-	377,254
-	-	-	1,283
89	9	118	2,660
-	-	4,110	4,110
<u>123,660</u>	<u>9</u>	<u>4,228</u>	<u>599,346</u>
-	-	-	46
-	-	-	167,572
-	61,627	-	61,627
124,000	-	-	124,000
-	30,671	-	215,375
<u>124,000</u>	<u>92,298</u>	<u>-0-</u>	<u>568,620</u>
(340)	(92,289)	4,228	30,726
-	-	-	125,000
-	-	-	(125,000)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
(340)	(92,289)	4,228	30,726
<u>340</u>	<u>92,289</u>	<u>48,860</u>	<u>763,327</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 53,088</u>	<u>\$ 794,053</u>

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2010

	Special Revenue	Property Rental	2007 Debt Service	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 171,924	\$ 929	\$ 545	\$ 173,398
Rent receivable	-	395	-	395
Contracts receivable	12,269	-	-	12,269
TOTAL ASSETS	\$ 184,193	\$ 1,324	\$ 545	\$ 186,062
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current liabilities				
Accounts payable	\$ 4,842	\$ -	\$ -	\$ 4,842
Security deposit payable	-	1,045	-	1,045
Deferred revenue	12,269	217	-	12,486
Due to other governmental units	28,815	-	-	28,815
TOTAL LIABILITIES	45,926	1,262	-0-	47,188
FUND BALANCES				
Reserved for debt service	-	-	545	545
Unreserved				
Undesignated, reported in:				
Special revenue funds	138,267	62	-	138,329
TOTAL FUND BALANCES	138,267	62	545	138,874
TOTAL LIABILITIES AND FUND BALANCES	\$ 184,193	\$ 1,324	\$ 545	\$ 186,062

Village of Fowlerville

Component Unit Funds

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

June 30, 2010

Total fund balances - governmental funds \$ 138,874

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

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

Deferred revenue 12,269

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and land contract payable	\$ 1,056,353	
Accrued interest payable	8,112	
	<u> </u>	<u>(1,064,465)</u>

Net assets of governmental activities \$ (913,322)

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2010

	Special Revenue	Property Rental	2007 Debt Service	Total
REVENUES				
Taxes	\$ 523,283	\$ -	\$ -	\$ 523,283
Intergovernmental	61,627	-	-	61,627
Interest and rents	7,300	24,731	79	32,110
Other	438	1,895	-	2,333
TOTAL REVENUES	592,648	26,626	79	619,353
EXPENDITURES				
Current				
Community and economic development				
Salaries	5,907	-	-	5,907
Fringe benefits	2,592	-	-	2,592
Contracted services	61,553	-	-	61,553
Supplies	7,104	-	-	7,104
Printing and publishing	506	-	-	506
Repairs and maintenance	25,451	1,524	-	26,975
Equipment rental	8,187	-	-	8,187
Farmers market	4,382	-	-	4,382
Fire fees	22,000	-	-	22,000
Utilities	-	7,383	-	7,383
Management fees	-	2,113	-	2,113
Property taxes	-	8,900	-	8,900
Other	759	158	-	917
Debt service	317,082	12,000	70,250	399,332
TOTAL EXPENDITURES	455,523	32,078	70,250	557,851
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	137,125	(5,452)	(70,171)	61,502
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	70,250	70,250
Transfers out	(70,250)	-	-	(70,250)
TOTAL OTHER FINANCING SOURCES (USES)	(70,250)	-0-	70,250	-0-
NET CHANGE IN FUND BALANCES	66,875	(5,452)	79	61,502
Fund balances, beginning of year	71,392	5,514	466	77,372
Fund balances, end of year	<u>\$ 138,267</u>	<u>\$ 62</u>	<u>\$ 545</u>	<u>\$ 138,874</u>

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 61,502

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in deferred revenue in the current year was: (1,826)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond and land contract principal retirement 119,111

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable 893

Change in net assets of governmental activities \$ 179,680

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2010

	Special Revenue	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 784,613	\$ 26,274	\$ 257,864	\$ 1,068,751
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,000	\$ -	\$ -	\$ 3,000
Due to other governmental units	1,185	-	-	1,185
TOTAL LIABILITIES	4,185	-0-	-0-	4,185
FUND BALANCES				
Reserved for:				
Debt service	-	26,274	-	26,274
Capital improvements	170,000	-	257,864	427,864
Sinking fund	391,385	-	-	391,385
Unreserved				
Undesignated, reported in:				
Special revenue funds	219,043	-	-	219,043
TOTAL FUND BALANCES	780,428	26,274	257,864	1,064,566
TOTAL LIABILITIES AND FUND BALANCES	\$ 784,613	\$ 26,274	\$ 257,864	\$ 1,068,751

Village of Fowlerville

Component Unit Funds

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

June 30, 2010

Total fund balances - governmental funds **\$ 1,064,566**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,084,116	
Accumulated depreciation is	<u>(809,790)</u>	
		2,274,326

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	1,625,000	
Accrued interest payable	<u>18,094</u>	
		<u>(1,643,094)</u>

Net assets of governmental activities **\$ 1,695,798**

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2010

	Special Revenue	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
REVENUES				
Taxes	\$ 858,340	\$ -	\$ -	\$ 858,340
Interest	4,003	205	1,553	5,761
TOTAL REVENUES	862,343	205	1,553	864,101
EXPENDITURES				
Current				
Community and economic development				
Contracted services	14,963	-	-	14,963
Payments to primary government	307,877	-	-	307,877
Other	40,774	-	-	40,774
Debt service	103,920	234,180	-	338,100
TOTAL EXPENDITURES	467,534	234,180	-0-	701,714
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	394,809	(233,975)	1,553	162,387
OTHER FINANCING SOURCES (USES)				
Transfers in	-	259,200	-	259,200
Transfers out	(259,200)	-	-	(259,200)
TOTAL OTHER FINANCING SOURCES (USES)	(259,200)	259,200	-0-	-0-
NET CHANGE IN FUND BALANCES	135,609	25,225	1,553	162,387
Fund balances, beginning of year	644,819	1,049	256,311	902,179
Fund balances, end of year	<u>\$ 780,428</u>	<u>\$ 26,274</u>	<u>\$ 257,864</u>	<u>\$ 1,064,566</u>

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 162,387

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (204,378)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement 255,000

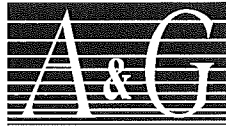
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable 2,625

Change in net assets of governmental activities \$ 215,634

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Honorable President and
Members of the Village Council
Village of Fowlerville, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville (the Village) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters.

This report is intended solely for the information and use of management and members of the Village Council of the Village of Fowlerville, others within the entity, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 3, 2010

East Lansing ▪ Rochester Hills ▪ St. Johns