

**Village of Fowlerville
Livingston County, Michigan**

FINANCIAL STATEMENTS

June 30, 2012

Village of Fowlerville
Livingston County, Michigan

June 30, 2012
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, 2012, 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, 2012, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not required part of the financial statements. The combining fund financial statements and the component unit funds financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 20, 2012

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012. 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 \$13,934,331 at the close of 2012 (excluding component units).
- Governmental activities net assets were \$5,578,468.
- Business-type activities net assets were \$8,355,863.
- Component unit net assets were \$1,173,241.

Fund Level:

- At the close of the fiscal year, the Village of Fowlerville's governmental funds reported a combined ending fund balance of \$1,570,565 with \$1,164,757 being nonspendable, restricted, committed, or assigned.
- The General Fund's fund balance decreased by \$29,379. This decrease in fund balance was mainly due to increases in recreation and culture expenditures.

Capital and Long-term Debt Activities:

- The total long-term debt for the governmental activities of the primary government was \$2,310,000.
- The total long-term debt for the business-type activities of the primary government was \$3,350,000.

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 2012. 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, 2012

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 operating grants and contributions 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 and Sewer Fund.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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 and Water and Sewer 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 14 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 budgetary comparison schedules 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, 2012

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville AS A WHOLE

As previously stated, the Village of Fowlerville's combined net assets were \$13,934,331 at the end of this fiscal year. The net assets of the governmental activities were \$5,578,468 and the business-type activities were \$8,355,863.

Net Assets as of June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 2,000,847	\$ 1,862,408	\$ 2,608,596	\$ 2,288,835	\$ 4,609,443	\$ 4,151,243
Capital Assets	6,112,531	6,027,650	9,139,339	9,347,485	15,251,870	15,375,135
Total Assets	\$ 8,113,378	\$ 7,890,058	\$ 11,747,935	\$ 11,636,320	\$ 19,861,313	\$ 19,526,378
Current Liabilities	\$ 218,183	\$ 290,308	\$ 217,072	\$ 323,511	\$ 435,255	\$ 613,819
Noncurrent Liabilities	2,316,727	2,372,559	3,175,000	3,350,000	5,491,727	5,722,559
Total Liabilities	\$ 2,534,910	\$ 2,662,867	\$ 3,392,072	\$ 3,673,511	\$ 5,926,982	\$ 6,336,378
Net Assets						
Invested in Capital Assets (net of related debt)	\$ 3,802,531	\$ 3,672,650	\$ 5,789,339	\$ 5,837,485	\$ 9,591,870	\$ 9,510,135
Restricted	1,041,919	792,385	-	183,761	1,041,919	976,146
Unrestricted	734,018	762,156	2,566,524	1,941,563	3,300,542	2,703,719
Total Net Assets	\$ 5,578,468	\$ 5,227,191	\$ 8,355,863	\$ 7,962,809	\$ 13,934,331	\$ 13,190,000

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	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for Services	\$ 705,814	\$ 696,943	\$ 1,548,124	\$ 1,522,152	\$ 2,253,938	\$ 2,219,095
Operating Grants and Contributions	543,491	486,273	-	-	543,491	486,273
Capital Grants and Contributions	254,229	206,332	157,732	345,671	411,961	552,003
General Revenues						
Property Taxes	829,174	873,183	-	-	829,174	873,183
State Shared Revenue	245,777	245,611	-	-	245,777	245,611
Investment Earnings	6,428	9,838	4,431	8,188	10,859	18,026
Intergovernmental	70,100	95,000	-	-	70,100	95,000
Miscellaneous	7,380	12,284	-	-	7,380	12,284
Total Revenues	2,662,393	2,625,464	1,710,287	1,876,011	4,372,680	4,501,475

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Expenses						
General Government	\$ 763,053	\$ 754,647	\$ -	\$ -	\$ 763,053	\$ 754,647
Public Safety	685,760	758,938	-	-	685,760	758,938
Public Works	621,693	645,242	-	-	621,693	645,242
Community and Economic Development	94,983	84,820	-	-	94,983	84,820
Recreation and Culture	44,109	4,768	-	-	44,109	4,768
Interest on long-term debt	101,518	102,723	-	-	101,518	102,723
Water/Sewer	-	-	1,317,233	1,364,935	1,317,233	1,364,935
Total Expenses	2,311,116	2,351,138	1,317,233	1,364,935	3,628,349	3,716,073
Increase in Net Assets	351,277	274,326	393,054	511,076	744,331	785,402
Net Assets - Beginning	5,227,191	4,952,865	7,962,809	7,451,733	13,190,000	12,404,598
Net Assets - Ending	\$ 5,578,468	\$ 5,227,191	\$ 8,355,863	\$ 7,962,809	\$13,934,331	\$13,190,000

Governmental Activities:

The result of fiscal year 2012 governmental activity was an increase of \$351,277 in net assets to \$5,578,468. Of the total governmental activities' net assets, \$3,802,531 is invested in capital assets less related debt and \$1,041,919 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 \$734,018 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories in governmental activities were property taxes at 31.1%; charges for services at 26.5%; and operating grants and contributions at 20.4%. 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 0.4698 mills of special voted millage for mosquito control, 2.0409 mills for garbage 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 0.6802 mills for cemetery maintenance.

Expenses:

General Government is the largest governmental activity, expending \$763,053 of the approximately \$2.31 million total expenses. This activity includes the annual costs for the operation of the Village's general governmental activities.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Business-type Activities:

Net assets in the business-type activities increased by \$393,054 during the fiscal year 2012. This was mainly due to the Community Development Block Grant received by the Village.

Of the total \$8,355,863 of net assets in the business-type activities, \$2,566,524 is reported as unrestricted and \$5,789,339 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 2012, its governmental funds reported *combined* fund balances of \$1,570,565. The net changes are summarized in the following chart:

	General Fund	Nonmajor Governmental Funds
Fund Balance June 30, 2012	\$ 699,119	\$ 871,446
Fund Balance June 30, 2011	728,498	661,074
Net Change	(29,379)	210,372

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, 2012, the General Fund reported a fund balance of \$699,119. This amount is an decrease of \$29,379 from the fund balance of \$728,498 reported as of June 30, 2011.

The General Fund fiscal year 2012 expenditures exceeded revenues by \$29,379.

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 totaled \$1,969,054; \$21,774 below the final amended budget. The most significant variation was the charges for services revenue, which had a negative variation of \$22,362. This was caused by less people doing preplanning/purchasing of grave plots.

