

**Village of Fowlerville
Livingston County, Michigan**

FINANCIAL STATEMENTS

June 30, 2011

Village of Fowlerville
Livingston County, Michigan

June 30, 2011

VILLAGE COUNCIL AND ADMINISTRATION

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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, 2011, 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 and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011, on our consideration of Village of Fowlerville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fowlerville's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note L, during the year the Village implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result of this implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB Statement No. 54.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 16, 2011

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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 \$13,190,000 at the close of 2011 (excluding component units).
- Governmental activities net assets were \$5,227,191.
- Business-type activities net assets were \$7,962,809.
- Component unit net assets were \$1,037,390.

Fund Level:

- At the close of the fiscal year, the Village of Fowlerville's governmental funds reported a combined ending fund balance of \$1,389,572 with \$858,463 being nonspendable, restricted, committed, or assigned.
- The General Fund's fund balance increased by \$113,798. This increase in fund balance was mainly due to decreases in community and economic development expenditures.

Capital and Long-term Debt Activities:

- The total long-term debt for the governmental activities of the primary government was \$2,355,000.
- The total long-term debt for the business-type activities of the primary government was \$3,510,000.

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, Major Street Fund, and Local Street 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 2011. 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, 2011

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 5 and 8 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, 2011

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, Major Street Fund, Local Street 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 16 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 and major Special Revenue funds.

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, 2011

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville AS A WHOLE

As previously stated, the Village of Fowlerville's combined net assets were \$13,190,000 at the end of this fiscal year. The net assets of the governmental activities were \$5,227,191 and the business-type activities were \$7,962,809.

Net Assets as of June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 1,862,408	\$ 1,908,480	\$ 2,288,835	\$ 3,211,482	\$ 4,151,243	\$ 5,119,962
Capital Assets	6,027,650	5,793,599	9,347,485	8,104,804	15,375,135	13,898,403
Total Assets	\$ 7,890,058	\$ 7,702,079	\$ 11,636,320	\$ 11,316,286	\$ 19,526,378	\$ 19,018,365
Current Liabilities	\$ 290,308	\$ 328,515	\$ 323,511	\$ 497,353	\$ 613,819	\$ 825,868
Noncurrent Liabilities	2,372,559	2,420,699	3,350,000	3,510,000	5,722,559	5,930,699
Total Liabilities	\$ 2,662,867	\$ 2,749,214	\$ 3,673,511	\$ 4,007,353	\$ 6,336,378	\$ 6,756,567
Net Assets						
Invested in Capital Assets (net of related debt)	\$ 3,672,650	\$ 3,413,599	\$ 5,837,485	\$ 4,439,804	\$ 9,510,135	\$ 7,853,403
Restricted	792,385	731,336	183,761	-	976,146	731,336
Unrestricted	762,156	807,930	1,941,563	2,869,129	2,703,719	3,677,059
Total Net Assets	\$ 5,227,191	\$ 4,952,865	\$ 7,962,809	\$ 7,308,933	\$ 13,190,000	\$ 12,261,798

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	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Services	\$ 696,943	\$ 732,830	\$ 1,522,152	\$ 1,530,190	\$ 2,219,095	\$ 2,263,020
Operating Grants and Contributions	486,273	465,417	-	-	486,273	465,417
Capital Grants and Contributions	206,332	59,278	345,671	185,158	552,003	244,436
General Revenues						
Property Taxes	873,183	954,054	-	-	873,183	954,054
State Shared Revenue	245,611	245,592	-	-	245,611	245,592
Investment Earnings	9,838	6,322	8,188	12,888	18,026	19,210
Intergovernmental	95,000	100,181	-	-	95,000	100,181
Miscellaneous	12,284	4,413	-	-	12,284	4,413
Total Revenues	2,625,464	2,568,087	1,876,011	1,728,236	4,501,475	4,296,323

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Expenses						
General Government	\$ 754,647	\$ 684,390	\$ -	\$ -	\$ 754,647	\$ 686,390
Public Safety	758,938	721,272	-	-	758,938	721,272
Public Works	645,242	682,967	-	-	645,242	682,967
Community and Economic Development	84,820	82,102	-	-	84,820	82,102
Recreation and Culture	4,768	78,457	-	-	4,768	78,457
Interest on long-term debt	102,723	103,858	-	-	102,723	103,858
Water/Sewer	-	-	1,222,135	1,197,561	1,222,135	1,197,561
Total Expenses	<u>2,351,138</u>	<u>2,353,046</u>	<u>1,222,135</u>	<u>1,197,561</u>	<u>3,573,273</u>	<u>3,552,607</u>
Increase in Net Assets	274,326	215,041	653,876	530,675	928,202	743,716
Net Assets - Beginning	<u>4,952,865</u>	<u>4,737,824</u>	<u>7,451,733</u>	<u>8,590,890</u>	<u>14,074,430</u>	<u>13,328,714</u>
Net Assets - Ending	<u>\$ 5,227,191</u>	<u>\$ 4,952,865</u>	<u>\$ 8,105,609</u>	<u>\$ 9,121,565</u>	<u>\$13,332,800</u>	<u>\$14,072,430</u>

Governmental Activities:

The result of fiscal year 2011 governmental activity was an increase of \$274,326 in net assets to \$5,227,191. Of the total governmental activities' net assets, \$3,672,650 is invested in capital assets less related debt and \$792,385 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 \$762,156 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories in governmental activities were property taxes at 33.3%; charges for services at 26.5%; and operating grants and contributions at 18.5%. 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:

Public Safety is the largest governmental activity, expending \$758,938 of the approximately \$2.35 million total expenses. This activity includes the annual costs for the operation of the Village's police department.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Business-type Activities:

Net assets in the business-type activities increased by \$653,876 during the fiscal year 2011. This was mainly due to the Community Development Block Grant received by the Village.

Of the total \$7,962,809 of net assets in the business-type activities, \$1,941,563 is reported as unrestricted, \$183,761 is restricted for debt activity, and \$5,837,485 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 2011, its governmental funds reported *combined* fund balances of \$1,389,572. The net changes are summarized in the following chart:

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds
Fund Balance June 30, 2011	\$ 728,498	\$ 219,410	\$ 111,498	\$ 330,166
Fund Balance June 30, 2010	\$ 614,700	\$ 234,863	\$ 416,364	\$ 142,826
Net Change	\$ 113,798	\$ (15,453)	\$ (304,866)	\$ 187,340

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, 2011, the General Fund reported a fund balance of \$728,498. This amount is an increase of \$113,798 from the fund balance of \$614,700 reported as of June 30, 2010.