The Village of Fowlerville's expenditures totaled \$1,998,433; \$154,627 below the final amended budget. The most significant variation was in the area of general government, which had a positive variation of \$42,491, mainly due to reductions in treasurer and village hall and grounds expenditures.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Water & Sewer Fund:

The Water and Sewer Fund had an increase in its net assets of \$393,054. Operating revenues showed a increase of \$25,972, while total operating expenses increased by \$80,717. In 2012 the Fund had total operating expenses of \$1,162,400 and total operating revenues of \$1,548,124 for an operating income of \$385,724.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2012, the Village of Fowlerville had invested \$6,112,531 and \$9,139,339 (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 land improvements in the amount of \$232,106. Significant additions to the business-type capital assets include improvements to the sewer system and water system in the Water and Sewer Fund. Accumulated depreciation was \$2,434,049 for the governmental activities and \$4,557,420 for the business-type activities. Depreciation charges for the fiscal year totaled \$299,443 for the governmental activities and \$412,197 for the business-type activities. For more detailed information related to capital assets, refer to pages 23-25 of the financial statements.

	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,383,713	\$ 422,764	\$ 1,806,477
Land Improvement, net	2,260,825	-	2,260,825
Construction in progress	272,528	1,177,411	1,449,939
Buildings, net	430,313	3,098,371	3,528,684
Vehicles, net	103,463	-	103,463
Machinery and Equipment, net	36,226	8,003	44,229
Infrastructure, net	1,625,463	-	1,625,463
Water System, net	-	2,462,447	2,462,447
Sewer System, net	-	1,970,343	1,970,343
Capital assets, net	<u>\$ 6,112,531</u>	<u>\$ 9,139,339</u>	<u>\$ 15,251,870</u>

Outstanding Debt as of June 30, 2012:

As of June 30, 2012, the Village of Fowlerville had \$2,369,375 in bonds and accumulated vacation and sick time outstanding for the governmental activities. Of this amount, \$2,310,000 is bonds and \$59,375 is compensated absences. This level of net obligation is \$52,247 lower than the obligation recorded as of June 30, 2011.

The business-type activities showed total outstanding balance of \$3,350,000 as of June 30, 2012. The debt is comprised of capital improvement bonds. This level of net obligation is \$160,000 lower than the obligation recorded as of June 30, 2011.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Outstanding Debt as of June 30, 2012- continued:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Primary Government				
Governmental Activities				
Bonds	\$ 2,355,000	\$ -	\$ (45,000)	\$ 2,310,000
Compensated absences	66,622	3,140	(10,387)	59,375
Total Governmental Activities	2,421,622	3,140	(55,387)	2,369,375
Business Type Activities				
Water and Sewer Bonds	3,510,000	-	(160,000)	3,350,000
Total Primary Government	<u>\$ 5,931,622</u>	<u>\$ 3,140</u>	<u>\$ (215,387)</u>	<u>\$ 5,719,375</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, 2012, was \$95,764,860; therefore, the Village of Fowlerville's debt limitation was \$9,576,486. 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 seventh year of reviewing the water and sewer rates. The objective is to make sure that the rates are in line with expenditures. This would include both expenditures for operating and long-term capital. Given the fact that the Village has spent significant funds on capital outlay, water and sewer rates should be reviewed in the near future to make sure they remain in line with ongoing operating and long-term capital expenditures.

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 Offices at (517) 223-3771.

BASIC FINANCIAL STATEMENTS

Village of Fowlerville

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,686,951	\$ 1,991,588	\$ 3,678,539	\$ 1,319,833
Cash - restricted	-	148,488	148,488	-
Receivables	36,689	410,587	447,276	-
Due from other governmental units	228,617	47,115	275,732	974
Internal balances	19,113	(19,113)	-0-	-
Inventory	-	28,551	28,551	-
Prepays	29,477	1,380	30,857	-
Total current assets	2,000,847	2,608,596	4,609,443	1,320,807
Noncurrent assets				
Capital assets not being depreciated	1,656,241	1,600,175	3,256,416	-
Capital assets, net of accumulated depreciation	4,456,290	7,539,164	11,995,454	1,827,443
Total noncurrent assets	6,112,531	9,139,339	15,251,870	1,827,443
TOTAL ASSETS	8,113,378	11,747,935	19,861,313	3,148,250
LIABILITIES				
Current liabilities				
Accounts payable	72,975	22,187	95,162	147,563
Accrued liabilities	72,777	1,024	73,801	-
Due to other governmental units	974	-	974	2,799
Security deposits payable	-	-	-0-	550
Accrued interest payable	16,579	18,861	35,440	19,097
Unearned revenue	2,230	-	2,230	-
Current portion of compensated absences	2,648	-	2,648	-
Current portion of long-term debt	50,000	175,000	225,000	405,000
Total current liabilities	218,183	217,072	435,255	575,009
Noncurrent liabilities				
Noncurrent portion of compensated absences	56,727	-	56,727	-
Noncurrent portion of long-term debt	2,260,000	3,175,000	5,435,000	1,400,000
Total noncurrent liabilities	2,316,727	3,175,000	5,491,727	1,400,000
TOTAL LIABILITIES	2,534,910	3,392,072	5,926,982	1,975,009
NET ASSETS				
Invested in capital assets, net of related debt	3,802,531	5,789,339	9,591,870	727,443
Restricted for streets and highways	503,764	-	503,764	-
Restricted for other purposes	538,155	-	538,155	997,119
Unrestricted	734,018	2,566,524	3,300,542	(551,321)
TOTAL NET ASSETS	\$ 5,578,468	\$ 8,355,863	\$ 13,934,331	\$ 1,173,241

See accompanying notes to financial statements.

Village of Fowlerville
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 763,053	\$ 369,408	\$ 180,770	\$ -	\$ (212,875)	\$ -	\$ (212,875)	\$ -
Public safety	685,760	34,711	158,458	-	(492,591)	-	(492,591)	-
Public works	621,693	301,695	204,188	108,339	(7,471)	-	(7,471)	-
Recreation and culture	44,109	-	75	145,890	101,856	-	101,856	-
Community and economic development	94,983	-	-	-	(94,983)	-	(94,983)	-
Interest on long-term debt	101,518	-	-	-	(101,518)	-	(101,518)	-
Total governmental activities	2,311,116	705,814	543,491	254,229	(807,582)	-0-	(807,582)	-0-
Business-type activities								
Water and sewer	1,317,233	1,548,124	-	157,732	-	388,623	388,623	-
Total primary government	<u>\$ 3,628,349</u>	<u>\$ 2,253,938</u>	<u>\$ 543,491</u>	<u>\$ 411,961</u>	(807,582)	388,623	(418,959)	-0-
Component units:								
Downtown Development Authority	\$ 370,881	\$ 11,117	\$ 90,000	\$ -	-	-	-0-	(269,764)
Local Development Finance Authority	879,620	-	-	-	-	-	-0-	(879,620)
Total component units	<u>\$ 1,250,501</u>	<u>\$ 11,117</u>	<u>\$ 90,000</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(1,149,384)
General revenues:								
Property taxes					829,174	-	829,174	1,237,790
State shared revenue					245,777	-	245,777	-
Investment earnings					6,428	4,431	10,859	8,140
Intergovernmental					70,100	-	70,100	-
Miscellaneous					7,380	-	7,380	39,305
Total general revenues					1,158,859	4,431	1,163,290	1,285,235
Change in net assets					351,277	393,054	744,331	135,851
Net assets, beginning of the year					5,227,191	7,962,809	13,190,000	1,037,390
Net assets, end of the year					<u>\$ 5,578,468</u>	<u>\$ 8,355,863</u>	<u>\$ 13,934,331</u>	<u>\$ 1,173,241</u>

See accompanying notes to financial statements.

Village of Fowlerville

Governmental Funds

BALANCE SHEET

June 30, 2012

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 590,700	\$ 829,009	\$ 1,419,709
Accounts receivable	36,689	-	36,689
Due from other governmental units	144,465	82,388	226,853
Due from other funds	39,076	18,606	57,682
Prepays	29,477	-	29,477
	<u>840,407</u>	<u>930,003</u>	<u>1,770,410</u>
TOTAL ASSETS	\$ 840,407	\$ 930,003	\$ 1,770,410
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Account payable	\$ 41,466	\$ 29,116	\$ 70,582
Accrued liabilities	72,324	256	72,580
Due to other governmental units	974	-	974
Due to other funds	24,294	29,185	53,479
Deferred revenue	2,230	-	2,230
	<u>141,288</u>	<u>58,557</u>	<u>199,845</u>
TOTAL LIABILITIES	141,288	58,557	199,845
FUND BALANCES			
Nonspendable	29,477	67,894	97,371
Restricted	170,834	803,191	974,025
Committed	93,000	-	93,000
Assigned	-	361	361
Unassigned	405,808	-	405,808
	<u>699,119</u>	<u>871,446</u>	<u>1,570,565</u>
TOTAL FUND BALANCES	699,119	871,446	1,570,565
TOTAL LIABILITIES AND FUND BALANCES	\$ 840,407	\$ 930,003	\$ 1,770,410

See accompanying notes to financial statements.

Village of Fowlerville

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

June 30, 2012

Total fund balances - governmental funds \$ 1,570,565

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	\$ 7,916,344	
Accumulated depreciation is	<u>(1,907,178)</u>	
Capital assets, net		6,009,166

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.	384,691
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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	(2,310,000)	
Accrued interest payable	(16,579)	
Compensated absences	<u>(59,375)</u>	
		<u>(2,385,954)</u>

Net assets of governmental activities \$ 5,578,468

Village of Fowlerville

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2012

	General	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 661,142	\$ 186,461	\$ 847,603
Licenses and permits	2,227	-	2,227
Intergovernmental	895,234	464,618	1,359,852
Charges for services	387,279	-	387,279
Fines and forfeitures	9,481	20,564	30,045
Interest and rents	6,282	1,585	7,867
Other	7,409	20,111	27,520
TOTAL REVENUES	1,969,054	693,339	2,662,393
EXPENDITURES			
Current			
General government	699,550	-	699,550
Public safety	666,098	10,860	676,958
Public works	279,168	192,920	472,088
Community and economic development	95,276	-	95,276
Recreation and culture	258,341	-	258,341
Capital outlay	-	132,350	132,350
Debt service	-	146,837	146,837
TOTAL EXPENDITURES	1,998,433	482,967	2,481,400
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,379)	210,372	180,993
OTHER FINANCING SOURCES (USES)			
Transfers in	-	150,000	150,000
Transfers out	-	(150,000)	(150,000)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(29,379)	210,372	180,993
Fund balances, beginning of year	728,498	661,074	1,389,572
Fund balances, end of year	<u>\$ 699,119</u>	<u>\$ 871,446</u>	<u>\$ 1,570,565</u>

See accompanying notes to financial statements.

Village of Fowlerville

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

Year Ended June 30, 2012

Net change in fund balances - total governmental funds **\$ 180,993**

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	\$ 384,324	
Depreciation expense	<u>(273,349)</u>	
Excess of capital outlay over depreciation expense		110,975

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 period, these amounts consist of:

Bond principal retirement		45,000
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An internal service funds is used by management to charge the costs of certain activities to individual funds. The net assets of the internal service fund increased in the current period. 6,743

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	319	
Decrease in accrued compensated absences	<u>7,247</u>	
		<u>7,566</u>

Change in net assets of governmental activities **\$ 351,277**

Village of Fowlerville

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service (Motor Pool)</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,991,588	\$ 267,242
Cash - restricted	148,488	-
Receivables		
Accounts	410,587	-
Special assessment	-	-
Due from other governmental units	47,115	1,764
Due from other funds	261	17,099
Inventory	28,551	-
Prepays	1,380	-
	<u>2,627,970</u>	<u>286,105</u>
Total current assets		
Noncurrent assets		
Capital assets not being depreciated	1,600,175	-
Capital assets, net of accumulated depreciation	<u>7,539,164</u>	<u>103,365</u>
	<u>9,139,339</u>	<u>103,365</u>
Total noncurrent assets		
	11,767,309	389,470
TOTAL ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	22,187	2,393
Accrued liabilities	1,024	197
Due to other governmental units	-	-
Due to other funds	19,374	2,189
Accrued interest payable	18,861	-
Current portion of long-term debt	<u>175,000</u>	<u>-</u>
	236,446	4,779
Total current liabilities		
Noncurrent liabilities		
Noncurrent portion of long-term debt	<u>3,175,000</u>	<u>-</u>
	3,411,446	4,779
TOTAL LIABILITIES		
NET ASSETS		
Investment in capital assets, net of related debt	5,789,339	103,365
Unrestricted	<u>2,566,524</u>	<u>281,326</u>
	<u>\$ 8,355,863</u>	<u>\$ 384,691</u>
TOTAL NET ASSETS		

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, 2012

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service (Motor Pool)</u>
OPERATING REVENUES		
Charges for services	\$ 1,548,124	\$ 138,493
OPERATING EXPENSES		
Administrative	16,544	113,080
Wastewater operations	397,161	-
Water distribution	336,498	-
Depreciation	<u>412,197</u>	<u>26,094</u>
TOTAL OPERATING EXPENSES	<u>1,162,400</u>	<u>139,174</u>
OPERATING INCOME (LOSS)	385,724	(681)
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	4,431	642
Insurance reimbursement	-	7,782
Interest expense and fiscal agent fees	<u>(154,833)</u>	<u>(1,000)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(150,402)</u>	<u>7,424</u>
NET INCOME BEFORE CAPITAL GRANTS	235,322	6,743
CAPITAL GRANTS	<u>157,732</u>	<u>-</u>
CHANGE IN NET ASSETS	393,054	6,743
Net assets, beginning of year	<u>7,962,809</u>	<u>377,948</u>
Net assets, end of year	<u><u>\$ 8,355,863</u></u>	<u><u>\$ 384,691</u></u>

See accompanying notes to financial statements.