The General Fund fiscal year 2011 revenues exceeded expenditures by \$113,798. The Village also reports the Major Street and Local Street Funds as major. The Major Street Fund current year activity decreased fund balance by \$15,453 while the Local Street Fund's fund balance decreased \$304,866 from June 30, 2010.

Major Street Fund:

As of June 30, 2011, the Major Street Fund reported a fund balance of \$219,410. This amount is a decrease of \$15,453 from the fund balance of \$234,863 reported as of June 30, 2010.

Local Street Fund:

As of June 30, 2011, the Local Street Fund reported a fund balance of \$111,498. This amount is a decrease of \$304,866 from the fund balance of \$416,364 reported as of June 30, 2010.

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 \$1,881,645; \$48,360 below the final amended budget. The most significant variation was the charges for services revenue, which had a negative variation of \$26,434. This was caused by less people doing preplanning/purchasing of grave plots.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

General Fund Budgetary Highlights - continued:

The Village of Fowlerville's expenditures totaled \$1,767,847; \$157,113 below the final amended budget. The most significant variation was in the area of public works, which had a positive variation of \$54,397, mainly due to reductions in refuse collection and sanitary landfill expenditures.

Water & Sewer Fund:

The Water and Sewer Fund had an increase in its net assets of \$653,876. Operating revenues showed a decrease of \$8,038, while total operating expenses increased by \$51,681. In 2011 the Fund had total operating expenses of \$1,081,683 and total operating revenues of \$1,522,152 for an operating income of \$440,469.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2011, the Village of Fowlerville had invested \$6,027,650 and \$9,347,485 (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 infrastructure in the amount of \$382,919. 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 \$2,174,671 for the governmental activities and \$4,145,223 for the business-type activities. Depreciation charges for the fiscal year totaled \$256,119 for the governmental activities and \$383,458 for the business-type activities. For more detailed information related to capital assets, refer to pages 22-23 of the financial statements.

	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,383,713	\$ 422,764	\$ 1,806,477
Land Improvement, net	2,089,786	-	2,089,786
Construction in progress	405,786	1,514,807	1,920,593
Buildings, net	460,821	3,168,803	3,629,624
Vehicles, net	130,144	2,249	132,393
Machinery and Equipment, net	56,706	10,265	66,971
Infrastructure, net	1,500,694	-	1,500,694
Water System, net	-	2,364,679	2,364,679
Sewer System, net	-	1,863,918	1,863,918
Capital assets, net	\$ 6,027,650	\$ 9,347,485	\$ 15,375,135

Outstanding Debt as of June 30, 2011:

As of June 30, 2011, the Village of Fowlerville had \$2,421,622 in bonds and accumulated vacation and sick time outstanding for the governmental activities. Of this amount, \$2,355,000 is bonds and \$66,622 is compensated absences. This level of net obligation is \$29,091 lower than the obligation recorded as of June 30, 2010.

The business-type activities showed total outstanding balance of \$3,510,000 as of June 30, 2011. The debt is comprised of capital improvement bonds. This level of net obligation is \$155,000 lower than the obligation recorded as of June 30, 2010.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Outstanding Debt as of June 30, 2011 - continued:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Primary Government				
Governmental Activities				
Bonds	\$ 2,380,000	\$ -	\$ (25,000)	\$ 2,355,000
Compensated absences	70,713	15,074	(19,165)	66,622
Total Governmental Activities	2,450,713	15,074	(44,165)	2,421,622
Business Type Activities				
Water and Sewer Bonds	3,665,000	-	(155,000)	3,510,000
Total Primary Government	<u>\$ 6,115,713</u>	<u>\$ 15,074</u>	<u>\$ (199,165)</u>	<u>\$ 5,931,622</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, 2011, was \$102,294,340; therefore, the Village of Fowlerville's debt limitation was \$10,229,434. The Village of Fowlerville remains well below its legal debt limit.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

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

The Village is entering the sixth year of 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 Manager's Office at (517) 223-3771.

BASIC FINANCIAL STATEMENTS

Village of Fowlerville

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,539,515	\$ 1,404,413	\$ 2,943,928	\$ 1,330,902
Cash - restricted	-	203,450	203,450	-
Receivables	36,515	433,235	469,750	5,112
Due from other governmental units	240,863	248,135	488,998	2,651
Internal balances	26,060	(26,060)	-0-	-
Inventory	-	25,662	25,662	-
Prepays	19,455	-	19,455	15
Total current assets	1,862,408	2,288,835	4,151,243	1,338,680
Noncurrent assets				
Capital assets not being depreciated	1,789,499	1,937,571	3,727,070	-
Capital assets, net of accumulated depreciation	4,238,151	7,409,914	11,648,065	2,028,279
Total noncurrent assets	6,027,650	9,347,485	15,375,135	2,028,279
TOTAL ASSETS	7,890,058	11,636,320	19,526,378	3,366,959
LIABILITIES				
Current liabilities				
Accounts payable	131,311	136,807	268,118	9,602
Accrued liabilities	81,537	3,404	84,941	2,777
Due to other governmental units	3,412	3,611	7,023	1,918
Security deposits payable	-	-	-0-	1,045
Accrued interest payable	16,898	19,689	36,587	22,327
Unearned revenue	8,087	-	8,087	-
Current portion of compensated absences	4,063	-	4,063	-
Current portion of long-term debt	45,000	160,000	205,000	399,822
Total current liabilities	290,308	323,511	613,819	437,491
Noncurrent liabilities				
Noncurrent portion of compensated absences	62,559	-	62,559	-
Noncurrent portion of long-term debt	2,310,000	3,350,000	5,660,000	1,892,078
Total noncurrent liabilities	2,372,559	3,350,000	5,722,559	1,892,078
TOTAL LIABILITIES	2,662,867	3,673,511	6,336,378	2,329,569
NET ASSETS				
Invested in capital assets, net of related debt	3,672,650	5,837,485	9,510,135	663,279
Restricted for streets and highways	330,908	-	330,908	-
Restricted for other purposes	461,477	183,761	645,238	-
Unrestricted	762,156	1,941,563	2,703,719	374,111
TOTAL NET ASSETS	\$ 5,227,191	\$ 7,962,809	\$ 13,190,000	\$ 1,037,390

See accompanying notes to financial statements.