Village of Fowlerville
Proprietary Funds
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,771,792	\$ 138,634
Cash receipts from other funds	2,390	-
Cash paid to suppliers	(856,159)	(96,543)
Cash paid for employees and benefits	(18,924)	(15,221)
Cash paid to other funds	(9,337)	(32,013)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	889,762	(5,143)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset acquisitions	(204,051)	-
Capital grants	157,732	-
Principal payments	(160,000)	-
Insurance reimbursement	-	7,782
Interest and fees paid	(155,661)	(1,000)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(361,980)	6,782
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,431	642
NET INCREASE IN CASH AND CASH EQUIVALENTS	532,213	2,281
Cash and cash equivalents, beginning of year	1,607,863	264,961
Cash and cash equivalents, end of year	\$ 2,140,076	\$ 267,242

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2012

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service (Motor Pool)</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 385,724	\$ (681)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	412,197	26,094
(Increase) decrease in:		
Accounts receivable	22,628	186
Special assessments receivable	20	-
Due from other governmental units	201,020	(45)
Due from other funds	2,390	(598)
Inventory	(2,889)	-
Prepays	(1,380)	-
Increase (decrease) in:		
Accounts payable	(114,620)	1,426
Accrued liabilities	(2,380)	(110)
Due to other governmental units	(3,611)	-
Due to other funds	(9,337)	(31,415)
 NET CASH PROVIDED (USED) BY BY OPERATING ACTIVITIES	 <u>\$ 889,762</u>	 <u>\$ (5,143)</u>

See accompanying notes to financial statements.

Village of Fowlerville

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 17,425</u>
LIABILITIES	
Due to others	<u>\$ 17,425</u>

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2012

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 65,370	\$ 1,254,463	\$ 1,319,833
Due from other governmental units	974	-	974
Total current assets	66,344	1,254,463	1,320,807
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	1,827,443	1,827,443
TOTAL ASSETS	66,344	3,081,906	3,148,250
LIABILITIES			
Current liabilities			
Accounts payable	1,684	145,879	147,563
Due to other governmental units	1,899	900	2,799
Security deposit payable	550	-	550
Accrued interest payable	5,559	13,538	19,097
Current portion of long-term debt	140,000	265,000	405,000
Total current liabilities	149,692	425,317	575,009
Noncurrent liabilities			
Noncurrent portion of long-term debt	565,000	835,000	1,400,000
TOTAL LIABILITIES	714,692	1,260,317	1,975,009
NET ASSETS			
Invested in capital assets, net of related debt	-	727,443	727,443
Restricted for capital improvements	-	507,734	507,734
Restricted for sinking fund	-	489,385	489,385
Unrestricted	(648,348)	97,027	(551,321)
TOTAL NET ASSETS	\$ (648,348)	\$ 1,821,589	\$ 1,173,241

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	Downtown Development Authority	Local Development Finance Authority	Total
Program expenses			
Community and economic development	\$ 370,881	\$ 879,620	\$ 1,250,501
Program revenues			
Operating grants and contributions	90,000	-	90,000
Charges for services	11,117	-	11,117
	<u>(269,764)</u>	<u>(879,620)</u>	<u>(1,149,384)</u>
NET PROGRAM EXPENSES			
General revenues			
Property taxes	449,011	788,779	1,237,790
Investment earnings	4,839	3,301	8,140
Other	1,295	38,010	39,305
	<u>455,145</u>	<u>830,090</u>	<u>1,285,235</u>
TOTAL GENERAL REVENUES			
CHANGE IN NET ASSETS	185,381	(49,530)	135,851
Net assets, beginning of the year	<u>(833,729)</u>	<u>1,871,119</u>	<u>1,037,390</u>
Net assets, end of the year	<u>\$ (648,348)</u>	<u>\$ 1,821,589</u>	<u>\$ 1,173,241</u>

See accompanying notes to financial statements.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 (GAAP) as applicable to village governments. The Governmental Accounting Standards Board (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. 4*, 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. The discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the Village. All component units are included in the Village's audited financial statements and are not audited separately.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Village of Fowlerville contain all the funds controlled by the Village Council.

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. The financial statements contain the following discretely presented component units:

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. The DDA is included in the Village's audited financial statements and is not audited separately.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

2. Discretely Presented Component Units - continued

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. The Authority is included in the Village's audited financial statements and is not audited separately.

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's audited financial statements can be obtained at the Village offices.

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.

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 fund 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.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The Village reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for the operations required to providing sewer and 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.

The Village also reports an agency fund to account for assets held by the Village as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The Village's agency fund is the Trust and Agency Fund.

5. Measurement Focus

The government-wide and proprietary fund 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.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

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 a 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.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

6. Basis of Accounting - continued

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. The Village President performed this task as acting Village Manager during the year ended June 30, 2012.
- 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. The Village President was authorized to perform this task as acting Village Manager during the year ended June 30, 2012.
- 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 money market funds. The cash equivalents are recorded at cost, which approximates fair value.

A portion of the cash reported in the Water and Sewer Fund is classified as restricted because its use is limited to debt service.

9. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan or other governments for various payments and grants.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

10. Receivables

Receivables consist of amounts due related from individuals and businesses related to charges for services, interest receivable, special assessments receivable, and other amounts owed to the Village at year-end.

11. 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. Village property tax revenues are recognized as revenues in the fiscal year levied.

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, 2012, the Village levied 8.5048 mills per \$1,000 of assessed valuation for general governmental services. In addition, the Village levies 0.6802 for cemetery maintenance, 2.0409 for garbage service, 3.4017 for street lights, and 0.4698 for mosquito control. The total Taxable Value for the 2011 levy for property within the Village was \$95,794,950.