Village of Fowlerville
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

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	\$ 754,647	\$ 384,977	\$ 133,000	\$ -	\$ (236,670)	\$ -	\$ (236,670)	\$ -
Public safety	758,938	16,743	142,917	-	(599,278)	-	(599,278)	-
Public works	645,242	295,223	196,946	206,332	53,259	-	53,259	-
Recreation and culture	84,820	-	13,410	-	(71,410)	-	(71,410)	-
Community and economic development	4,768	-	-	-	(4,768)	-	(4,768)	-
Interest on long-term debt	102,723	-	-	-	(102,723)	-	(102,723)	-
Total governmental activities	2,351,138	696,943	486,273	206,332	(961,590)	-0-	(961,590)	-0-
Business-type activities								
Water and sewer	1,364,935	1,522,152	-	345,671	-	502,888	502,888	-
Total primary government	<u>\$ 3,716,073</u>	<u>\$ 2,219,095</u>	<u>\$ 486,273</u>	<u>\$ 552,003</u>	(961,590)	502,888	(458,702)	-0-
Component units:								
Downtown Development Authority	\$ 465,609	\$ -	\$ -	\$ -	-	-	-0-	(465,609)
Local Development Finance Authority	693,164	-	-	-	-	-	-0-	(693,164)
Total component units	<u>\$ 1,158,773</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(1,158,773)
General revenues:								
Property taxes					873,183	-	873,183	1,342,299
State shared revenue					245,611	-	245,611	-
Investment earnings					9,838	8,188	18,026	35,165
Intergovernmental					95,000	-	95,000	-
Miscellaneous					12,284	-	12,284	36,223
Total general revenues					<u>1,235,916</u>	<u>8,188</u>	<u>1,244,104</u>	<u>1,413,687</u>
Change in net assets					274,326	511,076	785,402	254,914
Restated net assets, beginning of the year					<u>4,952,865</u>	<u>7,451,733</u>	<u>12,404,598</u>	<u>782,476</u>
Net assets, end of the year					<u>\$ 5,227,191</u>	<u>\$ 7,962,809</u>	<u>\$ 13,190,000</u>	<u>\$ 1,037,390</u>

See accompanying notes to financial statements.

Village of Fowlerville

Governmental Funds

BALANCE SHEET

June 30, 2011

	General	Major Street	Local Street
ASSETS			
Cash and cash equivalents	\$ 631,335	\$ 207,621	\$ 105,399
Accounts receivable	36,329	-	-
Due from other governmental units	109,287	83,798	46,059
Due from other funds	102,994	533	468
Prepays	19,455	-	-
	<u>899,400</u>	<u>291,952</u>	<u>151,926</u>
TOTAL ASSETS	\$ 899,400	\$ 291,952	\$ 151,926
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Account payable	\$ 67,318	\$ 49,272	\$ 13,754
Accrued liabilities	79,548	936	746
Due to other governmental units	3,412	-	-
Due to other funds	12,537	22,334	25,928
Deferred revenue	8,087	-	-
	<u>170,902</u>	<u>72,542</u>	<u>40,428</u>
TOTAL LIABILITIES	170,902	72,542	40,428
FUND BALANCES			
Nonspendable	19,455	-	-
Restricted	131,434	219,410	111,498
Committed	46,500	-	-
Assigned	-	-	-
Unassigned	531,109	-	-
	<u>728,498</u>	<u>219,410</u>	<u>111,498</u>
TOTAL FUND BALANCES	728,498	219,410	111,498
TOTAL LIABILITIES AND FUND BALANCES	\$ 899,400	\$ 291,952	\$ 151,926

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 330,199	\$ 1,274,554
-	36,329
-	239,144
-	103,995
-	19,455
<u>\$ 330,199</u>	<u>\$ 1,673,477</u>
\$ -	\$ 130,344
-	81,230
-	3,412
33	60,832
-	8,087
<u>33</u>	<u>283,905</u>
62,988	82,443
267,055	729,397
-	46,500
123	123
-	531,109
<u>330,166</u>	<u>1,389,572</u>
<u>\$ 330,199</u>	<u>\$ 1,673,477</u>

Village of Fowlerville

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

June 30, 2011

Total fund balances - governmental funds **\$ 1,389,572**

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	\$ 7,551,986	
Accumulated depreciation is	<u>(1,653,795)</u>	
Capital assets, net		5,898,191

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.	377,948
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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	(2,355,000)	
Accrued interest payable	(16,898)	
Compensated absences	<u>(66,622)</u>	
		<u>(2,438,520)</u>

Net assets of governmental activities **\$ 5,227,191**

Village of Fowlerville

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2011

	General	Major Street	Local Street
REVENUES			
Taxes	\$ 691,386	\$ -	\$ -
Licenses and permits	4,815	-	-
Intergovernmental	766,390	225,348	147,930
Charges for services	389,481	-	-
Fines and forfeitures	8,566	-	-
Interest and rents	8,722	521	671
Other	12,285	30,000	-
TOTAL REVENUES	1,881,645	255,869	148,601
EXPENDITURES			
Current			
General government	639,367	-	-
Public safety	725,715	-	-
Public works	295,547	100,353	71,356
Community and economic development	4,753	-	-
Recreation and culture	78,746	-	-
Capital outlay	23,719	305,969	247,111
Debt service	-	-	-
TOTAL EXPENDITURES	1,767,847	406,322	318,467
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	113,798	(150,453)	(169,866)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	135,000	-
Transfers out	-	-	(135,000)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	135,000	(135,000)
NET CHANGE IN FUND BALANCES	113,798	(15,453)	(304,866)
Fund balances, beginning of year	614,700	234,863	416,364
Fund balances, end of year	<u>\$ 728,498</u>	<u>\$ 219,410</u>	<u>\$ 111,498</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 197,914	\$ 889,300
-	4,815
128,000	1,267,668
-	389,481
2,692	11,258
1,073	10,987
9,670	51,955
<hr/>	<hr/>
339,349	2,625,464
-	639,367
101	725,816
24,008	491,264
-	4,753
-	78,746
-	576,799
127,900	127,900
<hr/>	<hr/>
152,009	2,644,645
<hr/>	<hr/>
187,340	(19,181)
-	135,000
-	(135,000)
<hr/>	<hr/>
-0-	-0-
<hr/>	<hr/>
187,340	(19,181)
142,826	1,408,753
<hr/>	<hr/>
\$ 330,166	\$ 1,389,572
<hr/>	<hr/>

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, 2011

Net change in fund balances - total governmental funds \$ (19,181)

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	\$ 580,743	
Depreciation expense	<u>(221,374)</u>	
Excess of capital outlay over depreciation expense		359,369

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		25,000
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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 decreased in the current period. (6,255)

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	177	
Loss on disposal of capital assets	(88,875)	
Decrease in accrued compensated absences	<u>4,091</u>	
		<u>(84,607)</u>

Change in net assets of governmental activities \$ 274,326

Village of Fowlerville
Proprietary Funds
STATEMENT OF NET ASSETS
June 30, 2011

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service (Motor Pool)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,404,413	\$ 264,961
Cash - restricted	203,450	-
Receivables		
Accounts	433,215	186
Special assessment	20	-
Due from other governmental units	248,135	1,719
Due from other funds	2,651	16,501
Inventory	25,662	-
	2,317,546	283,367
Total current assets		
Noncurrent assets		
Capital assets not being depreciated	1,937,571	-
Capital assets, net of accumulated depreciation	7,409,914	129,459
	9,347,485	129,459
Total noncurrent assets		
	11,665,031	412,826
TOTAL ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	136,807	967
Accrued liabilities	3,404	307
Due to other governmental units	3,611	-
Due to other funds	28,711	33,604
Accrued interest payable	19,689	-
Current portion of long-term debt	160,000	-
	352,222	34,878
Total current liabilities		
Noncurrent liabilities		
Noncurrent portion of long-term debt	3,350,000	-
	3,702,222	34,878
TOTAL LIABILITIES		
NET ASSETS		
Investment in capital assets, net of related debt	5,837,485	129,459
Restricted for debt service	183,761	-
Unrestricted	1,941,563	248,489
	\$ 7,962,809	\$ 377,948
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, 2011

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service (Motor Pool)
OPERATING REVENUES		
Charges for services	\$ 1,522,152	\$ 157,560
OPERATING EXPENSES		
Administrative	156,071	127,305
Wastewater operations	394,476	-
Water distribution	269,649	-
Depreciation	383,458	34,745
TOTAL OPERATING EXPENSES	<u>1,203,654</u>	<u>162,050</u>
OPERATING INCOME (LOSS)	318,498	(4,490)
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	8,188	933
Loss on disposal of capital asset	-	(1,698)
Interest expense and fiscal agent fees	<u>(161,281)</u>	<u>(1,000)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(153,093)</u>	<u>(1,765)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	165,405	(6,255)
CAPITAL CONTRIBUTIONS	<u>345,671</u>	<u>-</u>
CHANGE IN NET ASSETS	511,076	(6,255)
Restated net assets, beginning of year	<u>7,451,733</u>	<u>384,203</u>
Net assets, end of year	<u><u>\$ 7,962,809</u></u>	<u><u>\$ 377,948</u></u>

See accompanying notes to financial statements.

Village of Fowlerville
Proprietary Funds
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,602,808	\$ 156,912
Cash receipts from other funds	5,949	693
Cash paid to suppliers	(837,001)	(2,098)
Cash paid for employees and benefits	(155,791)	(127,659)
Cash paid to other funds	(2,651)	(35,616)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	613,314	(7,768)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset acquisitions	(1,626,139)	-
Capital contributions	345,671	-
Principal payments	(155,000)	-
Interest and fees paid	(162,092)	(1,000)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,597,560)	(1,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8,188	933
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(976,058)	(7,835)
Restated cash and cash equivalents, beginning of year	2,583,921	272,796
Cash and cash equivalents, end of year	\$ 1,607,863	\$ 264,961

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2011

	<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)	\$ 318,498	\$ (4,490)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	383,458	34,745
(Increase) decrease in:		
Accounts receivable	132,726	416
Special assessments receivable	10,907	-
Due from other governmental units	(62,977)	(1,064)
Due from other funds	(2,651)	693
Inventory	5,435	-
Increase (decrease) in:		
Accounts payable	(181,922)	(2,098)
Accrued liabilities	280	(354)
Due to other governmental units	3,611	-
Due to other funds	5,949	(35,616)
 NET CASH PROVIDED (USED) BY BY OPERATING ACTIVITIES	 <u>\$ 613,314</u>	 <u>\$ (7,768)</u>

See accompanying notes to financial statements.

Village of Fowlerville

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2011

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 24,109</u>
LIABILITIES AND FUND BALANCES	
Due to others	<u>\$ 24,109</u>

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2011

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ 104,668	\$ 1,226,234	\$ 1,330,902
Receivables			
Rent	550	-	550
Contracts receivable	4,562	-	4,562
Due from other governmental units	2,651	-	2,651
Prepays	15	-	15
Total current assets	112,446	1,226,234	1,338,680
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	2,028,279	2,028,279
TOTAL ASSETS	112,446	3,254,513	3,366,959
LIABILITIES			
Current liabilities			
Accounts payable	6,602	3,000	9,602
Accrued liabilities	2,777	-	2,777
Due to other governmental units	1,918	-	1,918
Security deposit payable	1,045	-	1,045
Accrued interest payable	6,933	15,394	22,327
Current portion of long-term debt	134,822	265,000	399,822
Total current liabilities	154,097	283,394	437,491
Noncurrent liabilities			
Noncurrent portion of long-term debt	792,078	1,100,000	1,892,078
TOTAL LIABILITIES	946,175	1,383,394	2,329,569
NET ASSETS			
Invested in capital assets, net of related debt	-	663,279	663,279
Unrestricted	(833,729)	1,207,840	374,111
TOTAL NET ASSETS	\$ (833,729)	\$ 1,871,119	\$ 1,037,390

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
Program expenses			
Community and economic development	\$ 465,609	\$ 693,164	\$ 1,158,773
General revenues			
Property taxes	478,376	863,923	1,342,299
Investment earnings	30,603	4,562	35,165
Other	36,223	-	36,223
 TOTAL GENERAL REVENUES	 <u>545,202</u>	 <u>868,485</u>	 <u>1,413,687</u>
 CHANGE IN NET ASSETS	 79,593	 175,321	 254,914
Net assets, beginning of the year	<u>(913,322)</u>	<u>1,695,798</u>	<u>782,476</u>
Net assets, end of the year	<u>\$ (833,729)</u>	<u>\$ 1,871,119</u>	<u>\$ 1,037,390</u>

See accompanying notes to financial statements.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011

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 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 funds:

- 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.
- b. The Major Street Fund is used to account for State revenues received for the purpose of construction and maintenance of the Village's major streets.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- c. The Local Street Fund is used to account for State revenues received for the purpose of construction and maintenance of the Village's local streets.

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.

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, 2011

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.
- 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.
- 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.

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.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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, 2011, 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 2010 levy for property within the Village was \$102,294,340. This raised \$498,547 for general government services, \$40,008 for cemetery maintenance, \$120,042 for garbage services, \$27,633 for mosquito control, and \$200,082 for street lights.