12. Inventory

Inventory in the enterprise funds consists of Water and Sewer Department supplies which are stated at the lower of cost or market on the first in - first out basis.

13. 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 nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

14. 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, proprietary, and component unit funds are netted as part of the reconciliation to the government-wide financial statements.

15. 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, 2012 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.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

16. 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	10 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	2 - 8 years
Sewer system	10 - 40 years
Water system	7 - 50 years
Infrastructure	20 - 30 years

17. Deferred and Unearned Revenue

Deferred revenue consists of miscellaneous charges for which there is an enforceable claim as of June 30, 2012. 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 financial statements report unearned revenues for resources that have been received but not yet earned.

18. 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.

19. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

20. 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.

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, 2012, the carrying amounts of the Village's deposits were \$5,123,537 and the bank balance was \$5,235,806, of which \$503,088 was covered by federal depository insurance. The balance of \$4,732,718 was uninsured but collateralized. The primary government had \$125 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, 2012, the Village held Government Operating Money Market Funds with a carrying amount of \$40,623 and a fair value of \$40,623. The Village's investment in the Government Operating Money Market Funds are rated Aaa by Moody's.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

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.

The following summarizes the categorization of cash and cash equivalents as of June 30, 2012:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 3,678,539	\$ 1,319,833	\$ 17,425	\$ 5,015,797
Cash - restricted	148,488	-	-	148,488
	<u>\$ 3,827,027</u>	<u>\$ 1,319,833</u>	<u>\$ 17,425</u>	<u>\$ 5,164,285</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at June 30, 2012:

Due to General Fund from:		
Water and Sewer Fund		\$ 17,083
Internal service fund		2,189
Nonmajor governmental funds		19,804
		<u>\$ 39,076</u>
Due to nonmajor governmental fund from:		
General Fund		\$ 10,905
Nonmajor governmental funds		7,701
		<u>\$ 18,606</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to Water and Sewer Fund from:	
General Fund	<u>\$ 261</u>
Due to internal service fund from:	
General Fund	\$ 13,128
Nonmajor governmental funds	1,680
Water and Sewer Fund	<u>2,291</u>
	<u>\$ 17,099</u>

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 D: 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 and component unit funds have been eliminated.

Primary Government

Transfers to nonmajor governmental fund from:	
Nonmajor governmental fund	<u>\$ 150,000</u>

Component Units

Downtown Development Authority

Transfers to Property Rental Fund from:	
Downtown Development Authority	
General Fund	<u>\$ 6,973</u>

Transfers to 2007 Debt Service Fund from:	
Downtown Development Authority	
General Fund	<u>\$ 75,525</u>

Local Finance Development Authority

Transfers to 2005 Debt Service Fund from:	
Local Development Finance Authority	
General Fund	<u>\$ 217,000</u>

Transfers from the Local Street Fund to the Major Street Fund and from the Downtown Development Authority General Fund to the Property Rental Fund were to finance current year operations. Transfers from the Downtown Development Authority General Fund to the 2007 Debt Service Fund and from the Local Development Finance Authority General Fund to the 2005 Debt Service Fund were to finance current year debt service payments.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government

	Balance July 1, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2012
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,383,713	\$ -	\$ -	\$ 1,383,713
Construction in progress	405,786	15,899	(149,157)	272,528
Subtotal	1,789,499	15,899	(149,157)	1,656,241
Capital assets being depreciated				
Land improvements	2,397,449	232,106	(9,509)	2,620,046
Buildings	904,083	-	(10,458)	893,625
Vehicles	634,798	-	(20,098)	614,700
Machinery and equipment	577,631	19,967	-	597,598
Infrastructure	1,898,861	265,509	-	2,164,370
Subtotal	6,412,822	517,582	(40,065)	6,890,339
Less accumulated depreciation for:				
Land improvements	(307,663)	(61,067)	9,509	(359,221)
Buildings	(443,262)	(30,508)	10,458	(463,312)
Vehicles	(504,654)	(26,681)	20,098	(511,237)
Machinery and equipment	(520,925)	(40,447)	-	(561,372)
Infrastructure	(398,167)	(140,740)	-	(538,907)
Subtotal	(2,174,671)	(299,443)	40,065	(2,434,049)
Net capital assets being depreciated	4,238,151	218,139	-0-	4,456,290
Total net capital assets	<u>\$ 6,027,650</u>	<u>\$ 234,038</u>	<u>\$ (149,157)</u>	<u>\$ 6,112,531</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 79,870
Public safety	11,891
Public works	187,233
Recreation and culture	20,449
Total depreciation expense	<u>\$ 299,443</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2012
Business-type activities				
Capital assets not being depreciated				
Land	\$ 422,764	\$ -	\$ -	\$ 422,764
Construction in progress	1,514,807	20,670	(358,066)	1,177,411
Subtotal	1,937,571	20,670	(358,066)	1,600,175
Capital assets being depreciated				
Buildings	3,658,619	-	-	3,658,619
Machinery and equipment	345,478	-	-	345,478
Vehicles	51,986	-	-	51,986
Sewer system	3,458,201	260,322	-	3,718,523
Water system	4,040,853	281,125	-	4,321,978
Subtotal	11,555,137	541,447	-0-	12,096,584
Less accumulated depreciation for:				
Buildings	(489,816)	(70,432)	-	(560,248)
Machinery and equipment	(335,213)	(2,262)	-	(337,475)
Vehicles	(49,737)	(2,249)	-	(51,986)
Sewer system	(1,594,283)	(153,897)	-	(1,748,180)
Water system	(1,676,174)	(183,357)	-	(1,859,531)
Subtotal	(4,145,223)	(412,197)	-0-	(4,557,420)
Net capital assets being depreciated	7,409,914	129,250	-0-	7,539,164
Total net capital assets	<u>\$ 9,347,485</u>	<u>\$ 149,920</u>	<u>\$ (358,066)</u>	<u>\$ 9,139,339</u>

Depreciation expense was charged to the business-type activities as follows:

Sewer	\$ 225,537
Water	186,660
	<u>\$ 412,197</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E: CAPITAL ASSETS - CONTINUED

Component Unit

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Local Development Finance Authority				
Capital assets being depreciated				
Infrastructure	\$ 3,031,356	\$ -	\$ -	\$ 3,031,356
Less accumulated depreciation for:				
Infrastructure	(1,003,077)	(200,836)	-	(1,203,913)
Net capital assets being depreciated	2,028,279	(200,836)	-0-	1,827,443
Total net capital assets	<u>\$ 2,028,279</u>	<u>\$ (200,836)</u>	<u>\$ -0-</u>	<u>\$ 1,827,443</u>