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, 2011 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, 2011

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, 2011. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Government-wide and proprietary fund 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.

20. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The Village has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

21. 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, 2011, the carrying amounts of the Village's deposits were \$4,502,316 and the bank balance was \$4,578,600, of which \$405,372 was covered by federal depository insurance. The balance of \$4,173,228 was uninsured and uncollateralized. The primary government had \$73 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, 2011, the Village held Government Operating Money Market Funds with a carrying amount of \$886,848 and a fair value of \$884,892. 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, 2011

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, 2011:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,943,928	\$ 1,330,902	\$ 24,109	\$ 4,298,939
Cash - restricted	<u>203,450</u>	<u>-</u>	<u>-</u>	<u>203,450</u>
	<u>\$ 3,147,378</u>	<u>\$ 1,330,902</u>	<u>\$ 24,109</u>	<u>\$ 4,502,389</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at June 30, 2011:

Due to General Fund from:	
Water and Sewer Fund	\$ 26,517
Internal Service Fund	33,604
Major Street Fund	18,888
Local Street Fund	<u>23,985</u>
	<u>\$ 102,994</u>
Due to Major Street Fund from:	
General Fund	<u>\$ 533</u>
Due to Local Street Fund from:	
General Fund	<u>\$ 468</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to Water and Sewer Fund from:	
General Fund	<u>\$ 2,651</u>
Due to internal service fund from:	
General Fund	\$ 8,885
Major Street Fund	3,446
Local Street Fund	1,943
Nonmajor governmental funds	33
Water and Sewer Fund	<u>2,194</u>
	<u>\$ 16,501</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 Major Street Fund from:	
Local Street Fund	<u>\$ 135,000</u>

Component Units

Downtown Development Authority

Transfers to Property Rental Fund from:	
Downtown Development Authority	
General Fund	<u>\$ 10,224</u>

Transfers to 2007 Debt Service Fund from:	
Downtown Development Authority	
General Fund	<u>\$ 73,000</u>

Local Finance Development Authority

Transfers to 2005 Debt Service Fund from:	
Local Development Finance Authority	
General Fund	<u>\$ 204,000</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, 2011

NOTE E: LONG-TERM CONTRACTS RECEIVABLE

The Village has a loan outstanding made through the Downtown Development Authority. The amount attributable to this long-term contract receivable has been recorded in the Downtown Development Authority General Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from the debtors that currently has signed a promissory note with the Village:

Year Ending June 30,	Contracts Receivable	
	Principal	Interest
2012	\$ 4,562	\$ 182

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	Balance July 1, 2010	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2011
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,383,713	\$ -	\$ -	\$ 1,383,713
Construction in progress	235,625	308,996	(138,835)	405,786
Subtotal	1,619,338	308,996	(138,835)	1,789,499
Capital assets being depreciated				
Land improvements	2,409,879	-	(12,430)	2,397,449
Buildings	1,049,396	-	(145,313)	904,083
Vehicles	684,898	21,998	(72,098)	634,798
Machinery and equipment	711,225	5,665	(139,259)	577,631
Infrastructure	1,515,942	382,919	-	1,898,861
Subtotal	6,371,340	410,582	(369,100)	6,412,822
Less accumulated depreciation for:				
Land improvements	(274,510)	(45,583)	12,430	(307,663)
Buildings	(476,333)	(31,223)	64,294	(443,262)
Vehicles	(533,006)	(34,527)	62,879	(504,654)
Machinery and equipment	(628,890)	(30,959)	138,924	(520,925)
Infrastructure	(284,340)	(113,827)	-	(398,167)
Subtotal	(2,197,079)	(256,119)	278,527	(2,174,671)
Net capital assets being depreciated	4,174,261	154,463	(90,573)	4,238,151
Total net capital assets	\$ 5,793,599	\$ 463,459	\$ (229,408)	\$ 6,027,650

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

Depreciation expense was charged to the following governmental activities:

General government	\$ 32,882
Public safety	35,815
Public works	180,696
Recreation and culture	<u>6,726</u>
Total depreciation expense	<u><u>\$ 256,119</u></u>

	Restated Balance July 1, 2010	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2011
Business-type activities				
Capital assets not being depreciated				
Land	\$ 422,764	\$ -	\$ -	\$ 422,764
Construction in progress	<u>485,453</u>	<u>1,387,056</u>	<u>(357,702)</u>	<u>1,514,807</u>
Subtotal	908,217	1,387,056	(357,702)	1,937,571
Capital assets being depreciated				
Buildings	3,658,619	-	-	3,658,619
Machinery and equipment	429,066	-	(83,588)	345,478
Vehicles	51,986	-	-	51,986
Sewer system	3,210,024	248,177	-	3,458,201
Water system	<u>3,692,245</u>	<u>348,608</u>	<u>-</u>	<u>4,040,853</u>
Subtotal	11,041,940	596,785	(83,588)	11,555,137
Less accumulated depreciation for:				
Buildings	(416,367)	(73,449)	-	(489,816)
Machinery and equipment	(412,783)	(6,018)	83,588	(335,213)
Vehicles	(42,310)	(7,427)	-	(49,737)
Sewer system	(1,457,213)	(137,070)	-	(1,594,283)
Water system	<u>(1,516,680)</u>	<u>(159,494)</u>	<u>-</u>	<u>(1,676,174)</u>
Subtotal	<u>(3,845,353)</u>	<u>(383,458)</u>	<u>83,588</u>	<u>(4,145,223)</u>
Net capital assets being depreciated	<u>7,196,587</u>	<u>213,327</u>	<u>-0-</u>	<u>7,409,914</u>
Total net capital assets	<u><u>\$ 8,104,804</u></u>	<u><u>\$ 1,600,383</u></u>	<u><u>\$ (357,702)</u></u>	<u><u>\$ 9,347,485</u></u>

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

Sewer	\$ 216,872
Water	<u>166,586</u>
	<u><u>\$ 383,458</u></u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: CAPITAL ASSETS - CONTINUED

Component Unit

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Local Development Finance Authority				
Capital assets being depreciated				
Infrastructure	\$ 3,084,116	\$ -	\$ (52,760)	\$ 3,031,356
Less accumulated depreciation for:				
Infrastructure	(809,790)	(205,608)	12,321	(1,003,077)
Net capital assets being depreciated	2,274,326	(205,608)	(40,439)	2,028,279
Total net capital assets	<u>\$ 2,274,326</u>	<u>\$ (205,608)</u>	<u>\$ (40,439)</u>	<u>\$ 2,028,279</u>