NOTE F: 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, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
Primary Government					
Governmental Activities					
2008 General Obligation Bonds	\$ 2,355,000	\$ -	\$ (45,000)	\$ 2,310,000	\$ 50,000
Compensated absences	66,622	3,140	(10,387)	59,375	2,648
	2,421,622	3,140	(55,387)	2,369,375	52,648
Business-type Activities					
2005 Sewer Improvement Bonds	2,650,000	-	(125,000)	2,525,000	135,000
2007 General Obligation Capital Improvement Bonds	860,000	-	(35,000)	825,000	40,000
	3,510,000	-0-	(160,000)	3,350,000	175,000
TOTAL PRIMARY GOVERNMENT	5,931,622	3,140	(215,387)	5,719,375	227,648

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F: LONG-TERM DEBT - CONTINUED

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
Component Units					
Downtown Development Authority					
2007 General Obligation Bonds	\$ 345,000	\$ -	\$ (60,000)	\$ 285,000	\$ 65,000
2002 General Obligation Bonds	490,000	-	(70,000)	420,000	75,000
Land Contract	91,900	-	(91,900)	-0-	-
	<u>926,900</u>	<u>-0-</u>	<u>(221,900)</u>	<u>705,000</u>	<u>140,000</u>
Local Development Finance Authority					
Local Development Bonds - 2005	910,000	-	(180,000)	730,000	180,000
Local Development Bonds - 2001	455,000	-	(85,000)	370,000	85,000
	<u>1,365,000</u>	<u>-0-</u>	<u>(265,000)</u>	<u>1,100,000</u>	<u>265,000</u>
TOTAL COMPONENT UNITS	<u>2,291,900</u>	<u>-0-</u>	<u>(486,900)</u>	<u>1,805,000</u>	<u>405,000</u>
TOTAL REPORTING ENTITY	<u>\$ 8,223,522</u>	<u>\$ 3,140</u>	<u>\$ (702,287)</u>	<u>\$ 7,524,375</u>	<u>\$ 632,648</u>

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

Primary Government

General Obligation Bonds

\$2,400,000 2008 Downtown Development General Obligation Bonds, due in annual installments ranging from \$50,000 to \$225,000 through May 1, 2028, plus interest ranging from 4.250 to 4.375 percent.	\$ 2,310,000
\$3,200,000 2005 Sewer Improvement Bonds, due in annual installments ranging from \$125,000 to \$235,000 through June 1, 2026, plus interest ranging from 4.00 to 5.00 percent.	2,525,000
\$995,000 2007 G.O. Capital Improvement Bonds, due in annual installments ranging from \$40,000 to \$75,000 through April 1, 2027, plus interest at 4.70 percent.	<u>825,000</u>
	<u>\$ 5,660,000</u>

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, including related payroll taxes, which have been recorded in the government-wide financial statements, amounted to \$59,375 at June 30, 2012.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F: LONG-TERM DEBT - CONTINUED

Component Units

General Obligation Bonds

\$500,000 2007 Downtown Development Authority Bonds, due in annual installments ranging from \$65,000 to \$75,000 through May 1, 2016, with interest at 4.5 percent.	\$ 285,000
\$990,000 2002 Development Bonds, due in annual installments ranging from \$75,000 to \$90,000 through November 1, 2016, with interest ranging from 4.70 to 5.00 percent.	420,000
\$1,430,000 2005 Local Development Bonds, due in annual installments ranging from \$180,000 to \$185,000 through April 1, 2016, with interest ranging from 4.25 to 4.50 percent.	730,000
\$990,000 2001 Garden Lane Extension Bonds, due in annual installments ranging from \$85,000 to \$100,000 through April 1, 2016, with interest ranging from 4.70 to 5.00 percent.	<u>370,000</u>
	<u>\$ 1,805,000</u>

Annual Requirements for Bonded Debt

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

Primary Government

Year Ending June 30,	General Obligation Bonds			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 50,000	\$ 99,475	\$ 175,000	\$ 148,778
2014	50,000	97,350	180,000	141,498
2015	50,000	95,225	190,000	134,019
2016	55,000	93,100	195,000	126,103
2017	55,000	90,763	205,000	117,913
2018-2022	820,000	375,613	1,180,000	446,985
2023-2027	1,005,000	183,513	1,225,000	155,992
2028	225,000	9,844	-	-
	<u>\$ 2,310,000</u>	<u>\$ 1,044,883</u>	<u>\$ 3,350,000</u>	<u>\$ 1,271,288</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F: LONG-TERM DEBT - CONTINUED

Annual Requirements for Bonded Debt - continued

Component Units

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 405,000	\$ 81,833
2014	420,000	63,550
2015	440,000	44,203
2016	450,000	23,450
2017	90,000	2,250
	<u>\$ 1,805,000</u>	<u>\$ 215,286</u>

NOTE G: 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, 2012, the Village of Fowlerville's annual pension cost of \$24,883 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 actuarial valuations at December 31, 2010 and 2009, 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 percent investment rate of return (b) projected salary increases of 1 per cent per year for calendar years 2011 through 2014 then 4.5 percent per year thereafter 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 twenty-eight (28) years.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	2009	2010	2011
Actuarial value of assets	\$ 2,966,130	\$ 3,034,319	\$ 3,115,076
Actuarial accrued liability (AAL) (entry age)	2,794,506	2,855,199	2,995,659
Unfunded AAL (UAAL)	(171,624)	(179,120)	(119,417)
Funded ratio	106%	106%	104%
Annual covered payroll	367,148	350,116	361,647
UAAL as a percentage of covered payroll	0%	0%	0%

	Year Ended June 30,		
	2010	2011	2012
Annual pension cost	\$ 14,474	\$ 19,278	\$ 24,883
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

NOTE H: 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, 2012, the Village contributed a combined amount of \$36,235 to the defined contribution plan for its employees.

NOTE I: 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 League 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE J: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions* 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. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Village of Fowlerville's highest level of decision-making authority is the Village Council. Formal action that is required to be taken to establish a fund balance commitment is a resolution of the Village Council. If a fund balance commitment is made, the commitment remains in effect until a resolution is made to remove it.

For assigned fund balance, the Village policy is that either the Council or the Village Manager may assign fund balance pursuant to the Fund Balance Policy adopted by the Village Council.

The Village of Fowlerville has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE J: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES			
Nonspendable			
Prepays	\$ 29,477	\$ -	\$ 29,477
Perpetual care	-	67,894	67,894
Restricted			
Mosquito control	22,773	-	22,773
Refuse collection	60,177	-	60,177
Composting	73,806	-	73,806
Streets and highways	-	503,764	503,764
Street lighting	-	265,023	265,023
Law enforcement	-	34,404	34,404
Perpetual care	14,078	-	14,078
Committed			
Law enforcement	93,000	-	93,000
Assigned			
Debt service	-	361	361
Unassigned	405,808	-	405,808
	<u>\$ 699,119</u>	<u>\$ 871,446</u>	<u>\$ 1,570,565</u>

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2012:

Governmental activities	
Restricted for streets and highways	\$ 503,764
Restricted for other purposes	
Mosquito control	22,773
Refuse collection	60,177
Composting	73,806
Street lighting	265,023
Law enforcement	34,404
Perpetual care	
Expendable	14,078
Nonexpendable	67,894
	<u>\$ 1,041,919</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE L: UPCOMING ACCOUNTING PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modified certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarified the reporting of equity interests in legally separate organizations. The Village is currently evaluating the impact this standard will have on their financial statements when adopted during the Village's 2012-2013 fiscal year.

In 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the Village's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the Village's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and the deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement will be effective for the Village's 2014-2015 fiscal year. The statement will require governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The Village is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES

Year Ended June 30, 2012

REVENUES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes	\$ 648,200	\$ 659,283	\$ 661,142	\$ 1,859
Licenses and permits	3,100	1,525	2,227	702
Intergovernmental				
Federal/State	506,256	524,892	530,081	5,189
Local	415,500	366,460	365,153	(1,307)
Total intergovernmental	921,756	891,352	895,234	3,882
Charges for services	412,800	409,641	387,279	(22,362)
Fines and forfeits	9,000	8,500	9,481	981
Interest and rents	6,522	6,780	6,282	(498)
Other	24,900	13,747	7,409	(6,338)
TOTAL REVENUES	<u>\$ 2,026,278</u>	<u>\$ 1,990,828</u>	<u>\$ 1,969,054</u>	<u>\$ (21,774)</u>

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND OTHER FINANCING USES

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES				
Current				
General government				
Legislative	\$ 26,658	\$ 26,588	\$ 24,115	\$ 2,473
Executive	143,550	181,654	176,921	4,733
Clerk	55,695	63,266	57,309	5,957
Treasurer	115,935	122,915	110,818	12,097
Cemetery operations	95,363	92,279	91,497	782
Village hall and grounds	81,447	87,745	77,982	9,763
Other				
Miscellaneous	22,698	23,598	21,772	1,826
Insurance	63,372	65,996	65,996	-0-
Contracted services	72,600	78,000	73,140	4,860
Total general government	677,318	742,041	699,550	42,491
Public safety				
Police department	683,395	683,452	666,098	17,354
Public works				
Refuse collection	215,814	226,025	201,070	24,955
Sanitary landfill	75,430	59,680	48,454	11,226
Mosquito control	33,000	33,000	29,644	3,356
Total public works	324,244	318,705	279,168	39,537
Community and economic development				
Planning commission	12,265	97,400	95,276	2,124
Recreation and culture				
Recreation	273,807	264,962	258,341	6,621
Transfer out	46,500	46,500	-	46,500
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 2,017,529</u>	<u>\$ 2,153,060</u>	<u>\$ 1,998,433</u>	<u>\$ 154,627</u>

OTHER SUPPLEMENTARY INFORMATION

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2012

	Special Revenue				
	Major Street	Local Street	Municipal Street	Drug Law Enforcement	K9 Program
ASSETS					
Cash and cash equivalents	\$ 228,443	\$ 247,626	\$ 271,714	\$ 4,743	\$ 8,228
Due from other funds	7,701	-	-	-	10,905
Due from other governmental units	51,049	11,275	-	20,064	-
TOTAL ASSETS	\$ 287,193	\$ 258,901	\$ 271,714	\$ 24,807	\$ 19,133
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 8,463	\$ 4,486	\$ 6,631	\$ -	\$ 9,536
Accrued liabilities	143	80	33	-	-
Due to other funds	16,304	12,854	27	-	-
TOTAL LIABILITIES	24,910	17,420	6,691	-0-	9,536
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	262,283	241,481	265,023	24,807	9,597
Assigned	-	-	-	-	-
TOTAL FUND BALANCES	262,283	241,481	265,023	24,807	9,597
TOTAL LIABILITIES AND FUND BALANCES	\$ 287,193	\$ 258,901	\$ 271,714	\$ 24,807	\$ 19,133

<u>Debt Service</u> <u>2008</u> <u>G.O. Bond</u>	<u>Permanent</u> <u>Greenwood</u> <u>Cemetery</u>	<u>Total</u>
\$ 361	\$ 67,894	\$ 829,009
-	-	18,606
-	-	82,388
<u>\$ 361</u>	<u>\$ 67,894</u>	<u>\$ 930,003</u>

\$ -	\$ -	\$ 29,116
-	-	256
-	-	29,185

-0-	-0-	58,557
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-	67,894	67,894
-	-	803,191
361	-	361

<u>361</u>	<u>67,894</u>	<u>871,446</u>
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<u>\$ 361</u>	<u>\$ 67,894</u>	<u>\$ 930,003</u>
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Village of Fowlerville

Nonmajor Governmental Funds

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

Year Ended June 30, 2012

	Special Revenue				
	Major Street	Local Street	Municipal Street	Drug Law Enforcement	K9 Program
REVENUES					
Taxes	\$ -	\$ -	\$ 186,461	\$ -	\$ -
Intergovernmental	251,843	60,570	-	-	5,205
Fines and forfeitures	-	-	-	20,564	-
Interest and rents	353	383	607	6	5
Other	114	-	-	-	15,247
TOTAL REVENUES	252,310	60,953	187,068	20,570	20,457
EXPENDITURES					
Current					
Public safety	-	-	-	-	10,860
Public works	92,312	65,745	34,863	-	-
Capital outlay	117,125	15,225	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	209,437	80,970	34,863	-0-	10,860
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	42,873	(20,017)	152,205	20,570	9,597
OTHER FINANCING SOURCES (USES)					
Transfer in	-	150,000	-	-	-
Transfer out	-	-	(150,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	150,000	(150,000)	-0-	-0-
NET CHANGE IN FUND BALANCES	42,873	129,983	2,205	20,570	9,597
Fund balances, beginning of year	219,410	111,498	262,818	4,237	-
Fund balances, end of year	<u>\$ 262,283</u>	<u>\$ 241,481</u>	<u>\$ 265,023</u>	<u>\$ 24,807</u>	<u>\$ 9,597</u>