NOTE G: 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, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
Primary Government					
Governmental Activities					
2008 General Obligation Bonds	\$ 2,380,000	\$ -	\$ (25,000)	\$ 2,355,000	\$ 45,000
Compensated absences	70,713	15,074	(19,165)	66,622	4,063
	2,450,713	15,074	(44,165)	2,421,622	49,063
Business-type Activities					
2005 Sewer Improvement Bonds	2,770,000	-	(120,000)	2,650,000	125,000
2007 General Obligation Capital Improvements Bonds	895,000	-	(35,000)	860,000	35,000
	3,665,000	-0-	(155,000)	3,510,000	160,000
TOTAL PRIMARY GOVERNMENT	6,115,713	15,074	(199,165)	5,931,622	209,063
Component Units					
Downtown Development Authority					
2007 General Obligation Bonds	400,000	-	(55,000)	345,000	60,000
2002 General Obligation Bonds	560,000	-	(70,000)	490,000	70,000
Land Contract	96,353	-	(4,453)	91,900	4,822
	1,056,353	-0-	(129,453)	926,900	134,822

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: LONG-TERM DEBT - CONTINUED

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
Component Units - continued					
Local Development Finance Authority					
Local Development Bonds - 2005	\$ 1,090,000	\$ -	\$ (180,000)	\$ 910,000	\$ 180,000
Local Development Bonds - 2001	535,000	-	(80,000)	455,000	85,000
	<u>1,625,000</u>	<u>-0-</u>	<u>(260,000)</u>	<u>1,365,000</u>	<u>265,000</u>
TOTAL COMPONENT UNITS	<u>2,681,353</u>	<u>-0-</u>	<u>(389,453)</u>	<u>2,291,900</u>	<u>399,822</u>
TOTAL REPORTING ENTITY	<u>\$ 8,797,066</u>	<u>\$ 15,074</u>	<u>\$ (588,618)</u>	<u>\$ 8,223,522</u>	<u>\$ 608,885</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 \$45,000 to \$225,000 through May 1, 2028, plus interest ranging from 4.250 to 4.375 percent.	\$ 2,355,000
\$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.	2,650,000
\$995,000 2007 G.O. Capital Improvement Bonds, due in annual installments ranging from \$35,000 to \$75,000 through April 1, 2027, plus interest at 4.70 percent.	<u>860,000</u>
	<u>\$ 5,865,000</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 \$66,622 at June 30, 2011.

Component Units

General Obligation Bonds

\$500,000 2007 Downtown Development Authority Bonds, due in annual installments ranging from \$60,000 to \$75,000 through May 1, 2016, with interest at 4.5 percent.	\$ 345,000
\$990,000 2002 Development Bonds, due in annual installments ranging from \$70,000 to \$90,000 through November 1, 2016, with interest ranging from 4.50 to 5.00 percent.	490,000

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: LONG-TERM DEBT - CONTINUED

Component Units - Continued

\$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 4.125 to 4.500 percent.	\$ 910,000
\$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 4.60 to 5.00 percent.	<u>455,000</u>
	<u>\$ 2,200,000</u>

Land Contract

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

\$128,000 Land contract due in monthly installments ranging from \$387 to \$431 through November 2, 2012, with interest at 8.0 percent. A lump sum of \$84,952 is due on December 2, 2012.	<u>\$ 91,900</u>
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Annual Requirements for Bonded Debt and Land Contract

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

Primary Government

Year Ending June 30,	General Obligation Bonds			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 45,000	\$ 101,387	\$ 160,000	\$ 155,423
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
2017-2021	695,000	405,150	1,125,000	496,290
2022-2026	970,000	225,488	1,410,000	221,075
2027-2028	440,000	29,094	75,000	3,525
	<u>\$ 2,355,000</u>	<u>\$ 1,146,269</u>	<u>\$ 3,510,000</u>	<u>\$ 1,426,711</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: LONG-TERM DEBT - CONTINUED

Annual Requirements for Bonded Debt and Land Contract - continued

Component Units

Year Ending June 30,	General Obligation Bonds		Land Contract	
	Principal	Interest	Principal	Interest
2012	\$ 395,000	\$ 99,240	\$ 4,822	\$ 7,178
2013	405,000	81,833	87,078	3,441
2014	420,000	63,550	-	-
2015	440,000	44,203	-	-
2016	450,000	23,450	-	-
2017	90,000	2,250	-	-
	<u>\$ 2,200,000</u>	<u>\$ 314,526</u>	<u>\$ 91,900</u>	<u>\$ 10,619</u>

NOTE H: 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, 2011, the Village of Fowlerville's annual pension cost of \$19,278 for the plan was equal to the Village of Fowlerville's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2008, 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, 2011

NOTE H: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	2008	2009	2010
Actuarial value of assets	\$ 2,915,432	\$ 2,966,130	\$ 3,034,319
Actuarial accrued liability (AAL) (entry age)	2,669,997	2,794,506	2,855,199
Unfunded AAL (UAAL)	(245,435)	(171,624)	(179,120)
Funded ratio	109%	106%	106%
Annual covered payroll	344,698	367,148	350,116
UAAL as a percentage of covered payroll	0%	0%	0%

	Year Ended June 30,		
	2009	2010	2011
Annual pension cost	\$ 23,754	\$ 14,474	\$ 19,278
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

NOTE I: 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, 2011, the Village contributed a combined amount of \$31,483 to the defined contribution plan for its employees.

NOTE J: RISK MANAGEMENT

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE K: RESTATEMENT OF BEGINNING NET ASSETS

Beginning net assets of the Water and Sewer Fund have been restated to reflect the combining of the Water Fund and the Sewer Fund into a single fund. Beginning net assets of the combined Water and Sewer Fund have also been restated to reflect an error in capital assets in prior years. The restated beginning net assets of the combined Water and Sewer Fund was \$7,451,733. Beginning cash in the statement of cash flows was also restated to reflect the combining of the Water Fund and Sewer Fund into the Water and Sewer Fund.

NOTE L: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

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

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.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE L: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES					
Nonspendable					
Prepays	\$ 19,455	\$ -	\$ -	\$ -	\$ 19,455
Perpetual care	-	-	-	62,988	62,988
Restricted for:					
Mosquito control	16,478	-	-	-	16,478
Refuse collection	25,028	-	-	-	25,028
Composting	67,267	-	-	-	67,267
Streets and highways	-	219,410	111,498	-	330,908
Street lighting	-	-	-	262,818	262,818
Drug law enforcement	-	-	-	4,237	4,237
Perpetual care	22,661	-	-	-	22,661
Committed to:					
Drug law enforcement	46,500	-	-	-	46,500
Assigned to:					
Debt service	-	-	-	123	123
Unassigned	531,109	-	-	-	531,109
	<u>\$ 728,498</u>	<u>\$ 219,410</u>	<u>\$ 111,498</u>	<u>\$ 330,166</u>	<u>\$ 1,389,572</u>

NOTE M: 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, 2011:

Governmental activities	
Restricted for streets and highways	\$ 330,908
Restricted for other purposes	
Mosquito control	16,478
Refuse collection	25,028
Composting	67,267
Street lighting	262,818
Drug law enforcement	4,237
Perpetual care	
Expendable	22,661
Nonexpendable	62,988
	<u>\$ 792,385</u>
Business-type activities	
Restricted for debt service	<u>\$ 183,761</u>

REQUIRED SUPPLEMENTARY INFORMATION

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES

Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 707,850	\$ 682,730	\$ 691,386	\$ 8,656
Licenses and permits	4,815	4,815	4,815	-0-
Intergovernmental				
Federal/State	361,290	407,123	402,363	(4,760)
Local	389,500	380,726	364,027	(16,699)
Total intergovernmental	750,790	787,849	766,390	(21,459)
Charges for services	425,975	415,915	389,481	(26,434)
Fines and forfeits	15,000	9,000	8,566	(434)
Interest and rents	4,630	8,200	8,722	522
Other	13,000	21,496	12,285	(9,211)
TOTAL REVENUES	<u>\$ 1,922,060</u>	<u>\$ 1,930,005</u>	<u>\$ 1,881,645</u>	<u>\$ (48,360)</u>

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES

Year Ended June 30, 2011

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Legislative	\$ 25,377	\$ 27,860	\$ 25,814	\$ 2,046
Executive	144,811	150,692	147,581	3,111
Clerk	52,916	57,025	53,807	3,218
Treasurer	112,001	116,123	112,666	3,457
Cemetery operations	91,689	90,209	86,890	3,319
Village hall and grounds	77,222	86,525	62,521	24,004
Other				
Miscellaneous	24,698	22,998	20,589	2,409
Insurance	65,000	66,013	66,013	-0-
Contracted services	69,600	69,000	63,486	5,514
Total general government	663,314	686,445	639,367	47,078
Public safety				
Police department	700,719	766,736	725,715	41,021
Public works				
Refuse collection	269,186	240,314	222,091	18,223
Sanitary landfill	97,518	76,630	49,908	26,722
Mosquito control	36,000	33,000	23,548	9,452
Total public works	402,704	349,944	295,547	54,397
Community and economic development				
Planning commission	21,513	12,265	4,753	7,512
Recreation and culture				
Recreation	57,771	85,070	78,746	6,324
Capital outlay	4,900	24,500	23,719	781
TOTAL EXPENDITURES	<u>\$ 1,850,921</u>	<u>\$ 1,924,960</u>	<u>\$ 1,767,847</u>	<u>\$ 157,113</u>

Village of Fowlerville

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,055,217	\$ 252,000	\$ 225,348	\$ (26,652)
Interest	500	500	521	21
Other	-	30,000	30,000	-0-
TOTAL REVENUES	1,055,717	282,500	255,869	(26,631)
EXPENDITURES				
Public works				
Administration	10,622	17,123	12,862	4,261
Operations	114,671	136,419	87,491	48,928
Capital outlay	1,182,734	490,000	305,969	184,031
TOTAL EXPENDITURES	1,308,027	643,542	406,322	237,220
EXCESS OF REVENUES (UNDER) EXPENDITURES	(252,310)	(361,042)	(150,453)	210,589
OTHER FINANCING SOURCES				
Transfers in	135,000	135,000	135,000	-0-
NET CHANGE IN FUND BALANCE	(117,310)	(226,042)	(15,453)	210,589
Fund balance, beginning of year	234,863	234,863	234,863	-0-
Fund balance, end of year	<u>\$ 117,553</u>	<u>\$ 8,821</u>	<u>\$ 219,410</u>	<u>\$ 210,589</u>

Village of Fowlerville

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental	\$ 207,836	\$ 142,000	\$ 147,930	\$ 5,930
Interest	1,500	1,000	671	(329)
TOTAL REVENUES	209,336	143,000	148,601	5,601
EXPENDITURES				
Public works				
Administration	10,341	12,391	9,775	2,616
Operations	94,214	104,109	61,581	42,528
Capital outlay	188,074	277,000	247,111	29,889
TOTAL EXPENDITURES	292,629	393,500	318,467	75,033
EXCESS OF REVENUES (UNDER) EXPENDITURES	(83,293)	(250,500)	(169,866)	80,634
OTHER FINANCING (USES)				
Transfers out	(135,000)	(135,000)	(135,000)	-0-
NET CHANGE IN FUND BALANCE	(218,293)	(385,500)	(304,866)	80,634
Fund balance, beginning of year	416,364	416,364	416,364	-0-
Fund balance, end of year	\$ 198,071	\$ 30,864	\$ 111,498	\$ 80,634

OTHER SUPPLEMENTARY INFORMATION

Village of Fowlerville
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2011

	Special Revenue		Debt Service
	Municipal Street	Drug Law Enforcement	2008 G.O. Bond
ASSETS			
Cash and cash equivalents	\$ 262,851	\$ 4,237	\$ 123
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 33	\$ -	\$ -
FUND BALANCES			
Nonspendable	-	-	-
Restricted	262,818	4,237	-
Assigned	-	-	123
TOTAL FUND BALANCES	262,818	4,237	123
TOTAL LIABILITIES AND FUND BALANCES	\$ 262,851	\$ 4,237	\$ 123

<u>Permanent Greenwood Cemetery</u>	<u>Total</u>
<u>\$ 62,988</u>	<u>\$ 330,199</u>
\$ -	\$ 33
62,988	62,988
-	267,055
-	123
<u>62,988</u>	<u>330,166</u>
<u>\$ 62,988</u>	<u>\$ 330,199</u>

Village of Fowlerville

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Special Revenue		Debt Service
	Municipal Street	Drug Law Enforcement	2008 G.O. Bond
REVENUES			
Taxes	\$ 197,914	\$ -	\$ -
Intergovernmental	-	-	128,000
Fines and forfeitures	-	2,692	-
Interest and rents	818	2	23
Other	-	-	-
TOTAL REVENUES	198,732	2,694	128,023
EXPENDITURES			
Current			
Public safety	-	101	-
Public works	24,008	-	-
Debt service	-	-	127,900
TOTAL EXPENDITURES	24,008	101	127,900
NET CHANGE IN FUND BALANCES	174,724	2,593	123
Fund balances, beginning of year	88,094	1,644	-
Fund balances, end of year	<u>\$ 262,818</u>	<u>\$ 4,237</u>	<u>\$ 123</u>