<u>Debt Service</u>	<u>Permanent</u>	
<u>2008</u>	<u>Greenwood</u>	
<u>G.O. Bond</u>	<u>Cemetery</u>	<u>Total</u>
\$ -	\$ -	\$ 186,461
147,000	-	464,618
-	-	20,564
75	156	1,585
-	4,750	20,111
<u>147,075</u>	<u>4,906</u>	<u>693,339</u>
-	-	10,860
-	-	192,920
-	-	132,350
<u>146,837</u>	<u>-</u>	<u>146,837</u>
<u>146,837</u>	<u>-0-</u>	<u>482,967</u>
238	4,906	210,372
-	-	150,000
<u>-</u>	<u>-</u>	<u>(150,000)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
238	4,906	210,372
<u>123</u>	<u>62,988</u>	<u>661,074</u>
<u>\$ 361</u>	<u>\$ 67,894</u>	<u>\$ 871,446</u>

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2012

	<u>General</u>	<u>Property Rental</u>	<u>2007 Debt Service</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 62,806	\$ 1,946	\$ 618	\$ 65,370
Due from other governmental units	974	-	-	974
TOTAL ASSETS	<u>\$ 63,780</u>	<u>\$ 1,946</u>	<u>\$ 618</u>	<u>\$ 66,344</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current liabilities				
Accounts payable	\$ 1,684	\$ -	\$ -	\$ 1,684
Due to other governmental units	1,899	-	-	1,899
Security deposits	-	550	-	550
TOTAL LIABILITIES	3,583	550	-0-	4,133
FUND BALANCES				
Restricted				
Property rental	-	1,396	-	1,396
Assigned				
Debt service	-	-	618	618
Unassigned	60,197	-	-	60,197
TOTAL FUND BALANCES	<u>60,197</u>	<u>1,396</u>	<u>618</u>	<u>62,211</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 63,780</u>	<u>\$ 1,946</u>	<u>\$ 618</u>	<u>\$ 66,344</u>

Village of Fowlerville

Component Unit Funds

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

June 30, 2012

Total fund balances - governmental funds \$ 62,211

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

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	\$ 705,000	
Accrued interest payable	<u>5,559</u>	
		<u>(710,559)</u>

Net assets of governmental activities \$ (648,348)

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2012

	General	Property Rental	2007 Debt Service	Total
REVENUES				
Taxes	\$ 449,011	\$ -	\$ -	\$ 449,011
Intergovernmental	90,000	-	-	90,000
Interest and rents	5,713	14,750	55	20,518
Other	295	1,000	-	1,295
TOTAL REVENUES	545,019	15,750	55	560,824
EXPENDITURES				
Current				
Community and economic development				
Salaries	2,037	-	-	2,037
Fringe benefits	642	-	-	642
Contracted services	49,790	-	-	49,790
Supplies	2,102	-	-	2,102
Printing and publishing	262	-	-	262
Repairs and maintenance	22,643	4,609	-	27,252
Equipment rental	1,704	-	-	1,704
Farmer's market	4,745	-	-	4,745
Utilities	-	2,588	-	2,588
Management fees	-	738	-	738
Taxes	-	3,518	-	3,518
Other	15,746	-	-	15,746
Debt service	397,505	10,000	75,526	483,031
TOTAL EXPENDITURES	497,176	21,453	75,526	594,155
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	47,843	(5,703)	(75,471)	(33,331)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	6,973	75,525	82,498
Transfers out	(82,498)	-	-	(82,498)
TOTAL OTHER FINANCING SOURCES (USES)	(82,498)	6,973	75,525	-0-
NET CHANGE IN FUND BALANCES	(34,655)	1,270	54	(33,331)
Fund balances, beginning of year	94,852	126	564	95,542
Fund balances, end of year	\$ 60,197	\$ 1,396	\$ 618	\$ 62,211

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (33,331)

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: (4,562)

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 221,900

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 1,374

Change in net assets of governmental activities \$ 185,381

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2012

	<u>General</u>	<u>2005 Debt Service</u>	<u>Water Tower/ Gregory Road Capital Project</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 955,894	\$ 835	\$ 297,734	\$ 1,254,463
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 145,879	\$ -	\$ -	\$ 145,879
Due to other governmental units	900	-	-	900
TOTAL LIABILITIES	146,779	-0-	-0-	146,779
FUND BALANCES				
Restricted				
Capital improvements	210,000	-	297,734	507,734
Sinking fund	489,385	-	-	489,385
Assigned				
Debt service	-	835	-	835
Unassigned	109,730	-	-	109,730
TOTAL FUND BALANCES	809,115	835	297,734	1,107,684
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 955,894</u>	<u>\$ 835</u>	<u>\$ 297,734</u>	<u>\$ 1,254,463</u>

Component Unit Funds

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

June 30, 2012

Total fund balances - governmental funds \$ 1,107,684

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	\$ 3,031,356	
Accumulated depreciation is	<u>(1,203,913)</u>	
		1,827,443

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	1,100,000	
Accrued interest payable	<u>13,538</u>	
		<u>(1,113,538)</u>

Net assets of governmental activities \$ 1,821,589

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2012

	General	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
REVENUES				
Taxes	\$ 788,779	\$ -	\$ -	\$ 788,779
Interest	2,437	130	734	3,301
Other	-	-	38,010	38,010
TOTAL REVENUES	791,216	130	38,744	830,090
EXPENDITURES				
Current				
Community and economic development				
Contracted services	13,000	-	-	13,000
Payments to primary government	309,570	-	-	309,570
Other	296,270	-	-	296,270
Debt service	107,020	219,780	-	326,800
TOTAL EXPENDITURES	725,860	219,780	-0-	945,640
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	65,356	(219,650)	38,744	(115,550)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	217,000	-	217,000
Transfers out	(217,000)	-	-	(217,000)
TOTAL OTHER FINANCING SOURCES (USES)	(217,000)	217,000	-0-	-0-
NET CHANGE IN FUND BALANCES	(151,644)	(2,650)	38,744	(115,550)
Fund balances, beginning of year	960,759	3,485	258,990	1,223,234
Fund balances, end of year	<u>\$ 809,115</u>	<u>\$ 835</u>	<u>\$ 297,734</u>	<u>\$ 1,107,684</u>

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (115,550)

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 (200,836)

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 265,000

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 1,856

Change in net assets of governmental activities \$ (49,530)