<u>Permanent Greenwood Cemetery</u>	<u>Total</u>
\$ -	\$ 197,914
-	128,000
-	2,692
230	1,073
<u>9,670</u>	<u>9,670</u>
9,900	339,349
-	101
-	24,008
-	<u>127,900</u>
<u>-0-</u>	<u>152,009</u>
9,900	187,340
<u>53,088</u>	<u>142,826</u>
<u>\$ 62,988</u>	<u>\$ 330,166</u>

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2011

	General	Property Rental	2007 Debt Service	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 103,483	\$ 621	\$ 564	\$ 104,668
Receivables				
Rent	-	550	-	550
Contracts	4,562	-	-	4,562
Due from other governmental units	2,651	-	-	2,651
Prepays	15	-	-	15
TOTAL ASSETS	\$ 110,711	\$ 1,171	\$ 564	\$ 112,446
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current liabilities				
Accounts payable	\$ 6,602	\$ -	\$ -	\$ 6,602
Accrued liabilities	2,777	-	-	2,777
Due to other governmental units	1,918	-	-	1,918
Security deposits	-	1,045	-	1,045
Deferred revenue	4,562	-	-	4,562
TOTAL LIABILITIES	15,859	1,045	-0-	16,904
FUND BALANCES				
Nonspendable				
Prepays	15	-	-	15
Assigned to:				
Property rental	-	126	-	126
Debt service	-	-	564	564
Unassigned	94,837	-	-	94,837
TOTAL FUND BALANCES	94,852	126	564	95,542
TOTAL LIABILITIES AND FUND BALANCES	\$ 110,711	\$ 1,171	\$ 564	\$ 112,446

Village of Fowlerville

Component Unit Funds

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

June 30, 2011

Total fund balances - governmental funds \$ 95,542

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

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

Deferred revenue 4,562

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

Long-term liabilities at year-end consist of:

Bonds and land contract payable	\$ 926,900	
Accrued interest payable	<u>6,933</u>	
		<u>(933,833)</u>

Net assets of governmental activities \$ (833,729)

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2011

	General	Property Rental	2007 Debt Service	Total
REVENUES				
Taxes	\$ 478,376	\$ -	\$ -	\$ 478,376
Interest and rents	9,933	20,651	19	30,603
Other	42,413	1,517	-	43,930
TOTAL REVENUES	530,722	22,168	19	552,909
EXPENDITURES				
Current				
Community and economic development				
Salaries	9,825	-	-	9,825
Fringe benefits	2,939	-	-	2,939
Contracted services	60,561	-	-	60,561
Supplies	7,749	-	-	7,749
Printing and publishing	358	-	-	358
Repairs and maintenance	28,691	4,147	-	32,838
Equipment rental	10,342	-	-	10,342
Farmers market	4,195	-	-	4,195
Fire fees	22,111	-	-	22,111
Utilities	-	6,136	-	6,136
Management fees	-	1,036	-	1,036
Taxes	-	8,387	-	8,387
Other	13,288	622	-	13,910
Capital outlay	10,349	-	-	10,349
Debt service	320,505	12,000	73,000	405,505
TOTAL EXPENDITURES	490,913	32,328	73,000	596,241
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	39,809	(10,160)	(72,981)	(43,332)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	10,224	73,000	83,224
Transfers out	(83,224)	-	-	(83,224)
TOTAL OTHER FINANCING SOURCES (USES)	(83,224)	10,224	73,000	-0-
NET CHANGE IN FUND BALANCES	(43,415)	64	19	(43,332)
Fund balances, beginning of year	138,267	62	545	138,874
Fund balances, end of year	<u>\$ 94,852</u>	<u>\$ 126</u>	<u>\$ 564</u>	<u>\$ 95,542</u>

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (43,332)

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: (7,707)

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 129,453

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 1,179

Change in net assets of governmental activities \$ 79,593

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2011

	<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	\$ 963,759	\$ 3,485	\$ 258,990	\$ 1,226,234
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,000	\$ -	\$ -	\$ 3,000
FUND BALANCES				
Restricted for:				
Capital improvements	210,000	-	258,990	468,990
Sinking fund	489,385	-	-	489,385
Assigned to:				
Debt service	-	3,485	-	3,485
Unassigned	261,374	-	-	261,374
TOTAL FUND BALANCES	<u>960,759</u>	<u>3,485</u>	<u>258,990</u>	<u>1,223,234</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 963,759</u>	<u>\$ 3,485</u>	<u>\$ 258,990</u>	<u>\$ 1,226,234</u>

Component Unit Funds

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

June 30, 2011

Total fund balances - governmental funds \$ 1,223,234

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>(1,003,077)</u>	
		2,028,279

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	1,365,000	
Accrued interest payable	<u>15,394</u>	
		<u>(1,380,394)</u>

Net assets of governmental activities \$ 1,871,119

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2011

	General	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
REVENUES				
Taxes	\$ 863,923	\$ -	\$ -	\$ 863,923
Interest	3,357	79	1,126	4,562
TOTAL REVENUES	867,280	79	1,126	868,485
EXPENDITURES				
Current				
Community and economic development				
Contracted services	13,500	-	-	13,500
Payments to primary government	312,890	-	-	312,890
Other	50,939	-	-	50,939
Debt service	105,620	226,868	-	332,488
TOTAL EXPENDITURES	482,949	226,868	-0-	709,817
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	384,331	(226,789)	1,126	158,668
OTHER FINANCING SOURCES (USES)				
Transfers in	-	204,000	-	204,000
Transfers out	(204,000)	-	-	(204,000)
TOTAL OTHER FINANCING SOURCES (USES)	(204,000)	204,000	-0-	-0-
NET CHANGE IN FUND BALANCES	180,331	(22,789)	1,126	158,668
Fund balances, beginning of year	780,428	26,274	257,864	1,064,566
Fund balances, end of year	<u>\$ 960,759</u>	<u>\$ 3,485</u>	<u>\$ 258,990</u>	<u>\$ 1,223,234</u>

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 158,668

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	(205,608)	
Loss on disposal of capital assets	<u>(40,439)</u>	(246,047)

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	260,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>2,700</u>
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Change in net assets of governmental activities \$ 175,321